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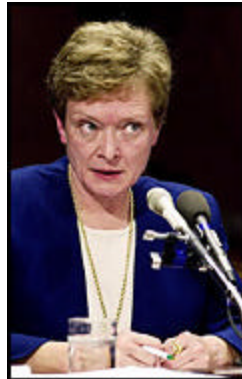
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## Inspector General At HUD to Retire

### Gaffney Says Racism Allegations Hurt



HUD Inspector General Susan Gaffney was appointed by President Bill Clinton in 1993. (Dennis Cook - AP)

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By *Ellen Nakashima*  
 Washington Post Staff Writer  
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Susan Gaffney, inspector general at the Department of Housing and Urban Development, will retire next month, just weeks after the government reached a \$490,000 settlement with a black employee who had accused her of racial discrimination in passing him over for a promotion.

Gaffney, who emerged from obscurity during a four-year feud with former HUD secretary Andrew M. Cuomo, said the generous March 15 settlement covered by a Justice Department fund did not prompt her decision to retire. Rather, she said, she has accomplished all she set out to do since being appointed to the job by President Bill Clinton in 1993.

The charges of racism, Gaffney said last week, are what "hurt" the most, whether they came from black employees or Cuomo. She had testified in 1998 that Cuomo and his aides tried to smear her as a racist. Cuomo's accusations against her grew only more pronounced as Gaffney produced management audits critical of his department.

The settlement gives Philip X. Newsome almost \$300,000 in compensatory

damages and back pay -- just shy of the compensatory damage cap -- and the freedom to teach at a Maryland university while still drawing his government salary, his attorneys said. They will receive the rest of the money.

The deal followed a rare granting of a temporary restraining order by a federal judge against Gaffney, who had tried to reassign Newsome to a non-investigative position under a lower-ranking employee. In 1997, Newsome sought the job of deputy inspector general for investigations, but Gaffney gave it to a white man with no experience as a criminal investigator.

Word of the large settlement and Gaffney's impending retirement quickly reached Cuomo supporters, who saw those as vindication of the former housing secretary, an ambitious, high-profile politician who often clashed with those who got in his way. Cuomo is running for governor of New York.

Gaffney contended throughout the case that Newsome was in league with Cuomo and that this was yet another effort by Cuomo to get her. She said last week that the settlement has allowed her to resolve a difficult situation, with Newsome now working outside the office. "It is a win-win," she said. "Hopefully, he's happy in what he's doing."

This much is clear, according to legal experts: The six-figure settlement with Newsome indicated that the government felt there was a significant chance that a jury would deliver a very large award, including non-capped damages and attorney fees, as well as a finding of discrimination.

Housing Secretary Mel R. Martinez had no comment on the settlement, as the case predated his arrival. He said Gaffney's decision to retire was hers alone (only the president can force an inspector general to resign). She told Martinez on Monday, and on Wednesday she e-mailed the news to 700 IG employees around the country.

Newsome's attorneys believe the settlement made it difficult politically for Gaffney to stay on. They assert that the basis of her support on Capitol Hill came from congressional Republicans' opposition to Cuomo. "Once Cuomo was gone, there was no reason to keep her on any longer," attorney Robert Seldon said.

But Sen. Christopher S. Bond (R-Mo.) said Gaffney has earned the right to retire. He praised her efforts to crack down on fraud at the Federal Housing Administration, in the Puerto Rico Housing Authority and in two Cuomo programs that helped teachers and police officers buy homes, which Martinez recently suspended.

He also decried "Andy Cuomo's relentless personal vendetta against Susan Gaffney." When Gaffney, who is 57 and has 22 years of government service, wanted to retire in 1998, Bond persuaded her to stay, saying that to leave would amount to "vindication" for Cuomo.

"I will miss her courage and her willingness to take on the powers that be whenever they are clearly wrong," he said.

But it was Newsome who took on the powers that be in the HUD inspector general's office to expose racial discrimination, said the NAACP, which complained to Martinez in January about Newsome's treatment.

Newsome joined the inspector general's office in 1995, and as deputy assistant inspector general for investigations he served at a higher level than any other African American in the office. He had 20 years of experience as a criminal investigator and was the only member of Gaffney's senior executive staff with law enforcement credentials, earned at the Internal Revenue Service.

When he filed his complaint in December 1997, he said, the retaliation began. Gaffney, he alleged, made his subordinates report to his superiors while still holding him responsible for his employees' actions. He also alleged she cut him out of senior staff meetings.

The settlement was "bittersweet," he said. "Clearly, there was discrimination and retaliation in my case, but there are many other minorities who have suffered as well."

Beyond the Newsome case, reformers say Gaffney's efforts to expose HUD's management flaws are laudable. In 1994, HUD became the only federal agency to earn a "high risk" management designation by the General Accounting Office. In 1999, when the GAO issued an audit detailing HUD's weaknesses, Cuomo responded with a 76-page rebuttal that was twice as long as the report.

"Susan had a very difficult tenure at HUD in recent years because of the conflicts with Secretary Cuomo," said Paul Light, a Brookings Institution government scholar. "She's a terrific IG and she had a very difficult time there."

One of the thorniest incidents involved Gaffney's 1998 decision to examine fraud in the housing departments in San Francisco, Baltimore and New Orleans. The three cities all had black mayors, and when criticism from black elected officials mounted, Cuomo spoke out, charging that people would be outraged to hear of the possibility that "taxpayer funds would be used for racially motivated or politically motivated hits."

Although one Republican adviser urged the Bush housing transition team to nudge out Gaffney and start with "a clean slate," others say the expectation was that Gaffney would stay on. Martinez liked Gaffney. In a private meeting shortly after he took over, she broke down and cried about how Cuomo had treated her, according to the GOP adviser.

Gaffney has no plans for her future. She says she is relieved that the department is in good hands under new management. Now, she says, she has outlasted Cuomo and she can rest.

*Staff writer Bill Miller and staff researcher Alice Crites contributed to this report.*

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