

spective that I am talking about right now and determine whether you really can make that extrapolation.

Mr. ADAMS. That is one of the commitments the Secretary has made, to look at those 300 projects. That will be part of that process.

Mr. KYL. There is enough of a problem here without being inaccurate in the extrapolations.

With regard to the access to inside information, can you determine or can you tell us if there are any potential violations of law or regulation? In other words, it is not a good thing if there is inside information to someone with which they can then obtain some kind of a contract or award improperly.

There is a suggestion here that there is something wrong with it, but I have not seen it carried to the logical conclusion. Is there in fact, (A) a regulation that might have been violated; (B) can you point to any situation where it appears the contract was awarded because of the inside information?

Mr. ADAMS. On the question of violation of law or regulation, we identified no laws, no regulations which we believe were violated by the disclosure of information.

The B part of your question, I have forgotten.

Mr. KYL. It appears the inside information was the determination of the Department that in fact a specific award had been made, certain housing units—a certain developer—excuse me, a certain PHA was going to get a certain number of units supported and so on.

That is after the fact information, right?

Mr. ADAMS. Yes, sir.

Mr. KYL. I am having a hard time figuring out—it may not be proper form and certainly it ought not be done. I am having a hard time figuring out what was inherently wrong with it.

Mr. ADAMS. The more common practice was the developer would approach a housing authority and suggest that if that public housing agency would deal with them, that public housing agency would get units.

In instances we identified, the public housing authority then received an allocation from the Department in an amount which corresponded with the number of units of that developer. Therefore, the public housing authority believed that developer did have inside information in the process. They were told at such times that we have 300 units set aside for us. If you deal with us, you will get the units.

Mr. KYL. Did you uncover any evidence to back up any of those suggestions? That is different from the inside information, the three examples you gave to us.

Mr. ADAMS. No. We developed no documentary evidence of that. The individuals were contacted by the public housing authority and communicated with them what they could do for them. The subsequent events reinforced that perception.

Mr. KYL. We are talking about two things. You have documented some inside information that you cannot point to having had any effect because it is after the fact inside information, correct?

Mr. ADAMS. Correct.

Mr. KYL. You also have a situation that just doesn't look right, because it appeared that an award matched what a developer said he could do for someone before the fact?

Mr. ADAMS. Correct.

Mr. KYL. You have not been able to tie the two together in any way yet?

Mr. ADAMS. One comes to recall, Mr. KYL, I might share with you. There was a situation in which guidance was issued to the regional office by the Assistant Secretary on March 25 of last year. On March 30—I hope my staff will correct me if I am wrong on the date—we were told by the director of the public housing authority that he received a copy of that same document from a developer.

That document was giving guidance to the regional office on identifying public housing authorities that would be invited to request funding during that forthcoming funding round. Once again leading to the perception by that housing authority, as well as, we believe, others, that that person or other person enjoyed special entry into the Department.

Mr. KYL. That is an example where there could have been inside information that resulted in the award of a contract in that case. That is theoretical. That is a before-the-fact, a potential before the fact?

Mr. ADAMS. That is correct.

Mr. KYL. Finally—I think finally—with regard to these contributions to charity, I think that that is a very legitimate, worthwhile charity. I am wondering here what quid pro quo might have been. In other words, again, it looks a little strange that all these people who got the awards just happened to have contributed to the favorite charity of someone involved in making the award.

Do you have anything else to present to us that would suggest an impropriety?

Mr. ADAMS. No, sir. I agree with you. It was my concern throughout the process when we were confronted with the issues and in no way intended to demean the charity. It was the mere fact that it was brought to our attention during the course of the investigation. We felt it had to be pursued.

Mr. KYL. It is possible the only quid pro quo was it made this particular individual look good if he could raise a lot of money for his charity; is that correct?

Mr. ADAMS. That is correct.

Mr. KYL. You don't have anything more than that?

Mr. ADAMS. No, sir.

Mr. KYL. I thank you for your testimony.

Mr. LANTOS. Thank you very much.

Congressman Shays.

Mr. ADAMS. I have got a big problem