

IN THE UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF COLUMBIA

HAMILTON SECURITIES GROUP, INC., )  
1735 Fraser Court, N.W. )  
Washington, D.C. 20009 )  
 )  
Plaintiff, )  
 )  
v. ) No. \_\_\_\_\_ )  
 )  
U.S. DEPARTMENT OF HOUSING AND )  
URBAN DEVELOPMENT )  
OFFICE OF INSPECTOR GENERAL )  
451 7<sup>th</sup> Street, S.W., Room 8260 )  
Washington, D.C. 20410-4500 )  
 )  
Defendant. )

**AFFIDAVIT OF CINDY ECKER**

I, Cindy Ecker, being of legal age and sound mind state as follows:

1. From January 1, 1995 to February 20, 1998, I was employed by the Department of Housing and Urban Development, Office of Inspector General's ("OIG") Rocky Mountain Field Office located in Denver, Colorado. From May 26, 1996 to February 20, 1998, I was a senior auditor for the OIG.

2. As a senior auditor, I was responsible for a team of auditors assigned to audit HUD programs. Before joining the HUD OIG, I handled similar responsibilities for the Resolution Trust Corporation ("RTC").

3. In late 1995, the OIG Headquarters in Washington, D.C. instructed the Rocky Mountain Field Office to begin collecting information on HUD's then-ongoing loan sale program for the purpose of developing audit objectives. The OIG typically conducts audits

of major HUD programs as a regular check on HUD's performance and the performance and veracity of HUD's contractors.

4. I understood that the audit was assigned to the Rocky Mountain team because of my experience in auditing similar programs at the RTC.

5. Between August and October 1995, I spent approximately two weeks at headquarters collecting documentation on the loan sale program and conducting preliminary interviews with key personnel at HUD and HUD's contractors for the loan sale program.

6. I then submitted five or six audit objectives to the Assistant Inspector General of Audit ("AIGA"), who later instructed the Rocky Mountain field office to assign a full staff and proceed with the audit.

7. Included in the objectives I submitted was to evaluate HUD's process and procedures for awarding contracts related to the loan sales program. Based on my experience at the RTC, I anticipated that this audit objective would result in the most significant findings. However, the AIGA instructed me not to pursue this objective and said the work would be done by the Capital District Field Office.

8. The Denver Regional Inspector General for Audit (W.D. Anderson) and Assistant Regional Inspector General for Audit (R. Ernest Kite) had overall responsibility for managing the audit. I was lead auditor responsible for defining the audit scope and methodology and designing and implementing audit steps, procedures, etc. as required to meet the audit objectives. My Denver-based audit team included auditors Tim Lichner, Christine Begola, Lisa Knight and Beth Archibald.

9. From January 1996 through September 1996, the Denver audit team conducted a thorough audit of HUD's loan sale program. The audit involved interviews of

numerous HUD staff and contractors involved in loan sales, evaluations of HUD's internal procedures, and detailed analysis of the financial data. We also reviewed aspects of the program that were designed and/or performed by HUD's contractors, and in particular by HUD's lead financial advisor for the program, The Hamilton Securities Group, Inc.

10. Over the course of 9 or 10 months, the Denver audit team interviewed at least 20 individuals, comprising a broad cross-section of parties associated with the loan sale program and credit reform. We interviewed numerous HUD staffers and program contractors, including Kevin McMahan, Grace Huebscher and Rick Wolf of Hamilton Securities.

11. Because these were ongoing programs, we not only reviewed records from previous loan sales, but over the course of 10 months we were able to personally observe the loan sale program in action. For example, other members of the audit team and I sat in on the bid selection process for a single-family loan sale in 1996.

12. Over the course of the audit, my audit team came to the conclusion that the loan sale program was a tremendously successful example of government re-engineering, which was providing considerable benefits for taxpayers.

13. We also felt that Hamilton had been and was playing an integral part in assuring the success of the program. The Hamilton employees working on the loan sale program appeared to be very honest, intelligent, and dedicated to helping HUD re-engineer itself through the loan sale program.

14. Notwithstanding the Denver audit team's favorable impression of the loan sale program, OIG Headquarters began to interfere with the audit in June and July of 1996.

15. OIG Assistant Inspector General for Audit Kathryn Kuhl-Inclan, Counsel Judith Hetherton or auditor James Martin were primarily responsible for communicating instructions from the Washington Office to my audit team.

16. Over the course of several months, the Washington Office repeatedly insisted that we closely scrutinize Hamilton's activities and any improper ties that Hamilton might have to HUD employees, other HUD contractors or subcontractors and loan sale bidders. Ms. Hetherton or members of her team insisted that we should find evidence of bid-rigging or other allegations raised by Ervin & Associates.

17. Despite the Washington Headquarters' insistence, we found no evidence of wrongdoing on Hamilton's part or by any other company or individual associated with the program. We specifically found no evidence of bid-rigging, fraud or corruption. In contrast, we felt that Hamilton was providing exemplary service to the U.S. government and had designed a bid process that minimized opportunities for any party to gain an unfair advantage. If we had found any such evidence, we would have referred it to investigators, and continued with the audit.

18. The loan sale program more than doubled the government's return on defaulted loans from the prior system of negotiated workouts. By selling off the performing loans, HUD also was eliminating the enormous costs associated with carrying the properties.

19. From the beginning, OIG Headquarters' interference with the audit appeared to be a politically or personally motivated attempt by Susan Gaffney and Judith Hetherton to discredit the loan sale program and destroy Hamilton's reputation. It did not appear that Susan Gaffney or Judith Hetherton were focusing on any contractor besides Hamilton.

20. By August 1996, the Denver audit team had compiled a considerable volume of in-depth research, analysis, interview notes and other work papers relating to our audit of the loan sale program. We had drafted an overall favorable report on the credit reform aspect of the loan sales that we shared with OIG Headquarters. I also was prepared to draft a highly favorable report regarding the loan sale program itself and Hamilton's involvement in it.

21. I communicated those favorable conclusions to Inspector General Susan Gaffney, to Assistant Inspector General Kathryn Kuhl-Inclan, to Hamilton Securities, and to other HUD officials involved in the program.

22. After we had provided a copy of the favorable draft credit reform report to Kathryn Kuhl-Inclan at OIG Headquarters and I had explained to the Inspector General and others at OIG Headquarters that the written audit report on loan sales also was going to be favorable for the loan sale program and Hamilton, it became immediately clear to me from the reaction at OIG Headquarters that the Inspector General did not want that favorable story to be told. Specifically, **[Cindy to insert any specific reactions]**.

23. In September 1996, just before I was scheduled to meet with Helen Dunlap to go over the credit reform report, Kathryn Kuhl-Inclan ordered me to assemble all of the audit paperwork for credit reform and loan sales and send it to the Washington Headquarters, which I did under protest. I concluded at the time that the Inspector General intended to bury the audit paperwork. We retained copies of all the paperwork and ancillary audit records at the Denver office, and they were there when I left the OIG in February 1998.

24. The audit paperwork that the Denver audit team prepared and/or compiled -- including the documents that I was ordered to send to Washington, D.C. and the docu-

ments that remained in the Denver office -- were prepared/compiled for regular audit purposes, and do not reveal any wrongdoing by parties associated with the loan sale program. Their release to non-governmental parties should not interfere with any legitimate investigative processes.

25. During the week of November 4, 1996, I traveled to Washington, D.C. with Tim Lishner and Lisa Knight to question the Inspector General's interference with the regular audit function.

26. I met with Kathryn Kuhl-Inclan and voiced the objection of the Rocky Mountain Field Office to Headquarters' interference with the regular audit. I also expressed the sentiment shared by me, and expressed by members of my audit team and others in the Denver office, that the Headquarters' staff had interfered improperly with the regular audit function.

27. Kathryn Kuhl-Inclan responded by saying that the Inspector General did not want us talking to individuals who were also being questioned by investigators; however, we were already done with all of the interviews needed to finalize the reports.

28. The political pressure surrounding the loan sale program and the audit was palpable within the Rocky Mountain Field Office and upon my trips to OIG Headquarters in Washington, D.C.

29. I left the OIG's office in February 1998.

30. The lingering controversy surrounding the OIG Headquarters' interference in the Denver audit contributed in no small part to my decision to leave government service. I was then, and remain, upset about the politically or personally motivated actions described above.

31. I am currently Vice President of Audit in the Denver office of a regional bank.  
My home address is 8998 West 101<sup>st</sup> Avenue, Broomfield, Colorado 80021-3866.

I declare under penalty of perjury that the foregoing is true and correct.

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CINDY ECKER

STATE OF COLORADO    )  
  )    ss  
COUNTY OF \_\_\_\_\_ )

SWORN TO BEFORE ME this \_\_\_\_\_ day of April, 1999.

\_\_\_\_\_  
Notary Public

My commission expires:\_\_\_\_\_.