



U.S. Department of Justice

Office of Legislative Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

November 16, 2009

The Honorable Patrick J. Leahy
Chairman
Committee on the Judiciary
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Please find enclosed documents responsive to Question 2 from Senator Grassley, as set forth in the Committee's Questions for the Record, following the Attorney General's testimony before the Committee on June 17, 2009.

These documents, which total 73 pages, originated with the United States Attorney's Office of the Eastern District of California. They pertain to communications relating to Mr. Gerald Walpin, the former Inspector General for the Corporation for National and Community Service (CNCS). Some of these are multi-subject documents, from which we have redacted text that is not pertinent to the subject of your inquiry. There are no other redactions.

We hope that this information is helpful. Please do not hesitate to contact this office if we can be of further assistance regarding this or any other matters.

Sincerely,

A handwritten signature in black ink, appearing to read "Ronald Weich".

Ronald Weich
Assistant Attorney General

cc: The Honorable Jeff Sessions
Ranking Minority Member

✓The Honorable Charles E. Grassley
Committee on the Judiciary

w/o Enclosure



DLA Piper LLP (US)
400 Capitol Mall, Suite 2400
Sacramento, California 95814-4428
www.dlapiper.com

Matthew G. Jacobs
matthew.jacobs@dlapiper.com
T 916.930.3267
F 916.403.1630

September 10, 2008

By E-Mail and U.S. Mail

Gerald Walpin
Inspector General
Corporation for National and Community Service
1201 New York Avenue, NW, Suite 830
Washington, DC 20525

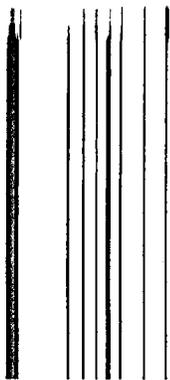
Dear Mr. Walpin:

I understand from an article last week in the *Sacramento Bee* that the Office of the Inspector General ("OIG") has completed its investigation of St. HOPE Academy, and has referred a report to the United States Attorney for the Eastern District of California. In light of the concerns I have previously expressed regarding the premature dissemination of information with respect to OIG's investigation, I write to confirm my understanding of the OIG policies and practices that apply to this referral.

In OIG's handbook, "Your Guide to the Office of Inspector General," available at www.cnscs.oig.gov/PDF/OIGHandbook, OIG states, "Reports of Investigation are sensitive documents. Their distribution is restricted by the Privacy Act and is subject to Freedom of Information Act exemptions as law enforcement documents." *Id.* at 17. Obviously, OIG may submit a report of investigation to the Department of Justice ("DOJ") or a United States Attorney. Once transmitted, public comment by DOJ or the United States Attorney is guided by 28 C.F.R. section 26 and U.S. Department of Justice, *United States Attorney's Manual*, Chapter 1-7.000.

Beyond that, "[i]nvestigative reports are given only to individuals [within the Corporation] who have a 'need to know' in order to properly determine whether agency action is warranted." OIG Handbook, at 17. Since you have already stated unequivocally that your Office does not leak or otherwise disseminate non-public information, that would seem to cover the waterfront of OIG's potential disclosures of the report, any information about it or contained within it, or any other information about your investigation, and I will rest comfortably in the knowledge that no such public disclosure would originate at OIG.

SJC WALPIN000000001



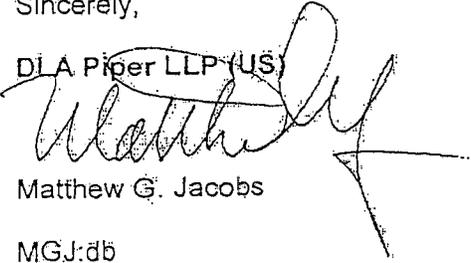


Gerald Walpin
September 10, 2008
Page Two

If I have misunderstood or misconstrued OIG's policies or procedures or your prior statement on this topic, please let me know. Thank you.

Sincerely,

DLA Piper LLP (US)


Matthew G. Jacobs

MGJ:db

cc: Special Agent Jeffrey Morales (by e-mail)
First Assistant U.S. Attorney (E.D. Cal.) Lawrence Brown

SJC WALPIN000000002

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Wednesday, May 13, 2009 4:19 PM
To: Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE); 'Matthew G. Jacobs'
Subject: RE: OIG Special report criticizes St. HOPE settlement

I on the other hand consider him a grandfather figure.

From: Malcolm Segal [mailto:msegal@segalandkirby.com]
Sent: Wednesday, May 13, 2009 4:02 PM
To: Brown, Lawrence (USACAE)
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE); 'Matthew G. Jacobs'
Subject: RE: OIG Special report criticizes St. HOPE settlement

I probably shouldn't say this but frankly, I am not surprised. Mr. Walpin's personal conduct has been appalling from the very beginning of this matter. His letters to me were defensive, hostile and unprofessional. He took statements out of context, twisted facts, jumped to conclusions about other people's motives and refused to hear opposing views. He was always pleasant in our few telephone conversations but his letters and his conduct in dealing with the press smacked of toadying to his investigators and self aggrandizement at the expense of the truth. I would have no problem in saying that to the press, in public and to Congress if necessary.

Malcolm
SEGAL & KIRBY LLP
Phone: (916) 441-0828
Cell: (916) 952-6100
Fax: (916)446-6003
msegal@segalandkirby.com

From: Brown, Lawrence (USACAE) [mailto:Lawrence.Brown@usdoj.gov]
Sent: Wednesday, May 13, 2009 3:05 PM
To: Matthew G. Jacobs; Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

Gents,

Despite their penchant for avoiding the press, it appears the OIG has contacted local media on their report to Congress criticizing the resolution of the St. Hope matter.

Larry

From: Horwood, Lauren (USACAE)
Sent: Wednesday, May 13, 2009 2:46 PM

Duckett, Deb (USACAE)

From: Trinity, Frank [FTRINITY@cns.gov]
Sent: Thursday, April 09, 2009 3:40 PM
To: Newman, Kendall (USACAE)
Subject: Address for Chair of IG Integrity Committee

As discussed, here is the contact information you requested.

Kenneth W. Kaiser, Esq.
Chair, Integrity Committee
Counsel of the Inspectors General on Integrity and Efficiency c/o Criminal Investigative
Division Federal Bureau of Investigation Department of Justice
935 Pennsylvania Avenue, NW
Washington, DC 20535-000

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Friday, September 26, 2008 10:19 AM
To: Scott, McGregor (USACAE)
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE); Horwood, Lauren (USACAE)
Subject: FW: Conference Call

Sent from my GoodLink synchronized handheld (www.good.com)

-----Original Message-----

From: Jeffrey Morales [mailto:J.Morales@cncsoig.gov]
Sent: Friday, September 26, 2008 10:39 AM Eastern Standard Time
To: Brown, Lawrence (USACAE)
Subject: Conference Call

Hello,

I received a voice mail from AUSA Newman on Sep 25, 2008, regarding the articles published on the Sacramento Bee. According to AUSA Newman the U.S. Attorney was not pleased. Mr. Walpin has requested a conference call with you and the US Attorney, if he is available, to discuss this matter. Please let me know what will be a good time to call today.

Thank you

Jeff Morales

Supervisory Special Agent

(202)606-9372

Duckett, Deb (USACAE)

From: Malcolm Segal [msegal@segalandkirby.com]
Sent: Wednesday, May 13, 2009 4:02 PM
To: Brown, Lawrence (USACAE)
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE); 'Matthew G. Jacobs'
Subject: RE: OIG Special report criticizes St. HOPE settlement

I probably shouldn't say this but frankly, I am not surprised. Mr. Walpin's personal conduct has been appalling from the very beginning of this matter. His letters to me were defensive, hostile and unprofessional. He took statements out of context, twisted facts, jumped to conclusions about other people's motives and refused to hear opposing views. He was always pleasant in our few telephone conversations but his letters and his conduct in dealing with the press smacked of toadying to his investigators and self aggrandizement at the expense of the truth. I would have no problem in saying that to the press, in public and to Congress if necessary.

Malcolm

SEGAL & KIRBY LLP

Phone: (916) 441-0828

Cell: (916) 952-6100

Fax: (916)446-6003

msegal@segalandkirby.com

From: Brown, Lawrence (USACAE) [mailto:Lawrence.Brown@usdoj.gov]
Sent: Wednesday, May 13, 2009 3:05 PM
To: Matthew G. Jacobs; Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

Gents,

Despite their penchant for avoiding the press, it appears the OIG has contacted local media on their report to Congress criticizing the resolution of the St. Hope matter.

Larry

From: Horwood, Lauren (USACAE)
Sent: Wednesday, May 13, 2009 2:46 PM
To: Brown, Lawrence (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

From: Gianulias, Koula K [mailto:kgianulias@kovr.com]
Sent: Wednesday, May 13, 2009 2:45 PM

To: Horwood, Lauren (USACAE)

Subject: FW: OIG Special report criticizes St. HOPE settlement

Hello,

Is your office responding to this?

From: William O. Hillburg [mailto:W.Hillburg@cncsoig.gov]

Sent: Wednesday, May 13, 2009 1:57 PM

To: Gianulias, Koula K

Subject: OIG Special report criticizes St. HOPE settlement

I would like to bring to your attention a special report issued by the Office of Inspector General, Corporation for National and Community Service, criticizing the Government's recent settlement of the case involving St. HOPE Academy and two of its former principals. The full report and related documents have been posted on our website at www.cncsoig.gov. The link is: **OIG ISSUES SPECIAL REPORT CRITICIZING SETTLEMENT OF CORPORATION CLAIMS AGAINST ST. HOPE ACADEMY, KEVIN JOHNSON, AND DANA GONZALEZ**

William O. Hillburg
Director of Communications
Office of Inspector General
(202) 606-9368

From: Brown, Lawrence (USACAE) <LBrown2@usa.doj.gov> Date: 09/25/2008 22:58:42
 To: Scott, McGregor (USACAE) <MScott@usa.doj.gov> Cc:
 Folder:
 Subject: RE: Suspend.st.hope.news
 Attachments:

 Print the page

I will. Reisig event was very nice. He was sorry you couldn't make it out, but appreciated the call.

Sent from my GoodLink synchronized handheld (www.good.com)

-----Original Message-----
 From: Scott, McGregor (USACAE)
 Sent: Thursday, September 25, 2008 09:33 PM Eastern Standard Time
 To: Brown, Lawrence (USACAE)
 Subject: RE: Suspend.st.hope.news

I am glad you did this. I have been thinking about this all the way home. I think we can objectively say that the investigating agency has completely lost its objectivity and we cannot make a decision based on what they have submitted to us because of that lack of objectivity. Please think on that.

Sent from my GoodLink synchronized handheld (www.good.com)

-----Original Message-----
 From: Brown, Lawrence (USACAE)
 Sent: Thursday, September 25, 2008 08:34 PM Eastern Standard Time
 To: Scott, McGregor (USACAE)
 Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
 Subject: FW: Suspend.st.hope.news

FYI - As you will see I emailed Matt first.

Sent from my GoodLink synchronized handheld (www.good.com)

-----Original Message-----
 From: Brown, Lawrence (USACAE)
 Sent: Thursday, September 25, 2008 08:31 PM Eastern Standard Time
 To: 'Jacobs, Matthew'
 Subject: RE: Suspend.st.hope.news

Stay tuned.

Sent from my GoodLink synchronized handheld (www.good.com)

-----Original Message-----
 From: Jacobs, Matthew [mailto:matthew.jacobs@dlapiper.com]
 Sent: Thursday, September 25, 2008 08:27 PM Eastern Standard Time
 To: Brown, Lawrence (USACAE)
 Subject: RE: Suspend.st.hope.news

I know you didn't but appreciate the e-mail anyway.

What Walpin did here is outrageous, petty, vindictive, mean-spirited, but most of all, improper. None of you would brook it.

Maybe Greg or you want to say something about it.

Best,

Matt

From: Brown, Lawrence (USACAE) [mailto:Lawrence.Brown@usdoj.gov]

Sent: Thursday, September 25, 2008 5:21 PM
To: Jacobs, Matthew
Subject: FW: Suspend.st.hope.news

I can assure you we had NOTHING to do w this, nor any knowledge of it. The US Attorney is, to put it mildly, none too pleased.

Sent from my GoodLink synchronized handheld (www.good.com)

-----Original Message-----

From: Horwood, Lauren (USACAE)
Sent: Thursday, September 25, 2008 07:35 PM Eastern Standard

Time

To: Brown, Lawrence (USACAE)
Subject: FW: Suspend.st.hope.news

Office of Inspector General
Corporation for National and Community Service

FOR IMMEDIATE RELEASE

Contact:
William Hillburg, Director of Communications
(202) 606-9368

WASHINGTON, DC (September 25, 2008) - The Federal agency in charge of the AmeriCorps volunteer program on Wednesday (September 24) suspended St. HOPE Academy, Kevin Johnson, its founder and former president, and Dana Gonzalez, executive director of St. HOPE's Neighborhood Corps, from all access to Federal grants and contracts for up to one year.

The decision of the Corporation for National and Community Service ("Corporation") resulted from a recommendation made by the Office Inspector General ("OIG"), which was based on information developed in an investigation of St. HOPE and its principals, which is ongoing. The suspension, which immediately went into effect September 24, bars St. HOPE Academy, Johnson and Gonzalez from receiving or using funds from any Federal agency for up to one year, or pending completion of the OIG investigation.

The OIG, in its recommendation for suspension, cited numerous

potential criminal and grant violations, including diversion of Federal grant funds, misuse of AmeriCorps members, and false claims made against a taxpayer-supported Federal agency.

"I appreciate the Corporation's action in implementing our recommendation and in supporting our ongoing investigation," said Inspector General Gerald Walpin. "Given that there exists evidence to suspect improper and fraudulent misuse of grant funds and AmeriCorps members, it is important that immediate action be taken. Between now and the completion of the OIG's investigation, we must protect the public interest from the potential repetition of this conduct by this grantee and its principals."

In its written suspension decision, the Corporation cited numerous AmeriCorps grant violation and diversions of Federal funds. It stressed that "the diversion of grant funds is so serious a violation of the terms of the grant agreement that immediate action via suspension is required to protect the public interest and restrict the offending parties' involvement with other Federal programs and activities."

Under the terms of its Corporation grant, St. HOPE officials agreed to deploy their Neighborhood Corps AmeriCorps members to tutor students at its charter schools, redevelop one building per year in Sacramento's Oak Park neighborhood and coordinate marketing and logistics for St. HOPE's Guild Theater and Art Gallery.

The cited violations of St. HOPE's grant agreement included:

- Misusing AmeriCorps members, financed by Federal grant funds, to personally benefit Kevin Johnson, including driving him to personal appointments, washing his car and running personal errands.
- Unlawfully supplementing St. HOPE staff salaries with Federal grant funds by enrolling two employees in the AmeriCorps program and giving them Federally funded Corporation living allowances and education awards.
- Improperly using members to engage in banned political activities, namely supporting the election of Sacramento School Board candidates.
- Improperly taking members assigned to serve in Sacramento to New York City to promote St. HOPE's establishment of a Harlem charter school.
- Misusing AmeriCorps members, who, under the grant, were supposed to be tutoring elementary and high school students, to instead serve in clerical and janitorial positions at St. HOPE's charter schools.
- Misusing AmeriCorps members to recruit students for St. HOPE's charter schools.

St. HOPE Academy, Johnson and Gonzalez each has the opportunity

to challenge the suspensions, and has 30 days to respond to the Corporation.

During the suspension period, St. HOPE Academy, Johnson and Gonzalez will be included in the Excluded Parties List System, a database maintained by the U.S. General Services Administration (www.epis.gov). The list is used by all Federal agencies to determine the eligibility of individuals and organizations to receive Federal grants and contracts.

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<PRE>

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Thank you.

Newman, Kendall (USACAE)

From: Newman, Kendall (USACAE)
Sent: Tuesday, October 07, 2008 3:52 PM
To: Brown, Lawrence (USACAE); Scott, McGregor (USACAE); Vincent, John (USACAE); Wagner, Ben (USACAE); Palella, Michael (USACAE)
Subject: RE: Discussion with Malcolm Segal

Ken

From: Brown, Lawrence (USACAE)
Sent: Tuesday, October 07, 2008 2:32 PM
To: Scott, McGregor (USACAE); Newman, Kendall (USACAE); Vincent, John (USACAE); Wagner, Ben (USACAE)
Subject: FW: The subpoena to St Hope Academy

Larry

From: Malcolm Segal [mailto:msegal@segalandkirby.com]
Sent: Tuesday, October 07, 2008 2:22 PM
To: Brown, Lawrence (USACAE)
Subject: The subpoena to St Hope Academy

Larry:

The two people who assisted me with the previous subpoenas at St Hope have left the Academy; one was the person who knew the grants and the other the CFO. I wish the OIG had asked for this material earlier and before they drove some very good people away.

I have several people trying to figure out how to recover and assemble the material called for by the subpoena. Is there any hope of relief in sight or do I have to go back to the Agents with a request for time and again suffer OIG Walpin's scorn?

By the way, it is fun trying to burden you with my problems.

Malcolm

SEGAL & KIRBY LLP

770 L Street, Suite 1440

Sacramento, CA 95814

Phone: (916)441-0828

Fax: (916)446-6003

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Lawrence Brown
2713 13th Street
Sacramento, CA 95818
(916) 275-0553

January 5, 2009

The Honorable Dianne Feinstein
United States Senate
Attention: Jim Molinari
One Post Street, Suite 2450
San Francisco, CA 94104

Re: United States Attorney- EDCA

Dear Senator Feinstein:

I write to express my interest in appointment as United States Attorney for the Eastern District of California. Since 2003, I have been First Assistant U.S. Attorney in the district, serving as second-in-command under McGregor Scott. Presently, I am Acting United States Attorney.

Since graduating from the University of California, Davis King Hall School of Law in 1989, I have spent my entire career in public service. From 1989 until 1994, I was a deputy district attorney in Ventura County. In 1994, I joined my then-felony supervisor, Gregory Totten, at the California District Attorneys Association, serving as his deputy executive director. On his return to Ventura County, where he now serves as the District Attorney, I was promoted to executive director and served from 1996 to 2003. In that role, I represented the 58 elected District Attorneys of California, regularly testifying before the Legislature and serving as their primary spokesperson to the media. I managed an annual budget of \$5 million and a staff of approximately 50 persons, responsible for the training and education of prosecutors statewide. In 2000, I was elected by colleagues across the country to serve as president of the National Association of Prosecutor Coordinators.

In 2003, I was selected by incoming United States Attorney McGregor Scott to serve as his First Assistant. Over the past nearly six years, I have been responsible for the day-to-day management of the office. I serve as key of point of contact to local, state, and federal law enforcement and prosecution agencies, as well as to the Chief Clerk, the U.S. Marshal, and the Chief Judge. Since 2005, I have served on the Chief Judge's Judicial Advisory Committee. I also routinely serve as a media spokesperson for the office and lecture frequently to law enforcement and at citizen meetings to explain such controversial topics as the USA PATRIOT Act and the federal ban on medicinal marijuana.

SJC WALPIN000000014

Not hailing from federal prosecution, during my tenure I also took it upon myself to learn the federal justice system. To that end, I indicted a number of relatively routine cases, including child exploitation, bank fraud, and counterfeiting. Last summer, I co-tried the corruption case of United States v. Julie Lee, involving the illegal transfer of state grant funds to the Shelley for Secretary of State campaign account. I also have appeared before the Ninth Circuit Court of Appeal on several occasions. In my role as key advisor to the U.S. Attorney, I have been involved in virtually every major decision on every significant case the office has brought in recent years, and during the U.S. Attorney's frequent trips outside the district, I served as Acting U.S. Attorney.

I submit my name for consideration only after considerable reflection. I recognize the tremendous responsibilities befalling the position and the particular importance the role serves in light of controversies on a national level in recent years. I believe what I can offer the President-elect and his administration is a figure universally well regarded for integrity and decency. I have earned the trust and respect of law enforcement throughout the Central Valley, and have been urged by such persons as the Sacramento Sheriff, Chief of Police, and FBI Special Agent-in-Charge to seek this appointment. I would build on the outstanding relations U.S. Attorney Scott forged with allied local, state, and federal agencies. I also have an excellent relationship with the bench, court administration, and the federal bar.

Perhaps most importantly, my appointment would have significant support from the men and women comprising the U.S. Attorney's Office who serve their careers doing the bidding of the United States. Greg Scott's and my tenure has been viewed as extremely effective by office personnel, respected for its transparency, fairness, and sense of mission. It is understood I would carry on that tradition, and would do so with good humor and humility.

As this is a political appointment, I will note that for the past two years, I have been registered as Decline to State. From 1988-2007, I was a registered Democrat and from 1982-1988, a Republican. As may be evident, I am not a rigid ideologue and discovered that I simply did not fit neatly within either party. I chose to ultimately become an independent because I felt that in my line of work, namely the administration of justice, neither party has a monopoly and its handiwork must be performed in non-partisan fashion. I count myself in the ranks of those who have grown weary of the overly-simplistic "red state/blue state" debates over complex issues and enthusiastically embrace President-elect Obama's call to abandon such labels and become the *united* states of America.

Thank you for any consideration you might give my application.

Sincerely,



Lawrence G. Brown

Duckett, Deb (USACAE)

From: Newman, Kendall (USACAE)
Sent: Thursday, June 11, 2009 2:47 PM
To: Brown, Lawrence (USACAE); Horwood, Lauren (USACAE); Vincent, John (USACAE);
Wagner, Ben (USACAE); Shelledy, David (USACAE); Palella, Michael (USACAE)
Subject: FW: update on CNCS matter
Attachments: ig001.pdf; ig001.pdf

Articles and letter signed by the President.
Ken

From: Trinity, Frank [mailto:FTRINITY@cns.gov]
Sent: Thursday, June 11, 2009 2:23 PM
To: Newman, Kendall (USACAE)
Subject: update on CNCS matter

<http://philanthropy.com/news/government/index.php?id=8528>

http://www.youthtoday.org/publication/article.cfm?article_id=2949

CC: Newman

Integrity Committee
Council of the Inspectors General for Integrity and Efficiency

935 Pennsylvania Ave., NW, Room 3973
Washington, D.C. 20535-0021

May 6, 2009

Lawrence G. Brown
Acting United States Attorney
United States Courthouse
501 I Street, Suite 10-100
Sacramento, CA 95814

IC# 614

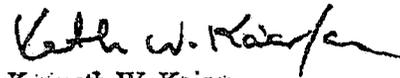
Dear Mr. Brown:

This letter serves to acknowledge receipt of your complaint to the Integrity Committee dated April 29, 2009. As your complaint states, you are forwarding for Integrity Committee review, allegations of abuse of authority by Gerald P. Walpin, Inspector General of the Corporation for National and Community Service, in connection with the handling of United States v. St. HOPE Academy, Kevion Johnson & Dana Gonzalez.

As you may be aware, the Integrity Committee of the Council of Inspectors General is charged with receiving, reviewing, and investigating, where appropriate, allegations of administrative misconduct made against Inspectors General (IG's) and designated members of an IG's staff.

The IC will review this matter at its next scheduled meeting in June. Thank you for bringing this matter to the IC's attention.

Sincerely,



Kenneth W. Kaiser
Chair, Integrity Committee

SJC WALPIN000000017

Integrity Committee
Council of the Inspectors General for Integrity and Efficiency

935 Pennsylvania Ave., NW, Room 3973
Washington, D.C. 20535-0001

May 6, 2009

Lawrence G. Brown
Acting United States Attorney
United States Courthouse
501 I Street, Suite 10-100
Sacramento, CA 95814

IC# 614

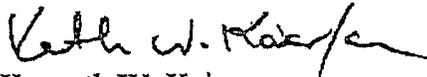
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Sincerely,


Kenneth W. Kaiser
Chair, Integrity Committee

SJC WALPIN000000018



U.S. DEPARTMENT OF JUSTICE

*United States Attorney
Eastern District of California*

*Lawrence G. Brown
Acting United States Attorney*

Robert T. Matsui
United States Courthouse
501 J Street, Suite 10-100
Sacramento, CA 95814

Phone 916/554-2700
Fax 916/554-2900
TTD 916/554-2855

April 29, 2009

Kenneth W. Kaiser, Esq.
Chair, Integrity Committee
Counsel of the Inspectors General on Integrity and Efficiency
c/o Criminal Investigative Division
Federal Bureau of Investigation, Department of Justice
935 Pennsylvania Avenue, NW
Washington, DC 20535-0000

Re: United States v. St. HOPE Academy, Kevin Johnson & Dana Gonzalez

Dear Mr. Kaiser:

I am the Acting United States Attorney for the Eastern District of California. I am writing to express my Office's concerns about the conduct of the Corporation for National and Community Service (CNCS) Inspector General, Gerald Walpin, and his staff in the handling of United States v. St. HOPE Academy, Kevin Johnson & Dana Gonzalez.

In our experience, the role of an Inspector General is to conduct an unbiased investigation, and then forward that investigation to my Office for a determination as to whether the facts warrant a criminal prosecution, civil suit or declination. Similarly, I understand that after conducting such an unbiased investigation, the Inspector General is not intended to act as an advocate for suspension or debarment. However, in this case Mr. Walpin viewed his role very differently. He sought to act as the investigator, advocate, judge, jury and town crier.

Very briefly, this matter resulted from the alleged misuse of AmeriCorps grant funds by St. HOPE Academy, and the involvement in the alleged misuse by St. HOPE's then Chief Executive Officer Kevin Johnson, and Executive Director Dana Gonzalez. Kevin Johnson is a former NBA basketball player, and was a Sacramento mayoral candidate, subsequently elected Mayor, when this matter first came to light during fall 2008. Thus, this matter received significant local press coverage.

April 29, 2009

This matter was referred to our Office on August 7, 2008. However, even before our Office officially received this matter, we learned about it in April and June 2008 through articles in the Sacramento Bee newspaper, including comments from an IG spokesperson. Moreover, we considered the IG referral somewhat unusual in that it was accompanied by a letter from Mr. Walpin (enclosed) explaining that he viewed the conduct in this case as egregious and warranted our pursuing the matter criminally and civilly.

Within a few weeks thereafter, on August 25th, we met with Mr. Walpin and 2 investigators from his office. We expressed our concerns that the conclusions in their report seemed overstated and did not accurately reflect all of the information gathered in their investigation. We also highlighted numerous questions and further investigation they needed to conduct, including the fact that they had not done an audit to establish how much AmeriCorps money was actually misspent.

Despite our expressed concerns and the need for further analysis, the next we learned of this matter was again through the Sacramento Bee newspaper. First, on September 5, 2008, an IG spokesperson informed the newspaper that the matter had been referred to our Office, but also added that a "referral means that it's our opinion that there is some truth to the initial allegations..." Second, Mr. Walpin apparently advocated to have St. HOPE, Johnson and Gonzalez immediately placed on a list of parties suspended from receiving federal funds. We learned of that determination through Sacramento Bee articles quoting extensively from a *press release* issued by Mr. Walpin's office on September 25, 2008. Not only was it extremely questionable for Mr. Walpin to issue a press release, it contained statements such as: "[i]f we find really egregious stuff and we want to stop the bleeding, we seek immediate suspension..." Moreover, the IG publically released the findings of his investigation.

On September 26, 2008, I participated in a conference call in which then U.S. Attorney McGregor Scott emphatically informed Mr. Walpin that under no circumstance was he to communicate with the media about a matter under investigation. We also informed Mr. Walpin that his actions were hindering our investigation and handling of this matter. In fact, as a result of Mr. Walpin's public pronouncements on the eve of the mayoral election, McGregor Scott felt compelled to inform the media that our Office did not intend to file any criminal charges.

During the following months our Office was involved in actively pursuing a potential civil case in this matter, working with investigators in the IG's office, obtaining additional discovery, and negotiating a possible resolution. On March 24, 2009, the Sacramento Bee published an editorial (enclosed) that this matter needed prompt resolution. On that same day, an attorney in my Office telephoned Mr. Walpin concerning the ongoing efforts to attempt to resolve the matter. First, although Mr. Walpin stated that he did not make debarment determinations, he made it clear that he would advocate and seek to control the outcome so that St. HOPE and Mayor Johnson were debarred for 3 years. Second, he stated that he had sent a *letter to the editor* to the Sacramento Bee. I promptly called Mr. Walpin and asked him to retract the letter, and reminded him about our previous admonition that he should not be communicating with the press. I advised Mr. Walpin that Kevin Johnson's status as Mayor did not entitle him to a "free pass", but the matter merited a certain level of sensitivity. Needless to say, my comments fell on deaf ears, and the Sacramento Bee gladly ran Mr. Walpin's letter as a special editorial (enclosed).

April 29, 2009

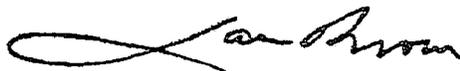
Negotiations continued between my Office and counsel for St. HOPE and Mayer Johnson. As part of that process, St. HOPE's counsel provided evidence that they asserted helped establish that a significant portion of the AmeriCorps grant funds were appropriately expended. For example, the referral from the IG expressly concluded that St. HOPE "AmeriCorps Members Performed No Tutoring." However, the evidence St. HOPE provided included a statement from Herinder Pegany, the Principal of an elementary school, stating that St. HOPE AmeriCorps members had performed after-school tutoring at his school. When asked to review this material, members of Mr. Walpin's office revealed that CNCS investigators had interviewed Mr. Pegany and had obtained a similar statement from him, *but did not include it in their report or disclose it to my Office.*

When confronted by the non-disclosure, Mr. Walpin sought to defend why his office had not included all of the relevant material in their referral. Moreover, Mr. Walpin advised an attorney in my office that once again he was writing to the Sacramento Bee (enclosed). Only by calling upon General Counsel for CNCS were we able to convince Mr. Walpin not to send his letter to the newspaper.

Ultimately, despite the hindrance of Mr. Walpin, due to the extraordinary assistance of CNCS General Counsel Frank Trinity and Associate General Counsel Irshad Abdal-Haqq, we were able to negotiate a resolution of this matter very favorable to the interests of the United States. Although I have stated repeatedly in this letter that our Office does not believe in trying a matter in the media, it is worth noting that in a column in the Sacramento Bee newspaper the day after the settlement was announced, the columnist concluded: "Johnson and his nonprofit will repay half of the \$847,673 in grants. Johnson will take an online course on federal grants. And Sacramento is clear to tap millions in federal dollars....The conclusion wasn't a slap on the wrist or fraud. It was the system rising above those who cheapened it."

In summary, the IG should be a fact-finding impartial investigative arm of the CNCS agency. Although I recognize that a strong IG is necessary to ensure that allegations of wrongdoing are investigated, I believe that Mr. Walpin overstepped his authority by electing to provide my Office with selective information and withholding other potentially significant information at the expense of determining the truth. I believe that rather than ensuring protection of a respected federal agency, he tarnished its reputation. Please contact me if you need additional information.

Sincerely,



LAWRENCE G. BROWN
Acting United States Attorney

Enclosure

cc: Alan Solomont, Chairman CNCS
Stephen Goldsmith, Vice Chairman CNCS
Nicola Goren, Acting CEO CNCS



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St. HOPE, Principals Suspended

Meet Inspector General Gerald Walpin



Created by the National and Community Service Trust Act of 1993, the Corporation for National and Community Service provides opportunities for Americans of all ages and backgrounds to serve their communities and country through three programs: Senior Corps, AmeriCorps, Vista, and Learn and Serve America. For more information on the Corporation's programs, please visit

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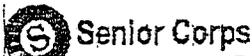
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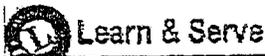
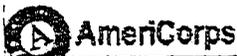
The 1993 Act also established the Office of Inspector General. The OIG conducts and supervises independent and objective audits and investigations of Corporation programs and operations to weed out wrongdoing, waste and inefficiency. Also, based on the results of these audits and investigations, the OIG recommends policies to Corporation management to promote economy and efficiency and prevent and detect, waste, fraud and abuse.



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**Office of Inspector General
Corporation for National and Community Service**

FOR IMMEDIATE RELEASE

Contact:

William Hillburg, Director of Communications
(202) 606-9368

WASHINGTON, DC (September 25, 2008) - The Federal agency in charge of the AmeriCorps volunteer program on Wednesday (September 24) suspended St. HOPE Academy, Kevin Johnson, its founder and former president, and Dana Gonzalez, executive director of St. HOPE's Neighborhood Corps, from all access to Federal grants and contracts for up to one year.

The decision of the Corporation for National and Community Service ("Corporation") resulted from a recommendation made by the Office Inspector General ("OIG"), which was based on information developed in an investigation of St. HOPE and its principals, which is ongoing. The suspension, which immediately went into effect September 24, bars St. HOPE Academy, Johnson and Gonzalez from receiving or using funds from any Federal agency for up to one year, or pending completion of the OIG investigation.

The OIG, in its recommendation for suspension, cited numerous potential criminal and grant violations, including diversion of Federal grant funds, misuse of AmeriCorps members, and false claims made against a taxpayer-supported Federal agency.

"I appreciate the Corporation's action in implementing our recommendation and in supporting our ongoing investigation," said Inspector General Gerald Walpin. "Given that there exists evidence to suspect improper and fraudulent misuse of grant funds and AmeriCorps members, it is important that immediate action be taken. Between now and the completion of the OIG's investigation, we must protect the public interest from the potential repetition of this conduct by this grantee and its principals."

In its written suspension decision, the Corporation cited numerous AmeriCorps grant violation and diversions of Federal funds. It stressed that "the diversion of grant funds is so serious a violation of the terms of the grant agreement that immediate action via suspension is required to protect the public interest and restrict the offending parties' involvement with other Federal programs and activities."

Under the terms of its Corporation grant, St. HOPE officials agreed to deploy their Neighborhood Corps AmeriCorps members to tutor students at its charter schools, redevelop one building per year in Sacramento's Oak Park neighborhood and coordinate marketing and logistics for St. HOPE's Guild Theater and Art Gallery.

The cited violations of St. HOPE's grant agreement included:

- Misusing AmeriCorps members, financed by Federal grant funds, to personally benefit Kevin Johnson, including driving him to personal appointments, washing his car and running personal errands.
- Unlawfully supplementing St. HOPE staff salaries with Federal grant funds by enrolling two employees in the AmeriCorps program and giving them Federally funded Corporation living allowances and education awards.
- Improperly using members to engage in banned political activities, namely supporting the election of Sacramento School Board candidates.
- Improperly taking members assigned to serve in Sacramento to New York City to promote St. HOPE's establishment of a Harlem charter school.
- Misusing AmeriCorps members, who, under the grant, were supposed to be tutoring elementary and high school students, to instead serve in clerical and janitorial positions at St. HOPE's charter schools.
- Misusing AmeriCorps members to recruit students for St. HOPE's charter schools.

St. HOPE Academy, Johnson and Gonzalez each has the opportunity to challenge the suspensions, and has 30 days to respond to the Corporation.

During the suspension period, St. HOPE Academy, Johnson and Gonzalez will be included in the Excluded Parties List System, a database maintained by the U.S. General Services Administration (www.epls.gov). The list is used by all Federal agencies to determine the eligibility of individuals and organizations to receive Federal grants and contracts.



The Staff of The Sacramento Bee

This story is taken from Sacbee / Breaking News / E-mail Alerts -- Breaking News.

Feds investigating St. HOPE find 'numerous' potential violations

By Terri Hardy - thardy@sacbee.com

Published 11:52 am PDT Thursday, September 25, 2008

Federal agents investigating Kevin Johnson's St. HOPE nonprofit volunteer program found "numerous potential criminal and grant violations," according to a press release issued today by a federal inspector general.

For the first time, the Inspector general's office revealed details of its months-long probe. On Wednesday, the findings of that investigation triggered a halt of federal funding to Johnson, a former top St. HOPE executive Dana Gonzalez and at least a portion of the St. HOPE organization.

The suspension of funding will last up to 12 months or until the completion of the federal probe, according to federal officials. In a contract with the federal volunteer program AmeriCorps, St. HOPE's service group received \$807,000 between 2004 and 2007.

"Given that there exists evidence to suspect improper and fraudulent misuse of grant funds and AmeriCorps members, it is important that immediate action be taken," said Gerald Walpin, Inspector General for the Corporation for National and Community Service, in the press release. The corporation oversees AmeriCorps.

Added Walpin: "Between now and the completion of the investigation, we must protect the public interest from the potential repetition of this conduct by this grantee and its principals."

Johnson is challenging Mayor Heather Fargo in the Nov. 4 election for Sacramento's top elected post. Johnson and St. HOPE officials have said they are cooperating in the investigation. They maintained in earlier interviews that any problems with the Hood Corps grant were limited to minor administrative errors.

Hood Corps no longer receives federal funding, and Gonzalez left the organization in August.

Federal agents in April launched an investigation into St HOPE's Hood Corps operation after The Bee raised questions about the program. Agents recently turned over findings from their investigation to the U.S. Attorney's office in Sacramento, where prosecutors will decide whether to file charges.

Among the potential violations federal investigators identified in the inspector general's statement:

SJC WALPIN000000026

- Misusing AmeriCorps members, financed by federal grant funds, to personally benefit Johnson, including driving him to personal appointments, washing his car and running personal errands.
- Unlawfully supplementing St. HOPE staff salaries with federal grant funds by enrolling two employees in the AmeriCorps program and giving them federally funded corporation living allowances and education awards.
- Improperly using members to engage in banned political activities, namely supporting the election of Sacramento school board candidates.
- Improperly taking members assigned to serve in Sacramento to New York City to promote St. HOPE's establishment of a Harlem charter school.
- Misusing AmeriCorps members, who, under the grant, were supposed to be tutoring elementary and high school students, to instead serve in clerical and janitorial positions at St. HOPE's charter schools.
- Misusing AmeriCorps members to recruit students for St. HOPE's charter schools.

In its contract with AmeriCorps, St. HOPE agreed to tutor students at its charter schools, redevelop a building a year in Sacramento's Oak Park neighborhood and to coordinate marketing and logistics for St. HOPE's Guild Theater and Art Gallery, according to federal officials.

St. HOPE Academy, Johnson and Gonzalez each has the opportunity to challenge the suspensions and 30 days to respond to the corporation, the statement said.

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KJW



OFFICE OF INSPECTOR GENERAL

August 7, 2008

Lawrence G. Brown, Esq.
First Assistant United States Attorney

John Vincent, Esq.
Chief of the Criminal Division

Kendall J. Newman, Esq.
Chief of the Civil Affirmative Section

Office of the United States Attorney
for the Eastern District of California
501 I Street
Suite 10-100
Sacramento, CA 95814

Re: Kevin Johnson and Dana Gonzalez

Via Federal Express

Dear Messrs. Brown, Vincent, and Newman:

I am forwarding to each of you herewith our referral to your office for criminal and civil prosecution of Kevin Johnson and Dana Gonzalez, respectively President/CEO and Executive Director of the St. HOPE Academy ("SHA"), for false and fraudulent conduct in connection with \$845,018.75 in Federal funds, disbursed to and for SHA under a grant to SHA covering grant years 2004-05, 2005-06, and 2006-07. Accompanying the 30 page referral are two binders of supporting documents referenced in the referral providing evidentiary support for the statements in the referral. (I have not burdened Mr. Brown with the evidentiary binders, but, if I am incorrect in my assumption that he would prefer not to receive them, I will forward another set to him on his request.)

As detailed in the accompanying referral, Mr. Johnson converted for his personal use and for the use of St.HOPE Academy (Mr. Johnson's controlled entity) the portion (\$677,310.77) paid directly to SHA, and fraudulently caused the Government to disburse the balance (\$167,707.94) to persons not entitled to benefit. Violations of various Federal penal statutes, including obtaining by fraud Federal funds under a grant (18 U.S.C. § 666), filing of false and fraudulent claims (18 U.S.C. § 287), and the making of false and fraudulent statements (18 U.S.C. § 1001) are detailed.



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SJC WALPIN000000028

I would hazard a guess that most U.S. Attorney's offices have had experience in prosecuting those violations in the context of a for-profit Government contractor, but not in the context of a not-for-profit Government grantee. No one hesitates for a moment in prosecuting a for-profit Government contractor who executes a contract with the Government to produce a specified product, but instead uses the Government funds for other purposes, such as financing other non-contract activities, and, to obtain the Government funds, misrepresents to the Government that the funds had been used for the contract specified activities. This type of criminal conduct has occurred, for example, in the cost-plus contract context, when the contractor uses its labor and material for a non-contract activity but charges those costs to the Government contract.

That is essentially what our accompanying referral shows occurred here, except that the recipient was not a for-profit entity but a not-for-profit entity, obtaining Government funding by proclaiming its purpose was to do a specific and identified type of activity to benefit the community, and instead used the funds and labor financed by the Government for other purposes.

Prosecution here would be in furtherance of the formation late in 2006, by the Criminal Division of the Justice Department of the National Procurement Fraud Task Force, of which I am now a member. As the Deputy Attorney General then stated, in announcing this new endeavor, because " [w]e simply cannot tolerate fraud and abuse in government contracting, it is necessary" to increase criminal enforcement in areas of procurement fraud" -- which he specifically defined as including "grant fraud" -- to make clear to the "public" that "anyone who is cheating the system will be held accountable." To that end, the DOJ "encourage[s] agencies to refer more cases for civil and criminal prosecution." And DOJ, in the announcement of this initiative, stated that "the key to a renewed and sustained effort against procurement fraud is an energized and empowered IG community working in tandem with Federal prosecutors." That is exactly what this IG office is endeavoring to do here.

In some ways, this type of crime is worse in the not-for-profit context than in the for-profit context. While I certainly do not minimize the importance of preventing fraud and improper conversion of Government funds in the for-profit context, the primary damage to the Government is usually money. In contrast, in the not-for-profit context about which I write, the damage to the Government has two important aspects: certainly improper taking of Government funds is one; but the second is the serious adverse effect it has to this important Government program to incentivize Americans to volunteer for the benefit of the community and those in need of assistance. At the heart of this referral is AmeriCorps, a Congressionally-mandated program, involved here, to obtain mainly young-adult Americans who contribute a block of their time to revitalize a community and tutor young disadvantaged in order to raise their educational prowess. When those who sign up to do this work (for a *de minimis* living allowance and, on completion of the required number of hours, an Education Award up to a maximum of \$4725 which can be used for tuition or payment of college loans), are not used to do the specified tutoring and community improvements, but instead for menial tasks, these volunteers become discouraged and, when the reality of their AmeriCorps time becomes known to prospective volunteers, it turns them off and disparages the reputation of the AmeriCorps program as a whole.

In addition, because the grant world seems to have its own means of communication, the fact that principals of a grantee engaged in this type of conduct without any significant penalty weakens any deterrence against similar conduct by others.

Because of the importance that I and my office put on this referral, I, together with my two Special Agents, Jeffrey Morales and Wendy Wingers, who have pursued this investigation, would like to meet with the three of you in your office to discuss this matter, at the earliest time after you have had an opportunity to review it. I will call you to discuss a date that meets your schedule.

When we fix on a date, I would appreciate the opportunity of greeting Scott McGregor, the U.S. Attorney, or, at his decision, having him join in our discussion. For that reason, I am forwarding to him a copy of this letter (without the accompanying material) with a cover note.

Very truly yours,



Gerald Walpin
Inspector General

THE SACRAMENTO BEE sacbee.com

This story is taken from Sacbee / Opinion

Editorial: AmeriCorps case needs resolution

Published Tuesday, Mar. 24, 2009

Since AmeriCorps began in September 1994, about 2,600 nonprofit and community groups a year have worked with volunteers to improve communities. For their service, volunteers get a \$4,725 education award for college or graduate school and a living allowance.

Unfortunately, but not surprisingly, some nonprofit organizations working with AmeriCorps volunteers have run into problems that range from human error and ignorance of regulations to outright fraud.

In Sacramento, St. HOPE Academy's Neighborhood Corps ("Hood Corps" for short), received federal grants from 2004 to 2007. Under these grants, AmeriCorps volunteers were supposed to tutor students at St. HOPE's charter schools, redevelop one building a year in Oak Park and coordinate marketing and logistics for the Guild Theater and 40 Acres Art Gallery.

The AmeriCorps' office of the inspector general began looking at Hood Corps in April 2008; in preliminary findings last September, it found that two St. HOPE employees received AmeriCorps living allowances and education awards – duplicating their salaries.

The inspector general also found that AmeriCorps volunteers were engaged in activities beyond the scope of the grant – such as recruiting students for Sac High and for a new charter opening in Harlem and doing clerical tasks at Sac High. The IG found that AmeriCorps volunteers were driving St. HOPE founder Kevin Johnson around, washing his car and picking up his dry cleaning. They also handed out fliers recommending a slate of Sac City school board candidates.

Johnson has admitted "administrative errors." The usual remedy in these cases is repayment.

In some cases, there is also a fine. (That's what happened when the YMCA of New York was found to be padding AmeriCorps volunteer hours in a tutoring program).

In Sacramento, the IG's findings have not led to criminal charges. In November, the U.S. attorney said the material submitted by the IG fell short of proving criminal conduct and sent the case back for more information. The matter is dragging on.

Normally, such slowness wouldn't matter. But in this case, the IG took the unusual step of suspending St. HOPE Academy, Johnson (now Sacramento's mayor) and former Hood Corps

director Dana Gonzalez (now a mayoral volunteer) from receiving federal funds for up to a year pending completion of the investigation.

Now, the city of Sacramento has received an opinion that Johnson's suspension may preclude the city from getting federal funds if he influences their use. And the IG's office has "declined to say when the review would be finished."

Given the potential consequences of a suspension, the IG's office should either expedite the case - getting repayment and/or fines under way - or lift the suspension if the case is expected to drag on indefinitely. The original reason for suspension was to protect the public from "potential repetition of this conduct" while the investigation was ongoing. Johnson and Gonzalez have stepped down from their positions at St. HOPE and Hood Corps, so that should no longer be a concern.

This situation cries out for resolution. This is a case where everybody would be better off if the nonprofit and the IG reach a repayment settlement for the errors and move on.

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My View: The federal aid ball is in Johnson's court

Special to The Bee

Published Tuesday, Mar. 31, 2009

Your March 24 editorial, without basis, attacks my Inspector General office for "dragging on" with our investigation of St. HOPE Academy and its principals so that the city of Sacramento may be precluded "from getting federal funds" due to the fact that on Sept. 24, 2008, Mr. Kevin Johnson was suspended "from receiving federal funds."

The relevant law – which I would have thought that you would have researched before writing your editorial – demonstrates that you are targeting the wrong entity for any delay of the determination of whether Johnson's suspension was appropriate.

Some background: As Inspector general, I am duty-bound to take action to uncover and to prevent fraud and waste in the almost \$1 billion of taxpayers' money that is disbursed by the Corporation for National and Community Service.

Under controlling regulations, suspension from receiving or controlling federal funds is one of the tools available, where there "exists ... adequate evidence to suspect ... commission of fraud ... making false claims ... or commission of any other offense indicating a lack of business integrity or business honesty that seriously and directly affects (the person's) present responsibility ... or violation of the terms of a public agreement or transaction so serious as to affect the integrity of an agency program, such as willful failure to perform in accordance with the terms of one or more public agreements or transactions."

For a suspension to occur, my office must recommend the suspension to the deciding official (who is not in my office) and provide adequate evidence to support the suspension to the deciding official. That was done here. The suspending official there- after notified Johnson of the suspension.

Most important is that the regulations give any person or entity suspended – including Johnson – the right "to contest a suspension" by "provid(ing) the suspending official with information in opposition to the suspension ... within 30 days after (receipt of) the Notice of Suspension." The opposition submission cannot rely on "a general denial"; Instead, it must include "specific facts that contradict the statements made in the Notice of Suspension."

Thus, contrary to your editorial, the ball on the suspension has been in Johnson's court since

the order of suspension was issued.

Apparently, he made the decision not to appeal the suspension by providing specific facts that would show to the neutral suspension official that the suspension was not warranted. If, as you charge (without basis), that suspension in these circumstances was an "unusual step," the procedures allowed Johnson to seek to lift the suspension. He decided not to do so.

Your editorial also refers to a criminal investigation or civil monetary recovery or settlement. I do not comment on such matters unless they are public.

But, in any event, those legal avenues are irrelevant here as they are in no way connected with the ability of the city of Sacramento to obtain federal funds - only the suspension order has that effect.

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Gerald P. Walpin is the inspector general of the Corporation for National and Community Service.

202+808+8388

Kew Johnson
916-554-2439

12:05... p.m. 04-02-2009

1/1

4/2/09

Draft from G. Walpin

Mr. Johnson was entirely within his legal right to continue litigating the issue of his suspension in the press by disseminating his lawyer's letter to the Deciding Official, rather than using the legal procedures available to him to apply to lift the suspension by submitting "specific facts" to show that he did not commit the specific wrongdoing of which he was advised in the Notice of Suspension.

The Office of Inspector General will not, however, join in this litigation in the media by commenting on the facts which are to be decided by the independent Deciding Official.

In response to the repeated questions by your newspaper seeking information as to the number of suspensions in the past, the Office of Inspector General is not the Deciding Official and does not have such records. But we will note the obvious irrelevancy of those questions. Is the newspaper suggesting because, in this office's experience, most grantees do not commit criminal acts, and therefore only a very small percentage of grantees are referred for criminal prosecution, that a grantee who does commit a criminal act should not be prosecuted? Likewise, the suspension sanction is utilized only where warranted to protect Federal funds. Given the current atmosphere, in which all elements of our country - government, media, and citizens in general - are properly asking for greater protections against misuse of taxpayers' money, all Inspectors General cannot be asked to do less.

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Wednesday, March 25, 2009 10:07 AM
To: Matthew G. Jacobs
Cc: Newman, Kendall (USACAE)
Subject: RE: Reasons You Should Either (1) Call out Walpin Publicly, or (2) Tell Him to Take His Case Back Home

Matt,

Off the record, as they say, I have spoken w/ Mr. Walpin this morning and expressed my views in no uncertain terms. I am not going to get into details of what was said.

Thanks,
Larry

From: Matthew G. Jacobs [mailto:mgj@sojllp.com]
Sent: Tuesday, March 24, 2009 4:42 PM
To: Brown, Lawrence (USACAE)
Cc: Newman, Kendall (USACAE)
Subject: Reasons You Should Either (1) Call out Walpin Publicly, or (2) Tell Him to Take His Case Back Home

Larry, I expressed my outrage over Walpin's letter to the editor to Ken, who I'm sure has communicated it to you, but that did not have the fully cathartic effect I desired so I must try another tack:

1. The U.S. Attorney (Greg) already told this guy once he's not supposed to speak publicly about federal cases in this District.
2. He's *not* supposed to speak publicly about federal cases in this District. The DOJ regs explicitly state that the U.S. Attorney is the primary spokesperson for all federal law enforcement in the District. Moreover, Hilburg has stated repeatedly, and as recently as Saturday's Bee article, that he *can't* comment on ongoing investigations. So Walpin *knows* he's not supposed to comment.
3. WTF is wrong with this guy! First, he tried to effect the election; now he's messing around with the entire region's federal funding! Over this case?!

In all seriousness, the U.S. Attorney needs to stand up and say this isn't right. The U.S. Attorney represents the face of justice in this District, and for this District. Please.

Thanks. Matt

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111

Newman, Kendall (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Thursday, June 11, 2009 10:39 PM
To: Brown, Lawrence (USACAE); Newman, Kendall (USACAE); Shelledy, David (USACAE); Vincent, John (USACAE); Delaney, Carolyn (USACAE); Wagner, Ben (USACAE); Palella, Michael (USACAE); Horwood, Lauren (USACAE)
Subject: AP: Obama to fire inspector general of AmeriCorps

Obama to fire inspector general of AmeriCorps

By ANN SANNER and PETE YOST – 2 hours ago

WASHINGTON (AP) — President Barack Obama plans to fire the inspector general who investigates AmeriCorps and other national service programs amid a controversy between the IG and Sacramento Mayor Kevin Johnson, who is an Obama supporter and former NBA basketball star.

The IG, Gerald Walpin, was criticized by the U.S. attorney in Sacramento for the way he handled an investigation of Johnson and his nonprofit group, St. HOPE Academy, which received hundreds of thousands of dollars in federal grants from the Corporation for National Community Service. The corporation runs the AmeriCorps program.

On Thursday, Obama said in a letter to Congress that he had lost confidence in Walpin. Neither the president nor deputy White House press secretary Josh Earnest would give details.

The president must give Congress 30 days' notice before removing Walpin, who is being suspended with pay for the 30 days. Earnest said, "The president will appoint a replacement in whom he has full confidence as the corporation carries out its important mission."

Sen. Chuck Grassley, R-Iowa, in a letter to Obama, pointed to a law requiring that Congress be given the reasons an IG is fired. He cited a Senate report saying the requirement is designed to ensure that inspectors general are not removed for political reasons.

Grassley said Walpin had identified millions of dollars in AmeriCorps funds that were wasted or misspent and "it appears he has been doing a good job."

White House counsel Gregory Craig, in a reply to Grassley, cited a letter from the acting U.S. attorney in Sacramento to the Inspector General Council's integrity committee about how Walpin handled Johnson's case during the time when Johnson also was running for mayor.

"We are aware of the circumstances leading to that referral and of Mr. Walpin's conduct throughout his tenure and can assure you that the president's decision was carefully considered," Craig wrote.

Messages left for Walpin seeking comment were not immediately returned.

The IG found that Johnson, a former all-star point guard for the Phoenix Suns, had used AmeriCorps grants to pay volunteers to engage in school-board political activities, run personal errands for Johnson and even wash his car.

In August 2008, Walpin referred the matter to the local U.S. attorney's office, which said the IG's conclusions seemed overstated and did not accurately reflect all the information gathered in the investigation.

"We also highlighted numerous questions and further investigation they needed to conduct, including the fact that they had not done an audit to establish how much AmeriCorps money was actually misspent," Acting U.S. Attorney Lawrence Brown said in an April 29 letter to the federal counsel of inspectors general.

Walpin's office made repeated public comments just before the Sacramento mayoral election, prompting the U.S. attorney's office to inform the media that it did not intend to file any criminal charges.

The U.S. attorney's office reached a settlement in the matter. Brown cited press accounts that said Johnson and the nonprofit would repay half of nearly \$850,000 in grants it received.

Kevin Heistand, chairman of the board of St. HOPE Academy, said in a statement it was "about time" Walpin was removed. "Mr. Walpin's allegations were meritless and clearly motivated by matters beyond an honest assessment of our program."

Ken Bach, who works in the inspector general's office at the corporation, will be acting inspector general until Obama appoints someone to the position.

Walpin, a New York attorney, was appointed by President George W. Bush and sworn into office in January 2007 after being confirmed by the Senate, according to a news release on AmeriCorps' Web site. Walpin graduated from College of the City of New York in 1952 and received a law degree in 1955 from Yale Law School. He was a partner with the New York City law firm Katten Muchin and Rosenman LLP for more than 40 years.

On Wednesday night, Alan Solomont, a Democrat and the board chairman of the government-run corporation, and Stephen Goldsmith, a Republican and the board's vice chair, said they backed the president's decision.

In a written statement, Solomont and Goldsmith said: "We strongly endorse the president's decision with respect to Inspector General Gerald Walpin. We look forward to working with a new inspector general."

Newman, Kendall (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Friday, October 03, 2008 3:49 PM
To: Newman, Kendall (USACAE); Vincent, John (USACAE)
Cc: Scott, McGregor (USACAE)
Subject: Fw: St Hope Academy
Attachments: SUBPOENA.pdf

Fyi

Sent from my BlackBerry Wireless Handheld

From: Malcolm Segal
To: Brown, Lawrence (USACAE)
Sent: Fri Oct 03 18:14:51 2008
Subject: St Hope Academy

Dear Larry:

I was somewhat taken aback to receive this incredibly broad subpoena today and write only because I generally recall that there was once a rule that when an agency referred a case to the United States Attorneys Office for consideration it stopped unilaterally issuing subpoenas. If there is a rule, are you in a position to enforce it?

This subpoena goes to the heart of the inquiry your office is reviewing. It will take many hours of plowing through records to gather the material. I am also concerned that yet more OIG allegations will flow from this activity since they have previously claimed purported obstruction when records they received from us pursuant to prior subpoenas had some children's addresses covered to protect their privacy. Many of the staff who worked with these records are now gone and the records will have to be reviewed by people unfamiliar with both the grant and the records.

Frankly, the timing of this new foray is suspicious. At some point I guess I will cease to be surprised by such ill advised conduct. In any event, if you aren't in a position to stop the process, and the OIG is entitled to persist in its self-publicized efforts to squash and close down this well intentioned, community oriented organization, I will muddle through - but not happily so.

Malcolm

SEGAL & KIRBY LLP
(916)441-0828
(916)446-6003 fax
msegal@segalandkirby.com

~~Newman, Kendall (USACAE)~~

From: Newman, Kendall (USACAE)
Sent: Thursday, April 30, 2009 9:21 AM
To: Kaiser, Kenneth W. (FBI)
Subject: Letter from Larry Brown re Gerald Walpin

Mr. Kaiser

Please see the attached letter from Acting US Attorney Larry Brown concerning CNCS IG Gerald Walpin.
Please contact me if you have any questions or if you need additional information.

Kendall Newman
Chief, Civil Affirmative Section
U.S. Attorney's Office, EDCA
916-554-2821



Brown letter to
Kenneth Kaiser...

Newman, Kendall (USACAE)

From: Newman, Kendall (USACAE)
Sent: Thursday, April 30, 2009 9:27 AM
To: ads@sb-ventures.com; goldsmith@iquest.net; ngoren@cns.gov
Subject: Letter from US Attorney Larry Brown to Kenneth Kaiser

Please see the attached letter from Acting US Attorney Larry Brown concerning CNCS IG Gerald Walpin.
Please contact me if you have any questions or if you need additional information.

Kendall Newman
Chief, Civil Affirmative Section
U.S. Attorney's Office, EDCA
916-554-2821



Brown letter to
Kenneth Kaiser...

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Thursday, May 14, 2009 4:21 PM
To: Matthew G. Jacobs; Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: RE: OIG Special report criticizes St. HOPE settlement

That hadn't been lost on us...

From: Matthew G. Jacobs [mailto:mgj@sojllp.com]
Sent: Thursday, May 14, 2009 4:12 PM
To: Brown, Lawrence (USACAE); Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: RE: OIG Special report criticizes St. HOPE settlement

I didn't notice until now that Walpin included as exhibits two letters from me that bear the legend, "Privileged Settlement Communications." Also, I don't know if Walpin has an attorney-client relationship with Trinity, the general counsel, but if so, he's released an a/c privileged e-mail as well, along with his internal communications with your office. Wow.

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111
mgj@sojllp.com
www.sojllp.com

From: Brown, Lawrence (USACAE) [mailto:Lawrence.Brown@usdoj.gov]
Sent: Wednesday, May 13, 2009 3:05 PM
To: Matthew G. Jacobs; Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

Gents,

Despite their penchant for avoiding the press, it appears the OIG has contacted local media on their report to Congress criticizing the resolution of the St. Hope matter.

Larry

From: Horwood, Lauren (USACAE)
Sent: Wednesday, May 13, 2009 2:46 PM
To: Brown, Lawrence (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

From: Gianulias, Koula K [mailto:kgianulias@kovr.com]
Sent: Wednesday, May 13, 2009 2:45 PM

To: Horwood, Lauren (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

Hello,
Is your office responding to this?

From: William O. Hillburg [mailto:W.Hillburg@cncsoig.gov]
Sent: Wednesday, May 13, 2009 1:57 PM
To: Gianulias, Koula K
Subject: OIG Special report criticizes St. HOPE settlement

I would like to bring to your attention a special report issued by the Office of Inspector General, Corporation for National and Community Service, criticizing the Government's recent settlement of the case involving St. HOPE Academy and two of its former principals. The full report and related documents have been posted on our website at www.cncsoig.gov. The link is: **OIG ISSUES SPECIAL REPORT CRITICIZING SETTLEMENT OF CORPORATION CLAIMS AGAINST ST. HOPE ACADEMY, KEVIN JOHNSON, AND DANA GONZALEZ**

William O. Hillburg
Director of Communications
Office of Inspector General
(202) 606-9368

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Sent: Thursday, May 14, 2009 4:12 PM
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William O. Hillburg
Director of Communications
Office of Inspector General
(202) 606-9368

This story is taken from Sacbee / Our Region

Official at agency that gave grants calls St. HOPE settlement 'a farce'

dwalsh@sacbee.com

Published Thursday, May. 14, 2009

The inspector general of the federal agency that provided grants and awards of more than \$800,000 to Mayor Kevin Johnson's nonprofit St. HOPE Academy has lashed out at the terms of his agency's settlement with St. HOPE as "a farce."

The settlement requires repayment of half the amount and it lifted a suspension barring St. HOPE, its former executive director Dana Gonzalez and Johnson from receipt of any federal funds as punishment for misuse of the money.

In a 29-page "Special Report to Congress" earlier this month, Gerald Walpin, inspector general of the Corporation for National and Community Service, said the settlement:

- "Sends the signal that acceptance of a grantee or its principal as 'responsible' can be purchased in a monetary settlement, overriding all evidence of wrongdoing previously found to warrant a suspension, without the presentation of any contradicting evidence."
- "Provides no protection of the corporation's interests. While papering it to appear that Johnson and ... St. HOPE ... have agreed to give back half of the \$847,673, ... in fact, that is false. Johnson is paying nothing; while he advanced (money for St. HOPE's initial payment), Johnson has no obligation to pay one cent, ... and he can very promptly even obtain reimbursement (of the advance).

"Moreover," Walpin continued, "St. HOPE's financial condition is so precarious that it is unreasonable to count on St. HOPE to be able to make the 10 years of payments provided by the settlement agreement."

Touting the settlement as being in the government's interest "is an attempt to pull the wool over the public's eyes," Walpin charged.

He also says on his office's Web site that the corporation, instead of commenting on his

report when it went to the Senate Committee on Health, Education, Labor and Pensions, cited a formal complaint about Walpin lodged by Acting U.S. Attorney Lawrence Brown, and told the committee "it would only provide its comments when the complaint is resolved."

Brown wrote a letter April 29 to a branch of the FBI that polices the integrity of all federal inspectors general asking for a review of Walpin's performance throughout the investigation of St. HOPE.

Brown would not comment Wednesday, nor would Johnson.

The Corporation for National and Community Service and Walpin's office did not return calls seeking comment.

Following an investigation last year, Walpin's office accused Johnson and other St. HOPE officials of improperly using some of the \$847,673 in federal money received between 2004 and 2007.

Federal officials said they supplemented salaries for St. HOPE school staff with grant funds and engaged volunteers in political activities, such as canvassing for school board members and running personal errands for Johnson.

The findings were submitted to the U.S. attorney's office for review. Negotiations on a civil settlement concluded last month with an agreement that Johnson and St. HOPE will repay more than \$400,000 in grants.

[ShareThis](#)

Call The Bee's Denny Walsh, (916) 321-1189.

Duckett, Deb (USACAE)

From: Matthew G. Jacobs [mgj@sojllp.com]
Sent: Thursday, June 11, 2009 3:06 PM
To: Brown, Lawrence (USACAE); Newman, Kendall (USACAE); Vincent, John (USACAE)
Cc: mscott@orrick.com
Subject: FW: Obama Fires CNCS Watchdog

Importance: High

Think this is real? Or too good to be true?

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111
mgj@sojllp.com
www.sojllp.com
http://www.youthtoday.org/publication/article.cfm?article_id=2949

Latest News

Obama Fires CNCS Watchdog

Inspector general removed after scathing report on AmeriCorps grantee.

(June 11, 2009)

 [Add Comment](#)

by Nancy Lewis

The inspector general (IG) of the Corporation for National and Community Service is being removed by President Barack Obama, a week after the IG questioned the eligibility of the largest and most expensive AmeriCorps program, and while the IG was contesting the "propriety" of a settlement made with a mayor for alleged misuse of AmeriCorps funds.

Gerald Walpin, an appointee of President George W. Bush who has served as the corporation's IG for more than two years, could not be reached for comment yesterday, and a spokesman for his office said neither the office nor Walpin could say anything about the removal.

Officials insisted that Walpin's removal was not connected to recent controversies but was merely a routine change that came with a change in administrations. But those routine changes are rarely announced or characterized as "removal."

A statement issued by Nicola Goren, acting CEO of the corporation, said that board chairman Alan Solomont and vice chair Stephen Goldsmith fully supported the move. CNCS spokeswoman Ranit Schmelzer would not say if they requested Walpin's removal. The announcement said he has 30 days to vacate the office.

The action leaves the top four positions at CNCS - chief executive officer, chief operating officer, chief financial officer and inspector general - vacant or filled temporarily, at a time when the corporation is charged with increasing its capacity to 250,000 volunteers by 2017. By then the budget is expected to rise to nearly \$6 billion annually, from \$1.19 billion.

Maria Eitel, a Nike vice president chosen by Obama to lead CNCS, abruptly **withdrew her name late last month**, five weeks after her selection was announced, citing health problems. The president's announcement of the choice of Eitel was made with great public fanfare, but her withdrawal was also announced through a statement from Goren, released late on the Friday before Memorial Day.

There is no indication when new leadership will be chosen, though Obama has made service a hallmark of

his administration.

Some decisions about CNCS are being made by First Lady Michelle Obama, according to service advocates (who asked not to be named). Last week, Mrs. Obama announced that her chief of staff, Jackie Norris, would move to CNCS as a senior adviser. Officials said yesterday that Norris is scheduled to arrive on June 22.

Asked why the announcement of Walpin's removal came late Wednesday from CNCS instead of the White House, Schmelzer of CNCS said it's because Walpin - who serves at the pleasure of the president - is a corporation employee.

IG Controversies

Funding for the largest AmeriCorps program - the Teaching Fellows Program, run by the Research Foundation of the City University of New York - is in abeyance pending resolution of widespread problems identified in a recent audit. Although Walpin recommended that funding be curtailed and that previous funds (perhaps as much as \$75 million) be repaid to the corporation, the corporation has said it will take no action on that matter.

Walpin concluded that nothing was being gained by the grants to CUNY and that the money was simply being used to subsidize an existing and funded program.

At the same time, Walpin was challenging the resolution of charges against Sacramento mayor Kevin Johnson stemming from the Hood Corps, a project of St. Hope Academy, which he started in one of the city's low-income neighborhoods. The IG audit found that the program misused virtually all its funds and did little of what was outlined in its grant proposal.

Specifically, the audit found that Johnson and other officials of Neighborhood Corps used AmeriCorps volunteers to recruit students for a charter school run by its parent program, improperly paid at two school employees with AmeriCorps funds for duties they did not perform, improperly used volunteers to perform personal errands for Johnson (including washing his car and driving him to personal appearances) and used the AmeriCorps volunteers to engage in political activities in connection with a board of education election.

Johnson, who was elected mayor in November, was barred from receiving federal grant money - the most serious action that the agency can take against a person or program.

When questions were raised about whether Johnson's city would therefore be ineligible to receive federal stimulus funds, a settlement was reached with the U.S. attorney's office calling for repayment of about half the grant money. Johnson was to pay a portion of the money, with the agency he had headed paying the remainder over five years. The ban on funds to Johnson was also lifted.

In a letter to Sen. Edward Kennedy (D-Mass.), head of the Senate committee that oversees the corporation, and other congressional leaders, Walpin objected to the settlement, saying St. Hope was insolvent and likely would not be able to repay the money.

Walpin, who as inspector general usually would have been involved in any settlement, was cut out of the deal after the acting U.S. attorney filed a complaint with the Integrity Committee of the Council of Inspectors General on Integrity and Efficiency.

No one from the committee returned calls inquiring about that matter and a copy of the complaint has not been released. The complaint appears to center on claims that the U.S. attorney's office learned about the action against Johnson from a local newspaper. Walpin's office maintains that office was notified of the pending action months before.

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Thursday, June 11, 2009 10:39 PM
To: Brown, Lawrence (USACAE); Newman, Kendall (USACAE); Shelledy, David (USACAE); Vincent, John (USACAE); Delaney, Carolyn (USACAE); Wagner, Ben (USACAE); Palella, Michael (USACAE); Horwood, Lauren (USACAE)
Subject: AP: Obama to fire inspector general of AmeriCorps

Obama to fire inspector general of AmeriCorps

By ANN SANNER and PETE YOST – 2 hours ago

WASHINGTON (AP) — President Barack Obama plans to fire the inspector general who investigates AmeriCorps and other national service programs amid a controversy between the IG and Sacramento Mayor Kevin Johnson, who is an Obama supporter and former NBA basketball star.

The IG, Gerald Walpin, was criticized by the U.S. attorney in Sacramento for the way he handled an investigation of Johnson and his nonprofit group, St. HOPE Academy, which received hundreds of thousands of dollars in federal grants from the Corporation for National Community Service. The corporation runs the AmeriCorps program.

On Thursday, Obama said in a letter to Congress that he had lost confidence in Walpin. Neither the president nor deputy White House press secretary Josh Earnest would give details.

The president must give Congress 30 days' notice before removing Walpin, who is being suspended with pay for the 30 days, Earnest said, "The president will appoint a replacement in whom he has full confidence as the corporation carries out its important mission."

Sen. Chuck Grassley, R-Iowa, in a letter to Obama, pointed to a law requiring that Congress be given the reasons an IG is fired. He cited a Senate report saying the requirement is designed to ensure that inspectors general are not removed for political reasons.

Grassley said Walpin had identified millions of dollars in AmeriCorps funds that were wasted or misspent and "it appears he has been doing a good job."

White House counsel Gregory Craig, in a reply to Grassley, cited a letter from the acting U.S. attorney in Sacramento to the Inspector General Council's integrity committee about how Walpin handled Johnson's case during the time when Johnson also was running for mayor.

"We are aware of the circumstances leading to that referral and of Mr. Walpin's conduct throughout his tenure and can assure you that the president's decision was carefully considered," Craig wrote.

Messages left for Walpin seeking comment were not immediately returned.

The IG found that Johnson, a former all-star point guard for the Phoenix Suns, had used AmeriCorps grants to pay volunteers to engage in school-board political activities, run personal errands for Johnson and even wash his car.

In August 2008, Walpin referred the matter to the local U.S. attorney's office, which said the IG's conclusions seemed overstated and did not accurately reflect all the information gathered in the investigation.

"We also highlighted numerous questions and further investigation they needed to conduct, including the fact that they had not done an audit to establish how much AmeriCorps money was actually misspent," Acting U.S. Attorney Lawrence Brown said in an April 29 letter to the federal counsel of inspectors general.

Walpin's office made repeated public comments just before the Sacramento mayoral election, prompting the U.S. attorney's office to inform the media that it did not intend to file any criminal charges.

The U.S. attorney's office reached a settlement in the matter. Brown cited press accounts that said Johnson and the nonprofit would repay half of nearly \$850,000 in grants it received.

Kevin Heistand, chairman of the board of St. HOPE Academy, said in a statement it was "about time" Walpin was removed. "Mr. Walpin's allegations were meritless and clearly motivated by matters beyond an honest assessment of our program."

Ken Bach, who works in the inspector general's office at the corporation, will be acting inspector general until Obama appoints someone to the position.

Walpin, a New York attorney, was appointed by President George W. Bush and sworn into office in January 2007 after being confirmed by the Senate, according to a news release on AmeriCorps' Web site. Walpin graduated from College of the City of New York in 1952 and received a law degree in 1955 from Yale Law School. He was a partner with the New York City law firm Katten Muchin and Rosenman LLP for more than 40 years.

On Wednesday night, Alan Solomont, a Democrat and the board chairman of the government-run corporation, and Stephen Goldsmith, a Republican and the board's vice chair, said they backed the president's decision.

In a written statement, Solomont and Goldsmith said: "We strongly endorse the president's decision with respect to Inspector General Gerald Walpin. We look forward to working with a new inspector general."

Duckett, Deb (USACAE)

From: Newman, Kendall (USACAE)
Sent: Friday, June 12, 2009 11:18 AM
To: Trinity, Frank
Subject: RE: press contact info you requested

Thanks Frank. Would you also please send me the letter from Senator Grassley and the response from White House Counsel?

Thanks.

Ken

-----Original Message-----

From: Trinity, Frank [mailto:FTRINITY@cns.gov]
Sent: Friday, June 12, 2009 11:14 AM
To: Newman, Kendall (USACAE)
Subject: press contact info you requested

Ranit Schmelzer, CNCS Director of Public Affairs
202-606-6615

Josh Earnest, WH Deputy Press Secretary
202-503-5526

Duckett, Deb (USACAE)

From: Newman, Kendall (USACAE)
Sent: Tuesday, May 12, 2009 9:56 AM
To: Brown, Lawrence (USACAE)
Subject: RE: Phone call

He wanted a copy of your letter, which I sent to him.
Ken

From: Brown, Lawrence (USACAE)
Sent: Tuesday, May 12, 2009 9:26 AM
To: Newman, Kendall (USACAE)
Subject: Fw: Phone call

Know anything about why he's calling? Could you return to get info?

Sent from my BlackBerry Wireless Handheld

From: Wenger, Mary (USACAE)
To: Brown, Lawrence (USACAE)
Sent: Tue May 12 12:12:34 2009
Subject: Phone call

Jack Park from the office of Inspector General for National and Community Services – 202-606-9370

Mary Wenger

Secretary to Lawrence G. Brown

Acting United States Attorney

Eastern District of California

501 I Street, Suite 10-100

Sacramento, CA 95814

(916) 554-2730

fax: (916) 554-2874

email: mary.wenger@usdoj.gov



U.S. DEPARTMENT OF JUSTICE

*United States Attorney
Eastern District of California*

McGregor W. Scott United States Attorney

Robert T. Matsui
United States Courthouse
501 I Street, Suite 10-100
Sacramento, CA 95834

Phone 916/554-2700
Fax 916/554-2900
TTD 916/554-2855

September 9, 2008

William Anderson
Debarment and Suspension Official
Corporation for National and Community Service
1201 New York Avenue, NW
Washington, D.C. 20525

Re: Suspension Matter Involving St. HOPE Academy, Kevin Johnson, and Dana Gonzalez

Dear Mr. Anderson:

I understand that the Corporation for National and Community Service ("Corporation") is considering suspending St. HOPE Academy of Sacramento, CA and two individuals associated with that organization, Kevin Johnson and Dana Gonzalez. The Office of Inspector General ("OIG") of the Corporation, which has responsibility to investigate violations of law involving Corporation grants, has prepared and submitted to my office a referral for criminal and/or civil proceedings against the above-identified entity and individuals.

This office has made no decision on whether any such proceeding should be commenced, and will make no such decision until careful study of the OIG referral. I am informed, however, that the investigation by and referral from OIG involves facts on which you are relying in your potential suspension.

I am advising you that substantial interests of the Government in legal proceedings contemplated by the OIG referral would be prejudiced if you conduct fact-finding in connection with any suspension until this office has had time to make a determination on the

SJC WALPIN000000054

William Anderson

p. 2

legal proceedings recommended by the OIG referral. Hence, should you choose to suspend, I request, as provided under 2 CFR 180.735(a) (4), that you not conduct fact-finding under 2 CFR 180.735 until this office completes review of the referral.

Thank you for your consideration. If you have any questions please do not hesitate to contact Assistant United States Attorney John K. Vincent at (916) 554-2795.

Sincerely,



McGREGOR W. SCOTT
United States Attorney

MWS/mw

cc. Gerald Walpin, Inspector General
Corporation for National and Community Service

SJC WALPIN000000055

From: Brown, Lawrence (USACAE)
Sent: Tuesday, September 09, 2008 2:33 PM
To: Vincent, John (USACAE); Newman, Kendall (USACAE)
Subject: FW: St. Hope letter

FYI

From: Wenger, Mary (USACAE)
Sent: Tuesday, September 09, 2008 2:32 PM
To: m.merino@cncsoig.gov
Cc: Brown, Lawrence (USACAE)
Subject: St. Hope letter



StHope
ltr-090908.pdf

Mary Wenger
Secretary to McGregor W. Scott
United States Attorney
Eastern District of California
501 I Street, Suite 10-100
Sacramento, CA 95814
(916) 554-2730
fax: (916) 554-2874
email: mary.wenger@usdoj.gov

Duckett, Deb (USACAE)

From: Matthew G. Jacobs [mgj@sojllp.com]
Sent: Wednesday, May 13, 2009 3:24 PM
To: Brown, Lawrence (USACAE); Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: RE: OIG Special report criticizes St. HOPE settlement

I'm only a few pages in, but this is unbelievable on so many levels I am speechless.

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111
mgj@sojllp.com
www.sojllp.com

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To: Brown, Lawrence (USACAE)
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William O. Hillburg
Director of Communications
Office of Inspector General
(202) 606-9368

[REDACTED]

This story is taken from Sacbee / Our Region / Top Stories

Letter rips St. HOPE board

mgutierrez@sacbee.com

Published Wednesday, May. 20, 2009

The man highly touted as Kevin Johnson's replacement at St. HOPE Public Schools outlined a list of legal and ethical concerns about the operation of the charter schools in an eight-page resignation letter.

Among Rick Maya's claims is that a member of the charter schools board deleted Johnson's e-mails during a federal investigation into the misuse of public funds at St. HOPE Academy. That allegation came as news to the Office of the Inspector General and U.S. attorney's office, both of which were involved in the investigation.

Maya also wrote in the letter, which The Bee obtained through the Public Records Act, that the board of directors is made up of the Sacramento mayor's loyalists, who Maya claims want to oust him for trying to report and correct problems.

Johnson's mayoral spokesman, Steve Maviglio, said Tuesday that Johnson could not comment, citing threatened litigation. But, Maviglio said, "These allegations are unfortunate and untrue."

Maya, a former Bank of America executive, resigned from the St. HOPE Public Schools board of directors on April 9 and is on administrative leave from his position as executive director at St. HOPE. He has not returned repeated phone calls from The Bee.

Maya is one of four board members who have resigned since March. Former board member Robert Trigg, a longtime local educator, wrote in his resignation letter on April 2 that the charter schools are in serious financial trouble and he commended Maya for bringing issues to the board.

Board Chairman Bernard Bowler, a former IBM executive, resigned March 20. His brief resignation letter offered no details and he declined further comment Tuesday.

Board member Lori Mills resigned temporarily from the the charter's board because of her position with the nonprofit St. HOPE Academy, which operates the volunteer Hood Corps and the 40 Acres Art Gallery.

Mills' dual roles created concern that the schools would not be able to receive federal money

following a highly publicized investigation of Hood Corps' use of Americorps funds, according to an internal Sacramento City Unified School District memo.

Johnson, St. HOPE Academy and its former executive director, Dana Gonzalez, were found to have misused grant money and volunteers during an investigation by the Office of the Inspector General for the Corporation for National and Community Service.

Millions of dollars in economic stimulus funding for the city of Sacramento also appeared to be at risk because Johnson was banned from receiving federal aid as part of the investigation.

Johnson and St. HOPE Academy were removed from the suspension list in April after agreeing to repay half the \$847,673 in grants the nonprofit had received over a three-year period.

E-mail breach disputed

Maya alleged in his resignation letter that on Aug. 22, while the academy was under federal subpoena in that investigation, he notified the board that fellow board member and local businessman Sam Oki had accessed St. HOPE's e-mail system and deleted some of Johnson's e-mails:

Maya discovered the breach, he wrote, when his own e-mails also were deleted.

"We had to pay thousands of dollars to recover the information deleted from our e-mail system as a result of this highly inappropriate and potentially unlawful incursion into our e-mail system," Maya's letter said. "We are still unsure whether all of the deleted information has been recovered."

Oki, CFO of a local research and technology company, said Tuesday that he was aware of Maya's allegations, but that they are not true.

"I really can't say a whole lot more," said Oki, who was one of the four original top fundraisers for the St. HOPE Academy, when it was Johnson's after-school enrichment program. "At this point in time, it is a personnel issue."

Acting U.S. Attorney Lawrence Brown, whose office negotiated the settlement with St. HOPE, said his office had not seen the letter or heard Maya's allegations.

"There certainly would be an interest here if it appears there may have been a potential obstruction of justice," Brown said.

William Hillburg, spokesman for the Office of the Inspector General, said he, too, was unaware of Maya's allegations. He declined to comment further.

When Maya reported the e-mail incident to the board, he maintained members took no action other than to report it to St. HOPE's legal counsel.

Maya also complained about a potential conflict of interest in the charter school board's use of Kevin Hiestand as legal counsel. Hiestand is Johnson's longtime friend, business partner

and personal attorney as well as a board member and legal counsel for St. HOPE Academy.

"The fact that the board chooses to ignore these issues is very disturbing," Maya wrote.

In an e-mail to The Bee, Hiestand denied any impropriety.

Mayor's involvement

Another question raised by Maya's letter, as well as by former board member Trigg, is whether it's appropriate for Johnson to continue to be involved with the board.

Officially, Johnson stepped down as CEO and board chairman of St. HOPE Public Schools in June after entering a runoff election for mayor. While Bowler replaced him as chairman, Johnson never fully surrendered his official control over the board.

Trigg told The Bee that he asked the board to consider bringing in outside legal counsel to clarify what Johnson's role should be.

"I wanted that clarified because of the situation with the academy board and because he is now the mayor of Sacramento," said Trigg, a former Elk Grove Unified School District superintendent who, along with Bowler, endorsed Johnson in the mayor's race.

"Our counsel (Hiestand) was and is a member of the academy board. I wanted separation from the academy board and our school board. The school is what I was concerned about."

Sacramento Charter High co-principal P.K. Diffenbaugh said that Johnson has maintained a distance. Diffenbaugh was one of four school leaders at St. HOPE Public Schools to sign a no-confidence letter against Maya on March 16.

"Since Mayor Johnson has moved on to the campaign and being the mayor, his involvement has been minimal," Diffenbaugh said. "I may e-mail him when a kid he knows gets accepted into college. He's been busy doing other things."

However, the St. HOPE board bylaws indicate that Johnson retains an important role. Johnson is on the nominating committee that recommends board members and has the authority to select the other two members of the nominating committee, giving him the exclusive power to shape the board.

He named Lisa Serna-Mayorga and Tracy Stigler to the nominating committee in charge of replacing Trigg, Maya, Bowler and Mills in April. Serna-Mayorga is on Johnson's council staff and worked for his campaign, and Johnson's connections to Stigler date back to his days in Arizona.

Maya objected to Johnson's involvement on the nominating committee at an April 3 board meeting, minutes show. When the board would not reconsider, Maya publicly announced his immediate resignation from the board but said he would remain as executive director.

"(The board showed) they lack good judgment and are willing to risk the health of our schools to please Mr. Johnson," Maya wrote in his subsequent letter.

Maya added that Johnson was permitted to participate in key management and board governance decisions, even after the investigation meant that involvement could jeopardize the charter's state and federal funding.

At a March 16 board meeting, Maya wrote, Johnson demanded Bowler's resignation.

St. HOPE has not produced the minutes for the March 16 meeting because the board secretary, Serna-Mayorga, said they have not yet been approved. However, the board has approved minutes from the later April 3 meeting.

Money concerns

Until recently, Maya said in his letter, the charter schools "did not even have free access to our previous year's financial statements and records, which were being 'stored' in Kevin Johnson's personal storage facilities."

Maya added that he met opposition when he discontinued a shared service agreement with St. HOPE Academy that had allowed the academy to manage day-to-day financial and compliance operations at the charter schools.

He did so, Maya wrote, because he was concerned public school dollars were being paid to a nonprofit lacking expertise in accounting and management services.

"(That was) very unpopular with certain members of the board who have close ties to St. HOPE Academy and Mr. Johnson since it eliminated a large revenue stream for St. HOPE Academy," Maya wrote.

Maya said he has serious concerns that St. HOPE Public Schools is using public money to support the academy's private preschool, Triumph.

"This is a very serious matter which has potential legal consequences," Maya wrote, "and jeopardizes our ability to continue to receive the public funds without which the schools cannot survive."

Call The Bee's Melody Gutierrez, (916) 326-5521. The Bee's Denny Walsh contributed to this report.

From: Matthew G. Jacobs [mgj@sojllp.com]
Sent: Friday, April 03, 2009 8:11 AM
To: Newman, Kendall (USACAE)
Subject: FW: Calm Down

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111
mgj@sojllp.com
www.sojllp.com

-----Original Message-----

From: Matthew G. Jacobs
Sent: Friday, April 03, 2009 8:11 AM
To: 'Brown, Lawrence (USACAE)'
Subject: RE: Calm Down

Oh, but it would be so much more fun to take Walpin's deposition in our 1983 action.

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111
mgj@sojllp.com
www.sojllp.com

-----Original Message-----

From: Brown, Lawrence (USACAE) [mailto:Lawrence.Brown@usdoj.gov]
Sent: Friday, April 03, 2009 7:43 AM
To: Newman, Kendall (USACAE); Matthew G. Jacobs
Subject: Calm Down

Gents,

repayment schedule...

Sent from my BlackBerry Wireless Handheld

Duckett, Deb (USACAE)

From: Matthew G. Jacobs [mgj@sojllp.com]
Sent: Sunday, April 05, 2009 9:18 AM
To: Newmar, Kendall (USACAE); Brown, Lawrence (USACAE)
Subject: From Marcos Breton's column this morning:

"Honestly. It seems hard to fathom that Sacramento will be denied hundreds of millions in federal dollars over accounting errors in a local nonprofit linked to Johnson."

Let's get this done tomorrow morning. NY Times article on this will be in tomorrow's paper as well.

I will be in Southern California with my son looking at schools, but will be pretty freely accessible by cell phone, and able to read e-mails, documents, etc.

Thanks. Matt

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111
mgj@sojllp.com
www.sojllp.com

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Friday, October 03, 2008 3:49 PM
To: Newman, Kendall (USACAE); Vincent, John (USACAE)
Cc: Scott, McGregor (USACAE)
Subject: Fw: St Hope Academy
Attachments: SUBPOENA.pdf

Fyi

Sent from my BlackBerry Wireless Handheld

From: Malcolm Segal
To: Brown, Lawrence (USACAE)
Sent: Fri Oct 03 18:14:51 2008
Subject: St Hope Academy

Dear Larry:

I was somewhat taken aback to receive this incredibly broad subpoena today and write only because I generally recall that there was once a rule that when an agency referred a case to the United States Attorneys Office for consideration it stopped unilaterally issuing subpoenas. If there is a rule, are you in a position to enforce it?

This subpoena goes to the heart of the inquiry your office is reviewing. It will take many hours of plowing through records to gather the material. I am also concerned that yet more OIG allegations will flow from this activity since they have previously claimed purported obstruction when records they received from us pursuant to prior subpoenas had some children's addresses covered to protect their privacy. Many of the staff who worked with these records are now gone and the records will have to be reviewed by people unfamiliar with both the grant and the records.

Frankly, the timing of this new foray is suspicious. At some point I guess I will cease to be surprised by such ill advised conduct. In any event, if you aren't in a position to stop the process, and the OIG is entitled to persist in its self-publicized efforts to squash and close down this well intentioned, community oriented organization, I will muddle through - but not happily so.

Malcolm

SEGAL & KIRBY LLP

(916)441-0828

(916)446-6003 fax

msegal@segalandkirby.com

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Brown, Lawrence (USACAE)

From: Malcolm Segal [msegal@segalandkirby.com]
Sent: Monday, July 28, 2008 3:52 PM
To: Brown, Lawrence (USACAE)
Subject: Regarding St Hope Academy
Attachments: walpin 01.pdf; walpin 02.pdf; Subpoena.pdf

Larry: I have attached a letter I received from Inspector General Walpin last week and my response. My goal was to avoid getting present and past Board members upset and involved in this highly politically charged inquiry or in the alternative make sure that they are comfortable with the process. Mr. Walpin did not respond to my letter unless you consider a subpoena for the names of every Board member in any way associated with St. Hope, past or present, all of the Board minutes for 5 years and the addresses and telephone numbers of student volunteers a response.

Malcolm Segal

SEGAL & KIRBY LLP

(916)441-0828

(916)446-6003 fax

msegal@segalandkirby.com

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Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Wednesday, May 13, 2009 4:19 PM
To: Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE); 'Matthew G. Jacobs'
Subject: RE: OIG Special report criticizes St. HOPE settlement

I on the other hand consider him a grandfather figure.

From: Malcolm Segal [mailto:msegal@segalandkirby.com]
Sent: Wednesday, May 13, 2009 4:02 PM
To: Brown, Lawrence (USACAE)
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE); 'Matthew G. Jacobs'
Subject: RE: OIG Special report criticizes St. HOPE settlement

I probably shouldn't say this but frankly, I am not surprised. Mr. Walpin's personal conduct has been appalling from the very beginning of this matter. His letters to me were defensive, hostile and unprofessional. He took statements out of context, twisted facts, jumped to conclusions about other people's motives and refused to hear opposing views. He was always pleasant in our few telephone conversations but his letters and his conduct in dealing with the press smacked of toadying to his investigators and self aggrandizement at the expense of the truth. I would have no problem in saying that to the press, in public and to Congress if necessary.

Malcolm
SEGAL & KIRBY LLP
Phone: (916) 441-0828
Cell: (916) 952-6100
Fax: (916)446-6003
msegal@segalandkirby.com

From: Brown, Lawrence (USACAE) [mailto:Lawrence.Brown@usdoj.gov]
Sent: Wednesday, May 13, 2009 3:05 PM
To: Matthew G. Jacobs; Malcolm Segal
Cc: Newman, Kendall (USACAE); Vincent, John (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

Gents,

Despite their penchant for avoiding the press, it appears the OIG has contacted local media on their report to Congress criticizing the resolution of the St. Hope matter.

Larry

From: Horwood, Lauren (USACAE)
Sent: Wednesday, May 13, 2009 2:46 PM

To: Brown, Lawrence (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

From: Gianulias, Koula K [mailto:kgianulias@kovr.com]
Sent: Wednesday, May 13, 2009 2:45 PM
To: Horwood, Lauren (USACAE)
Subject: FW: OIG Special report criticizes St. HOPE settlement

Hello,
Is your office responding to this?

From: William O. Hillburg [mailto:W.Hillburg@cncsoig.gov]
Sent: Wednesday, May 13, 2009 1:57 PM
To: Gianulias, Koula K
Subject: OIG Special report criticizes St. HOPE settlement

I would like to bring to your attention a special report issued by the Office of Inspector General, Corporation for National and Community Service, criticizing the Government's recent settlement of the case involving St. HOPE Academy and two of its former principals. The full report and related documents have been posted on our website at www.cncsoig.gov. The link is: **OIG ISSUES SPECIAL REPORT CRITICIZING SETTLEMENT OF CORPORATION CLAIMS AGAINST ST. HOPE ACADEMY, KEVIN JOHNSON, AND DANA GONZALEZ**

William O. Hillburg
Director of Communications
Office of Inspector General
(202) 606-9368

ckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Wednesday, March 25, 2009 10:07 AM
To: Matthew G. Jacobs
Cc: Newman, Kendall (USACAE)
Subject: RE: Reasons You Should Either (1) Call out Walpin Publicly, or (2) Tell Him to Take His Case Back Home

Matt,

Off the record, as they say, I have spoken w/ Mr. Walpin this morning and expressed my views in no uncertain terms. I am not going to get into details of what was said.

Thanks,
Larry

From: Matthew G. Jacobs [mailto:mgj@sojllp.com]
Sent: Tuesday, March 24, 2009 4:42 PM
To: Brown, Lawrence (USACAE)
Cc: Newman, Kendall (USACAE)
Subject: Reasons You Should Either (1) Call out Walpin Publicly, or (2) Tell Him to Take His Case Back Home

Larry, I expressed my outrage over Walpin's letter to the editor to Ken, who I'm sure has communicated it to you, but that did not have the fully cathartic effect I desired so I must try another tack:

1. The U.S. Attorney (Greg) already told this guy once he's not supposed to speak publicly about federal cases in this District.
2. He's *not* supposed to speak publicly about federal cases in this District. The DOJ regs explicitly state that the U.S. Attorney is the primary spokesperson for all federal law enforcement in the District. Moreover, Hilburg has stated repeatedly, and as recently as Saturday's Bee article, that he *can't* comment on ongoing investigations. So Walpin *knows* he's not supposed to comment.
3. WTF is wrong with this guy! First, he tried to effect the election; now he's messing around with the entire region's federal funding! Over this case?!

In all seriousness, the U.S. Attorney needs to stand up and say this isn't right. The U.S. Attorney represents the face of justice in this District, and for this District. Please.

Thanks. Matt

Matthew G. Jacobs
Stevens, O'Connell & Jacobs LLP
400 Capitol Mall, Suite 1400
Sacramento, California 95814
916.329.9111

Duckett, Deb (USACAE)

From: Brown, Lawrence (USACAE)
Sent: Tuesday, March 24, 2009 4:51 PM
To: Matthew G. Jacobs
Cc: Newman, Kendall (USACAE)
Subject: RE: Reasons You Should Either (1) Call out Walpin Publicly, or (2) Tell Him to Take His Case Back Home

Message heard loud and clear, Matt. I am at a complete loss and do in fact plan to speak w/ Gerald.

Larry

From: Matthew G. Jacobs [mailto:mjg@sojllp.com]
Sent: Tuesday, March 24, 2009 4:42 PM
To: Brown, Lawrence (USACAE)
Cc: Newman, Kendall (USACAE)
Subject: Reasons You Should Either (1) Call out Walpin Publicly, or (2) Tell Him to Take His Case Back Home

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In all seriousness, the U.S. Attorney needs to stand up and say this isn't right. The U.S. Attorney represents the face of justice in this District, and for this District. Please.

Thanks. Matt

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