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Kevin Johnson: Probe concerns 'absurd'

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Mayoral candidate Kevin Johnson returned to Sacramento Friday and immediately went on the offensive, saying it was "absurd" to suggest his placement this week on a list of people who can't do business with the federal government could hurt his ability to act as Sacramento mayor.

Johnson whipped through a hefty schedule of appearances and events, several of them with NBA star Shaquille O'Neal. O'Neal was keynote speaker at an evening fundraiser for St. HOPE Academy, the Oak Park-based nonprofit founded by Johnson. About 700 people attended the dinner at the Hyatt Regency hotel downtown.

Along with Johnson, St. HOPE Academy this week was placed on a list of people and organizations barred from receiving federal funds or contracts. The suspension could last up to a year or until completion of a federal probe into St. HOPE's management of federal funds used in its volunteer Hood Corps program.

Johnson insisted Friday his placement on the list would not hinder the city's ability to receive and spend federal dollars if he is elected mayor.

"That's absurd," he said. "As mayor, I'm going to go out there and shake down as many resources as I can for Sacramento."

City Attorney Eileen Teichert, after a day researching the matter, offered a similar assessment Friday. "We are still digging further to try to achieve some sort of finality to our opinion," she said. "I can tell you at this point in time we do not believe it should impact the city's ability to obtain any federal funding."

Teichert said it remains uncertain whether Johnson could vote on federal funding matters while suspended. Out of town on a family matter, Teichert said she would be reviewing the question further when she returns next week.

Frederic Levy, a Washington attorney who specializes in federal contracting, said cities applying for federal funding are required to disclose if a top official or board member is barred from receiving federal funding. That disclosure, Levy said, "doesn't mean the federal government won't make the award. It's discretionary."

The city likely would need to include a footnote in grant applications saying that appropriate measures would be taken "to ensure no improprieties in the use of the funds," Levy said.

Mayor Heather Fargo has remained mum on the topic of Kevin Johnson all week. She was installed Friday as president of the League of California Cities, and was busy with events surrounding that installation, said her campaign manager, Dale Howard.

"She's been pretty much under lock and key," he said.

Johnson spent the last few days in New York City, where he attended a fundraiser for his mayoral campaign. He returned Friday morning, in time to introduce Caroline Kennedy at a luncheon fundraiser for presidential candidate Barack Obama at Mason's Restaurant downtown.

He also appeared on a radio show and attended an event to promote green energy at California State University, Sacramento. He watched as dozens of excited children mobbed O'Neal during an appearance at the Boys & Girls Club in downtown Sacramento.

After O'Neal left in his stretch Hummer limousine, Johnson held a press conference in the club's sweltering gym to address questions about St. HOPE's Hood Corps program.

The federal funding suspension was triggered by a months-long investigation into Hood Corps' use of AmeriCorps funds. Federal 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 or seek restitution.

On Thursday, the federal AmeriCorps agency cited numerous violations of St. HOPE's grant for its urban Peace Corps-style program. In its contract with AmeriCorps, federal investigators said, St. HOPE agreed that volunteers would tutor students, redevelop one building a year in Oak Park and help in marketing and operations at the organization's theater and art gallery.

Among the grant violations federal agents cited:

- Supplementing St. HOPE school staff salaries with federal grant funds by enrolling two employees in the AmeriCorps program.
- Using AmeriCorps members, financed by federal grant funds, to drive Johnson to personal appointments, wash his car and run personal errands.
- Using AmeriCorps members to campaign for school board candidates.
- Using AmeriCorps members to serve in clerical and janitorial positions at St. HOPE's charter schools.

Johnson did not dispute that most of the activities took place, but took issue with whether it constituted misuse of federal money, and said it did not constitute "gross negligence."

"I'm very confident the U.S. attorney is not going to find that these allegations are egregious," he told The Bee in an interview between events.

"From an administrative standpoint, could we have dotted our i's and crossed our t's better? Certainly. And we should be held accountable for whatever those things are."

St. HOPE runs an array of nonprofit endeavors, including public charter schools in

Sacramento and New York, a development company, an art gallery and Hood Corps.

Johnson ran all the St. HOPE programs until he stepped down from his official positions early this year. He said St. HOPE Academy, which runs Hood Corps, is separate from the schools and the development company, and that those operations won't be affected by the federal suspension of funds.

The federal government has declined to provide clarification on whether that is the case.

The suspension of Johnson and St. HOPE was trumpeted in huge red headlines Thursday on the Web site of Gerald Walpin, inspector general of the Corporation for National & Community Service. It was Walpin's office that conducted the investigation.

Matt Jacobs, a former federal prosecutor who is representing Johnson, questioned why Walpin's office publicized the suspension rather than waiting for the U.S. attorney to decide whether the case merited criminal or civil charges, or a fine. He speculated that the federal agency was trying to pressure the U.S. attorney's office.

"You don't see the FBI or the IRS doing this," Jacobs said. "They turn in their report to the U.S. attorney and let the process work. I've seen these little Podunk agencies get excited about their cases. They've come to me when I was in U.S. attorney's offices. And you say, 'I don't think so.' They get very mad about it."

Walpin did not respond to a request for comment Friday.

On his Web site, in a description of his role, Walpin says rooting out misuse of federal funds is one of his priorities. "The reality is that such misconduct takes precious resources away from deserving people, the same way the theft of a welfare check hurts a single mother who needs that money to buy milk for her children," Walpin wrote.

Johnson supporters contacted Friday said the federal actions have not dissuaded them from backing Johnson for mayor.

"It certainly doesn't affect my support," said Sacramento City Councilman Steve Cohn. "I'm puzzled by the federal government wanting to release this information before they decide what they're going to do."

Local architect Ron Vrilakas said he could understand how such violations could happen.

"I'm not whatsoever alarmed by what I've read," Vrilakas said. "It's not surprising that in a small nonprofit doing a lot of things, there could be minor variations on what they had these young people doing. I know that as a small-business owner you wear a lot of hats, and I imagine that's the way things operated there as well."

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