



\$1 Million Scandal Latest To Hit ACORN

As Evidence Mounts, Congress Must Investigate and Install Taxpayer Protections

ACORN and its affiliates have a multi-decade history of fraud and abuse of taxpayer funds. Recently, the Consumers Rights League released a whistleblower report that uses internal ACORN documents to highlight alleged misuses of taxpayer money by ACORN Housing Corp, which took in 40% of its funds from the government and sent more than a million dollars to ACORN's affiliate, Citizens Consulting.

Now, The New York Times reports ("Funds Misappropriated at 2 Nonprofit Groups," June 9) that ACORN has hid since 2001 the embezzlement of nearly \$1 million by the brother of ACORN's founder from that same organization--Citizens Consulting.

*Additionally, ACORN is currently under investigation for potential voter fraud all across the nation. **With millions of dollars transferred from AHC to these affiliates, it is entirely plausible that taxpayer funds are funding much of this fraud.***

Yet, Congress is poised to reward these organizations with hundreds of millions more dollars. The current housing bill working its way through Congress (HR 3221) would create a multi-billion dollar housing fund from which these organizations could draw vast sums of money.

These groups operate as a complex family of political and non-profit organizations that freely move funds from one to another. More and more evidence of fraud and abuse surfaces seemingly every day. Only a thorough investigation will reveal the truth. Congressmen Feeney, Royce and Hensarling have asked Chairman Frank to hold hearings. But so far, Chairman Frank has chosen not to act or to acknowledge the problem.

This document provides a brief overview and some examples of ACORN and its affiliates' long history of fraud and abuse as well as recommendations that should be included in HR 3221 to protect taxpayers and prevent new abuses.

A Multi-Decade History of Fraud

ACORN has repeatedly been implicated in scandals involving public funds and political activities. Below are a few examples:

Misuse of Taxpayer Funds

- In 1977 — *three decades ago* — ACORN accepted a \$470,000 federal grant through the Volunteers in Service to America (VISTA) program to train volunteers to help low-income citizens. ACORN was accused of illegally using the resources for its political activities, and the report from a Congressional investigation found that ACORN had illegally used the money for labor organizing.
- In 1994 following a Clinton Administration grant worth more than \$1 million to ACORN Housing Corp, an investigation by the Inspector General of AmeriCorps found that AHC used government funds to register low-income individuals for paid ACORN memberships — a violation of federal law. The Inspector General found evidence of inappropriate transactions charged to AHC – and thus to taxpayers – “by ACORN or other ACORN-related entities.” Further, AHC had also lied about maintaining separation from ACORN, which engages in overt political activities. The Inspector General found evidence of “ACORN having ‘created’ AHC to serve purposes common to both organizations” and “noted numerous transactions involving AHC and other ‘fraternal’ ACORN-related corporations.” This grant was revoked.

Voter Fraud

- Since 1998, ACORN and Project Vote employees were implicated in voter registration fraud allegations in more than a dozen states.
- In 2003, ACORN employees in Missouri turned in a batch of thousands of registration forms — of which only about 40 percent were valid, with another 1,000 believed to be attempts to register voters illegally.
- Following Colorado’s 2004 election, two ex-ACORN employees were convicted of perjury for submitting false voter registration forms; one ex-ACORN employee admitted to registering her friends 40 times.
- In 2004, police pulled over a former ACORN employee who had more than 300 voter registration cards in the trunk of his car, many of which had not been turned in within the legal time limit.
- In 2005, Virginia authorities found that of a sample of Project Vote-gathered registrations, 83% *were rejected* for using false or questionable information.
- In 2007, King County, Washington officials announced the indictment of seven workers ACORN had hired to register voters, calling the episode the “*worst case of voter registration fraud in the history of the state.*” At least three of those individuals have pleaded guilty and ACORN was forced to pay a \$25,000 settlement.

Money Laundering

- Project Vote was implicated in a money-laundering scheme to rig the 1996 Teamsters president election, which was thrown out by federal authorities. Project Vote received

\$175,000 to undertake ostensibly non-partisan get-out-the-vote efforts, though an internal Teamsters memo reported that “in each instance they will benefit the Clinton campaign but also, and more specifically, congressional and senate races that we are tracking.”

ACORN’s Abuses Continue Today

Misuse of Taxpayer Funds

- Whistleblower evidence obtained by the Consumers Rights League indicates that the same illegal practice of comingling taxpayer funds with political projects used in 1994 is ongoing.
- An internal 2004 memo brags that a HUD grant of \$650,000 “will provide a good opportunity for ACORN and AHC to work together...”
- From its fiscal years 2004-2006, ACORN Housing Corp obtained 40% of its funding from the government, totaling more than \$7 million.
- During this same time, AHC sent millions of dollars to affiliate organizations.
- *A significant portion of AHC’s money was paid to Citizens Consulting* in the form of “fees” (a search of the last five tax returns available on Guidestar shows AHC paid \$1,343,930 in “fees” to Citizens Consulting).

Embezzlement of Funds

- According to a July 2008 report from The New York Times, ACORN has hid since 2001 the embezzlement of \$948,607.50 from Citizens Consulting, Inc. by ACORN founder Wade Rathke’s brother from 1999 to 2001.
- The New York Times report followed closely on the June 2008 exposé from the Consumers Rights League, which found that taxpayer money supported corporate shakedown tactics, counseling of potential homebuyers to use “undocumented” or “under the table” income to obtain mortgages, and obtaining mortgages for undocumented workers.
- That means taxpayer dollars intended to support housing counseling and easing housing woes directly funded an organization that was covering up massive fraud and engaging in questionable mortgage practices.
- Meanwhile, millions more in taxpayer money has flowed from AHC to other ACORN entities in recent years.

Voter Fraud

- In 2008, federal authorities announced that *eight former ACORN voter registration employees pleaded guilty* to federal election fraud for submitting false registration cards during the 2006 election.
- In June 2008, ninety completed voter-registration applications were stolen from ACORN’s offices in Las Cruces, New Mexico. ACORN’s record in New Mexico includes *registering a 13-year-old* to vote in 2004, and the submission of 3,000 potentially fraudulent signatures by four of its employees in 2005. A sheriff said plainly that, “*It’s safe to say the forgery was widespread.*”
- In March 2008, Philadelphia officials sought an investigation into ACORN’s voter registration program because they “were fed up with false applications gumming up the works” and “specifically accused” ACORN of turning in bad paperwork.

- In June 2008, a Project Vote spokesman acknowledged that 35 percent of the cards turned into Louisiana officials were duplicates. One woman, for instance, had five cards turned in for her, though she didn't complete them.
- On July 6, 2008, authorities in Dauphin County, Pennsylvania announced the investigation of more than 100 voter registration cards submitted by ACORN, including instances where voters say they never filled out a document.
- On July 7, 2008 the Las Vegas Review-Journal reported that a Clark County, Nevada official "*sees rampant fraud in the 2,000 to 3,000 registrations ACORN turns in every week.*"

Congress is Poised to Reward these Organizations with Hundreds of Millions of Dollars

The housing bill working its way through Congress (HR 3221) creates several funds from which AHC and its affiliates could garner potentially hundreds of millions of dollars.

Affordable Housing Fund

- This is funded by requiring Fannie Mae and Freddie Mac to direct 4.2 basis points of all of their new business into this fund.
- The exact language is: "set aside an amount equal to 4.2 basis points for each dollar of the unpaid principal balance of its total new business purchases"
- *The Congressional Budget Office estimates that new mortgage purchases by Fannie Mae and Freddie Mac will total about \$1.7 trillion in 2009, and that **gross assessments under the bill would total about \$710 million in 2009 and about \$9 billion over the 2009-2018 period.***

Housing Counseling Funds

- The House bill that was accepted and is pending passage in the Senate included \$230 million for counseling - \$200 million for loss mitigation counseling and \$30 million for the Neighborhood Reinvestment Corporation to make grants to counseling agencies.

Congress Must Investigate Fraud and Add Protections to Prevent Future Abuses

The Consumers Rights League remains in opposition to the bailout bill as a whole. But even proponents of this legislation must admit that there is a problem with the current system. As evidence mounts that the very same organizations that would reap a financial windfall from HR 3221 are actively engaged in fraud, it would be outright irresponsible for Congress to pass this legislation without investigating current abuses and putting in place measures to prevent future abuses.

Duty to Investigate

- There is clear evidence that strongly suggests that the ACORN family of organizations may have engaged in activities ranging from the misuse of taxpayer funds to fraud and embezzlement.

- Monies that go into one organization become fungible and are easily moved from nonprofit organizations to political organizations with a few semantic and accounting tricks.
- In order to rectify past abuses and better understand how to prevent future abuses, Congress must investigate these practices and allegations.

Measures to Prevent Future Abuses

Increased Transparency

- Congress should add increased transparency requirements for organizations receiving taxpayer funds such as public annual audits and itemized spending reports.
- Taxpayers have a right to know and Congress has a duty to ensure that taxpayer funds are being used responsibly.

Organization Firewall

- Currently organizations are able to hide the misuse of public funds by moving fungible money through multiple organizations.
- Often these organizations are not only affiliated but are run by the same executives.
- Congress should implement measures that prohibit organizations receiving public funds from affiliations with political organizations.

Increased Penalties for Misuse of Public Funds

- Aside from the felony charges that should arise from the embezzlement of funds and the obstruction of justice charges for covering up that embezzlement, there are currently relatively few penalties for the misuse of taxpayer funds.
- HR 3221 requires only that organizations found to have misused funds, repay the funds to the government within 12 months.
- Congress should impose significant financial and other penalties for organizations found to have misused public funds, including permanent ineligibility for future grants.

Conclusion

ACORN and ACORN fraternal organizations' multi-decade record of partisanship and misusing public funds is a prime example of a broken system. They continuously turn in faulty, if not false, voter registration forms that threaten to disenfranchise voters on Election Day. They have repeatedly used taxpayer funds to bolster their own political ends. Eventually, taxpayer money ended up in the pockets of the brother of ACORN's founder and ACORN attempted to hide the truth for years.

Federal authorities must investigate the misuse of taxpayer funds supplied to ACORN and its affiliates and rectify these past abuses. Further, Congress must put into place measures that will prevent such abuses in the future.