

U.S. House of Representatives
Committee on Oversight and Government Reform
Darrell Issa (CA-49), Ranking Member



ACORN Political Machine Tries to Reinvent Itself

Staff Report
U.S. House of Representatives
111th Congress
Committee on Oversight and Government Reform
April 1, 2010

I. The Myth of ACORN's Dissolution

On February 18, 2010, the House Oversight and Government Reform Committee Republicans, in a staff report, described ACORN's financial management as a "shell game . . . designed to conceal illegal activities, to use taxpayer and tax-exempt dollars for partisan political purposes, and to distract investigators."¹ ACORN officials, however, appear to be trying to dupe government officials and the American public through false and misleading claims about ending operations. ACORN officials told the *New York Times* that "at least 15 of the group's 30 state chapters have disbanded and have no plans of re-forming".² On Sunday March 21, 2010, it was reported that the ACORN Board met to discuss the closing of state affiliates and field offices.³

However, claims that ACORN is disbanding have been greatly exaggerated. As ACORN CEO Bertha Lewis told *National Public Radio*, "[ACORN is] not dead, yet."⁴ ACORN's new affiliates have filed corporate registrations in Secretary of State offices throughout the country. Based upon its review of these corporate filings, Committee investigators have discovered that Affordable Housing Centers of America, Inc. maintains the same Tax Identification Number as ACORN Housing, Inc., its predecessor. This means that, for tax purposes, Affordable Housing Centers of America and ACORN Housing are the same. Additionally, Committee investigators found that several new ACORN affiliates maintain the same boards, staff and Employer Identification Numbers as former ACORN offices. This reflects the lack of true change or reform between these new organizations and their predecessors.⁵

ACORN affiliates in various states are also changing their names in what has been described as, "a desperate bid to ditch the tarnished name of their parent organization and restore federal grants and other revenue streams."⁶ In California, ACORN is now the Alliance of Californians for Community Empowerment ("ACCE"). In Massachusetts, Rhode Island, and Connecticut, ACORN is New England United for Justice. In New York, ACORN is New York Communities for Change. In Arkansas, ACORN has become Arkansas Community Organizations ("ACO"). In Louisiana,

¹ Minority staff report, *Follow the Money: ACORN, SEIU, and their Political Allies*, COMM. OVERSIGHT AND GOV'T REFORM (2010) at *passim*, available at: <http://republicans.oversight.house.gov/images/stories/Reports/20100218followthemoneyacornseiuandtheirpoliticalallies.pdf>.

² Ian Urbina, *Acorn on Brink of Bankruptcy, Officials Say*, N.Y. TIMES, Mar. 19, 2010, available at: <http://www.nytimes.com/2010/03/20/us/politics/20acorn.html?src=me> (last visited Mar. 24, 2010).

³ Kate Rogers, *ACORN Closing Its Doors, Chapters Might Re-Emerge*, NONPROFIT TIMES, Mar. 23, 2010, available at: <http://www.nptimes.com/10Mar/news-100323-1.html> (last visited Mar. 26, 2010).

⁴ Deborah Tedford, *CEO Says ACORN 'Isn't Dead Yet'*, NPR, Mar. 23, 2010, available at: <http://www.npr.org/templates/story/story.php?storyId=125073113> (last visited Mar. 24, 2010).

⁵ PRESS RELEASE, *What's In a Name? Reports of ACORN's Demise Just Another Deceptive Act by Criminal Organization*, Mar. 23, 2010, available at: http://republicans.oversight.house.gov/index.php?option=com_content&view=article&id=623%3Awhats-in-a-name-reports-of-acorns-demise-just-another-deceptive-act-by-criminal-organization&catid=22&Itemid=29.

⁶ Michael Tarm, *ACORN branches rename, rebrand after video scandal*, AP, Mar. 15, 2010, available at: http://www.google.com/hostednews/ap/article/ALeqM5gUiGsBtx2MUMIFmLr_mcIQfAZA6AD9EEVUT80 (last visited Mar. 15, 2010).

ACORN is “A Community Voice”. In Missouri, ACORN is Missourians Organizing for Reform and Empowerment (“MORE”). In Washington state, ACORN is Organization United for Reform (“OUR”) Washington. In Minnesota, ACORN is Minnesota Neighborhoods Organizing for Change. In Pennsylvania, ACORN has become the Pennsylvania Communities Organizing for Change (“PCOC”) and Pennsylvania Neighborhoods for Social Justice, Inc. In Texas, ACORN is now the Texas Organizing Project. ACORN Housing Corporation (“AHC”) has renamed itself Affordable Housing Centers of America, Inc. According to Marcel Reid, a former ACORN Board member and director of the ACORN 8, the reform group composed of former ACORN members, ACORN has also formed new offices in North Carolina.⁷

Finally, the ACORN 8 – a group of former ACORN members that sought to bring accountability and transparency to ACORN – has reported that while ACORN has ceased operations in Kentucky, Ohio, and Maryland, there are no reports that ACORN offices in Kansas, Oregon or Tennessee have shut down.⁸ According to their respective Secretary of State offices, ACORN is still active in Alabama, Delaware, Florida, Georgia, Oklahoma, and Texas. ACORN’s corporate registrations have been revoked in Arizona and Indiana.⁹

II. The Motives behind ACORN’s Rebranding

On November 12, 2009, *Politico* reported that “[a]n internal memo from the Republican staff of the House Oversight and Government Reform committee claims that ACORN has serious financial problems and may be ‘ready to file for bankruptcy.’”¹⁰ Brian Kettenring, the Deputy Director of National Operations for ACORN, called the Oversight Committee’s findings a “partisan slap” and that the “bankruptcy claims by Rep. Darrell Issa . . . are inaccurate.”¹¹ *Politico* also reported that the Committee found Bertha Lewis had “taken custody of hundreds of bank accounts with funds totaling roughly \$20 million[.]” On February 22, 2010, *Politico* reported “ACORN is in the process of dissolving its national structure”.¹² The motives behind this decision by ACORN appear to be an effort to protect the survival of the organization as well as a consolidated effort by senior ACORN officials to consolidate resources.

The Louisiana Department of Justice has been actively investigating ACORN for several months, filing subpoenas against the organization in October 2009 and raiding the

⁷ Email from Marcel Reid to Committee Staff, Mar. 24, 2010 (on file with author).

⁸ *Id.*

⁹ See ARIZONA CORPORATION COMMISSION, State of Az. Public Access System, available at: starpas.azcc.gov/. See also ACCESS INDIANA, Business Services Online, available at: https://secure.in.gov/sos/bus_service/online_corps/name_search.aspx.

¹⁰ Jake Sherman, *GOP claims ACORN in financial trouble*, POLITICO, Nov. 12, 2009, available at: <http://www.politico.com/news/stories/1109/29468.html> (Last visited Mar. 25, 2010).

¹¹ *Id.*

¹² Ben Smith, *ACORN ‘dissolved as a national structure’* Politico, Feb. 22, 2010, available at: http://www.politico.com/blogs/bensmith/0210/ACORN_dissolved_as_a_national_structure.html (last visited Mar. 25, 2010).

national headquarters for documents and records.¹³ According to the Louisiana Department of Justice, there is a power struggle and an apparent “civil war,” between the three national ACORN chapters in New York City, Washington D.C., and New Orleans.¹⁴ At the center is Bertha Lewis, residing at the National Chapter in New York City, “who has forcefully taken control over all ACORN accounts and is trying to consolidate whatever assets exist.”¹⁵

Bertha Lewis’s consolidation of ACORN finances has been a catalyst driving the shutdown of some local and state chapters, which have lost their operating budgets as a result of Lewis hoarding ACORN’s remaining assets. Louisiana investigators believe there is approximately \$20 million in cash in 800 bank accounts, ACORN entities own \$10 million worth of property, and the majority of the leftover ACORN assets are donor funds that have been consolidated by Bertha Lewis and undoubtedly commingled with other funds against the intent of the donors.¹⁶

A subpoena from Louisiana Attorney General Buddy Caldwell reported \$5 million were embezzled by Dale Rathke from ACORN in 2008. According to Scott Bailey, an investigator in the Louisiana Department of Justice, “federal grant money was embezzled by Dale Rathke between 2000 and 2008.”¹⁷ Mr. Bailey discovered this information from audit information subpoenaed from William Stamm, ACORN’s accountant at the Duplantier firm in New Orleans. Louisiana investigators believe ACORN chapters were shutdown so that Bertha Lewis could funnel assets to herself in order to further consolidate power and control over ACORN.¹⁸

Rebranding is an important legal strategy for ACORN to survive. By changing the names of its state and local affiliates, ACORN can rebuild its tax-exempt contributions under the guise of its superficially new and separate corporations as well as its public image. Additionally, because the 2010 Continuing Appropriations Resolution that banned federal funding to ACORN did not include a list of ACORN’s newly formed affiliates, federal agencies will be more likely to provide grants to these organizations and will not engage in the scrupulous monitoring processes that would be expected concerning ACORN and ACORN affiliated corporations.

A document detailing the sale by Bertha Lewis on behalf of ACORN to the newly formed Alliance of Californians for Community Empowerment (“ACCE”) in return for cash shows how a rebranded ACORN chapter is essentially an ACORN chapter reborn with the same assets, same membership lists, and without real reform.¹⁹ The document, titled “Asset Transfer and License Agreement” states, “ACORN owns certain valuable

¹³ Michael Kunzelman, *La. Prosecutor Probes ACORN After Embezzlement*, AP, Oct. 6, 2009, available at: <http://abcnews.go.com/US/wirestory?id=8762542&page=3> (last visited Mar. 25, 2010).

¹⁴ Testimony of David Caldwell, Comm. Oversight and Gov’t Ref & Comm. Jud., ACORN Forum, Dec. 1, 2009, at 1.

¹⁵ *Id.*

¹⁶ *Id.*

¹⁷ Telephone interview of Scott Bailey, Louisiana Department of Justice, by Committee staff, Mar. 24, 2010.

¹⁸ *Id.*

¹⁹ Email from Scott Bailey to Committee Staff, Mar. 30, 2010, 11:40 A.M. E.S.T. (on file with author).

assets associated with its activities in California ('the assets') and desires to dispose of the Assets by selling them for fair market value to another organization that will use them to conduct similar charitable or social welfare activities in California."²⁰ According to the agreement, ACCE has hired former ACORN employees, purchased the ACORN database of dues-paying members, and purchased a database with "e-mail contact information for approximately 16,202 potential contributors residing in California."²¹ Moreover, the agreement reveals that ACORN has not closed: "[a]s of the date of this Agreement, ACORN is a nonprofit corporation duly organized, validly existing and in good standing under the laws of the State of Arkansas, and has full power and authority to carry on its operations as now conducted[.]"²² The agreement was signed on March 24, 2010 by Bertha Lewis and March 25, 2010 by Amy Schur.²³

These rebrandings and transactions indicate that local chapters are not forcibly separating themselves from ACORN, but are attempting to reinvent themselves through a process done in full coordination with ACORN and its national senior leadership including Bertha Lewis. The close coordination of the rebranding process signals a level of continued control that ACORN's senior officials exert over newly rebranded affiliates. ACORN and its affiliates appear to be following a strategy that will allow it to rehabilitate important state and local chapters under new names and then solicit private donations and public grants. ACORN is clearly reeling from public and official scrutiny of its many misdeeds. Documents and investigation, however, reveal that changes taking place at ACORN are the result of financial hardship and a desire to rebrand without real reform. Rebrandings should not be mistaken for real reforms which would, at a minimum, have to include a house cleaning of ACORN leadership, organizational transparency, and an exclusive focus on charitable work and services.


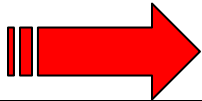


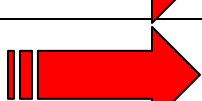
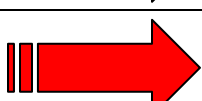


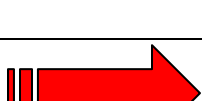
²⁰ Asset Transfer and License Agreement at 1 (Mar. 1, 2010).

²¹ *Id.*

²² *Id.* at 3.

²³ *Id.* at 6.

ACORN Rebranding


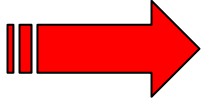

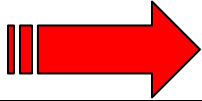

Then		Now
ACORN Housing Corp.		Affordable Housing Centers of America ²⁴
Arkansas ACORN		Arkansas Community Organizations ²⁵
California ACORN		Alliance of Californians for Community Empowerment ²⁶
Connecticut ACORN		New England United for Justice ²⁷
Louisiana ACORN		A Community Voice ²⁸
Massachusetts ACORN		New England United for Justice ²⁹
Minnesota ACORN		Minnesota Neighborhoods Organizing for Change ³⁰
Missouri ACORN		Missourians Organizing for Reform and Empowerment ³¹
New York ACORN		New York Communities for Change ³²

²⁴ Affordable Housing Centers of America shares the same tax identification number as ACORN Housing and its headquarters are located at former Illinois ACORN Housing's address at 209 W. Jackson, Ste. 301, Chicago, IL 60606. All of the local Affordable Housing Centers of America offices are located in former local ACORN Housing offices.

²⁵ Arkansas Community Organizations resides at the former Arkansas ACORN's address at 2101 Main Street, Little Rock, AR 72206-1574

²⁶ Alliance of Californians for Community Empowerment (ACCE) resides at the former California ACORN's address at 3655 S. Grand Ave., Suite 250, Los Angeles, CA 90007. ACCE also has the same executive director (Amy Schur) as the former California ACORN.

²⁷ Information based on telephone interview of Marcel Reid, ACORN 8, by Committee staff, Mar. 30, 2010.

Pennsylvania ACORN		Pennsylvania Neighborhoods for Social Justice ³³
		Pennsylvania Communities Organizing for Change ³⁴
Rhode Island ACORN		New England United for Justice ³⁵
Texas ACORN		Texas Organizing Project ³⁶
Washington ACORN		Organization United for Reform (OUR) Washington ³⁷

²⁸ A Community Voice's Baton Rouge headquarters are located at the former Louisiana ACORN's address at 5177 Greenwell Springs Road, Baton Rouge, LA 70806. A Community Voice also has many of the same board members as the former Louisiana ACORN.

²⁹ New England United for Justice resides at the former Massachusetts ACORN's address at 196 Adams St., Dorchester, MA 02122. New England United for Justice's president (Maude Hurd) is the current president of ACORN's national organization.

³⁰ The former chair of Minnesota ACORN's political action committee (Sunday Alabi) is the current chair of the Minnesota Neighborhoods Organizing for Change Board of Directors.

³¹ Former ACORN board member (Lynn Oldham) was one of the initial incorporators and is a current director of Missourians Organizing for Reform and Empowerment

³² New York Communities for Change resides at the former New York ACORN's address at 2-4 Nevins Street, 2nd Floor, Brooklyn, New York 11217. Former New York ACORN founder (John Kest) is also a current staff member of New York Communities for Change.

³³ Pennsylvania Neighborhoods for Social Justice resides at the former Pennsylvania ACORN's address at 846 N. Broad St., Philadelphia, PA 19130.

³⁴ See Walter F. Roche, Jr., *ACORN arm in Pennsylvania takes new name*, PITT. TRIBUNE-R., Mar. 24, 2010, available at: http://www.pittsburghlive.com/x/pittsburghtrib/news/s_673088.html (last visited Mar. 30, 2010).

³⁵ Information based on telephone interview of Marcel Reid, ACORN 8, by Committee staff, Mar. 30, 2010.

³⁶ See Gabe Gutierrez, *ACORN collapse spawns new organizations*, 11 News, Mar. 23, 2010, available at: <http://www.khou.com/news/local/Other-Organizations-Popping-Up-After-ACORN-Collapse-88962937.html> (last visited Mar. 30, 2010).

³⁷ The former Washington ACORN president (John Jones) is a current director of Organization United for Reform (OUR) Washington.

About the Committee

The Committee on Oversight and Government Reform is the main investigative committee in the U.S. House of Representatives. It has authority to investigate the subjects within the Committee's legislative jurisdiction as well as "any matter" within the jurisdiction of the other standing House Committees. The Committee's mandate is to investigate and expose waste, fraud and abuse.

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