

With spotlight on \$40k grant, Wilmingtonians call for audit

[Christina Jedra](#), [The News Journal](#) Published 4:45 p.m. ET **July 31, 2017**

Hanifa Shabazz granted \$40,000 of taxpayer money to former City Council President Theo Gregory's nonprofit, Student Disabilities Advocate — and up to \$20,000 of that went directly to Gregory, records show. She refused to answer questions. 7/28/17 William Bretzger/The News Journal

The mayor has the power to initiate a state audit.



After Wilmington learned that City Council President Hanifa Shabazz gave a \$40,000 grant to her predecessor — up to half of which went to him directly — some residents and officials have suggested an investigation of the council's discretionary fund.

"There needs to be an audit as deeply as it can go for spending over the last four years," said city resident Mac Nagaswami. "Where has every dollar been spent?"

Nagaswami is one of dozens of city residents calling for a review of City Council discretionary funds spending in response to a News Journal report that showed Shabazz [granted \\$40,000 of taxpayer funds](#) to a nonprofit run by former council president Theo Gregory.

Up to \$20,000 of the grant, awarded in January, went directly to Gregory, according to documents obtained by The News Journal.



Wilmington City Councilman Bob Williams, District 7 (Photo: Provided: City of Wilmington)

"It's political payoff, simple as that," said city resident Nadine Frost. "And they're using yours and my money to do it."

Council's nearly \$450,000 annual pot of discretionary funds is spent on what one expert calls "political lubrication" — handouts to nonprofits, charities, civic associations and other groups. Money is divvied up among council members, who get \$10,000 each to mostly use for scholarships. The president controls the remaining \$327,000.

Councilman Bob Williams wants to go a step further than an audit of Shabazz's grant to Gregory.

"A criminal investigation should take place," the former police officer said. "If there's nothing criminal, that needs to be the first step of the process and after that, an audit would determine if there was inappropriate discretionary spending."

State Auditor Tom Wagner said he would "certainly" audit the fund. But he doesn't have the authority to do so without a request from either Shabazz, which would be unlikely, or Mayor Mike Purzycki. Those are the only two city officials who could request an audit, Wagner said.

"The mayor has made no decision on whether anything warrants an investigation at this time," said John Rago, the mayor's deputy chief of staff for policy and communications.

In a statement on Monday, the mayor said the current discretionary spending setup "rife with risk."

"We should never give the public a reason to think their representatives are not spending their money wisely," Purzycki said. "And even though we have far greater issues as a city

that cost multiple millions of dollars each year, any matter that weakens the public's trust needs our immediate attention."

The mayor said organizations like the Wilmington Hope Commission and the Boy Scouts are worthy of city support, but the grant funding process needs improvement.

The mayor said he will require that specific grants from the administration be listed in the annual budget process. Organizations that are selected for funding will be available for scrutiny at that time. Groups given grants after the budget is completed will be posted on the city website, the mayor said.

Purzycki said the city will establish a formal process through which groups can apply for funds.

The mayor's directive only affects the executive branch, not council.

The mayor said he will also announce a more "defined and disciplined process" for providing a smaller number of grants to organizations that contribute to the health of the city.

"Beyond very limited categories, allocating ill-defined discretionary funds appears to be an unwise practice, especially with other enormous needs facing our city," he said. "The views of citizens who have reacted to the current controversy provide ample ideas and opportunity for us to do the right thing, and I intend to do what's best for our city."



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Mayor Mike Purzycki has the power to invite the state auditor to review City Council discretionary funds. (Photo: Suchat Pederson, *The News Journal*)

Grantees of the council's discretionary pool are required to provide reports about how they spend these dollars.

State Sen. Greg Lavelle, an accountant, said an audit would allow officials to review bank account records and cash flow to ensure money was used for its intended purpose.

"It's a different level of due diligence," he said.

The city auditor's office said it has not received any tips about the council discretionary fund on [its fraud and abuse hotline](#). The office is formulating its audit plan for the year, said Yvette Johnson, senior auditor.

Johnson couldn't say whether the office would pursue an audit of City Council. Acting City Auditor Tamara Thompson is out this week, she said. Purzycki has not appointed a permanent auditor to replace Earl Jeter, [who left in March](#).

The council president and her staff have [touted council transparency](#), but for two weeks dodged repeated questions about the grant. Shabazz refused to answer questions when approached at a public meeting on Thursday.

"I'm not talking about that right now," she said before she headed toward the exit of the Delaware Historical Society on Market Street.

STORY: [Wilmington council president gave \\$40,000 in taxpayer money to predecessor](#)

STORY: [Wilmington City Council president: Discretionary fund has 'highest standards'](#)

What she did say repeatedly is that she did not know Gregory was a recipient of the funds.

"That leaves a sour taste in my mouth," said Williams, who has [proposed that all grants go through the finance committee](#). "She had to have known. I don't see that as plausible."

On Monday, a request for comment to Shabazz and her staff again went unanswered.

"If there's ever a time to be transparent about all the details, that time is now," said Nagaswami, CEO of the local marketing agency Carvertise Inc. "If she can't be transparent, then resignation should come into the picture."

STORY: [Little oversight for Wilmington City Council discretionary fund](#)

GRAPHIC: [How did your council rep spend their discretionary dollars? Explore the data here](#)

The grant Shabazz awarded Gregory came from Council's [controversial discretionary fund](#), through which council members can hand out hundreds of thousands of dollars a year to nonprofits of their choosing with little transparency or oversight, the News Journal [reported earlier this month](#).

The council does not limit how much money an organization can receive, does not vote on which organizations get grants and does not require council members to communicate with each other or the public about the grants they give.

This sometimes leads to council members supporting the same organizations with the same dollar amounts, records show.

And often it means grants are given on behalf of the council as a whole without members' knowledge, as was the case with the grant to Gregory's nonprofit.

The organization's mission is to provide counseling, advocacy and education for homeless youth and families with special needs children. Much of the program's proposal focused on promotion for Gregory's post-politics venture. It included booking television appearances and printing brochures with Gregory's photo on them.

Gregory's program requested the funds within 24 hours of Shabazz taking office, records show.

"The timing is highly suspect," Williams said. "He knew he wanted to be first in line and took advantage of a newly elected president."



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State Auditor Tom Wagner (Photo: JASON MINTO/THE NEWS JOURNAL)

Wagner said the situation is a cause for concern.

"You're saying: Here's \$40,000. Do with it what you want. There's a lot of risk with that."

As a city grant recipient, the program Gregory led with his \$40,000 grant is required to file reports with the city. The News Journal again asked for those records from City Council on Monday, but has not yet received a response.

While City Council requires members to sign a statement confirming they have no conflicts of interest with grantees, essentially no one is tasked with questioning the expenditures of the council president, The News Journal found.

"The president would have the final say," said Marchelle Basnight, the council's chief financial officer and policy adviser.



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Wilmington City Council President Theo Gregory and Councilwoman Hanifa Shabazz attend a Public Safety Committee meeting in 2015. (Photo: KYLE GRANTHAM/THE NEWS JOURNAL)

Former Council President Gregory [granted nearly \\$600,000 over four years to a nonprofit he founded](#). For each grant, he signed a form certifying that there was "no known conflict of interest."

Wagner said that points to a need for more oversight.

"You can have all the internal controls you want, but if you don't follow them, it doesn't matter," Wagner said.

Shabazz has stated the discretionary fund is transparent because citizens can request records under the Freedom of Information Act.

Frost, a frequent attendee of council meetings, scoffed at Shabazz's claim that the fund is transparent, calling it "translucent or opaque."

Navigating city budget documents is nearly impossible for the average Wilmingtonian, Frost said, which makes grant presentations a necessity.

"Unless you're a comptroller with a staff of 20, you're never gonna get through it all and that's what they're betting on," she said. "All of them, the political 'ins,' are supporting each other and their causes, lining their own pockets, and they keep it all under wraps."

Shabazz regularly talks about the importance of "evidence-based" programs. But she supported Gregory's nonprofit, which was established in 1996 but dormant until Gregory revived it late last year after he lost the mayoral election. Frost said the city should be focused on its basic responsibilities instead of making bets on "untried" programs.

"We have streets that desperately need paving," she said. "We don't have money for that but you have money for a nonprofit that might be doing something that could possibly be beneficial sometime in the future? That's not the city's business."

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Denise Tolliver

Purzycki needs new City Council Chief in order to accomplish his West Center City takeover and overall city-wide gentrification plan. Shabazz formerly represented 4th District. Mayor is a lawyer and will order an audit. Next, audit RFDC where \$24 million in city funds landed at the Riverfront; \$340 million from State taxpayers. [#DefiningBlackCommunity](#)