



U.S. Department of Housing and Urban Development
District Office of the Inspector General
Office of Audit
Richard B. Russell Federal Building
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July 31 , 1998

98-AT-212-1810

MEMORANDUM FOR: Thomas J. Rone, Director, Knoxville Multifamily Program
Center, 4JHM

FROM: Nancy Cooper
District Inspector General for Audit, Southeast/Caribbean, 4AGA

SUBJECT: Report of Illegal Acts
Greeneville Manor Apartments
Greeneville, Tennessee

We have reviewed a citizen's complaint regarding alleged illegal acts by the former resident manager and his spouse at Greeneville Manor Apartments, an 80-unit complex insured under Section 221(d)(3) of the Housing Act. The allegations included not depositing or recording in project accounts cash collections from tenants, paying "phantom" companies for work performed by project staff, purchasing items for personal use with project funds, keeping proceeds from sale of project appliances, and other matters.

The objective of the review was to determine if the allegations were valid and if there was adequate evidence to warrant administrative sanctions against the former employees. We interviewed your staff, the management agent, the complainant, selected residents, and reviewed selected HUD and project files and records.

RESULTS OF REVIEW

The complaint was made verbally to the OIG Office of Investigation in October 1996, and generally pertained to incidences in 1993 and 1994 when the complainant worked at the project. The Office of Investigation re-contacted the complainant and reviewed the complaint in early 1998, and in June 1998, referred the matter to our office. The management agent fired the project manager in March 1998 when they discovered a tenant who had not gone through the application process. Shortly thereafter, a new resident manager determined that at least four residents had been paying the former manager rent in cash even though the residents had been re-certified as zero rent payers. The four residents provided the resident manager 12 rent receipts totaling \$999 signed either by the former resident manager or his wife, none of which had been recorded in project records or deposited into the project's bank account.

During our review, we asked six additional tenants encountered at random about improper payments. Two claimed to have paid the former manager rent even though certified at zero rent. We did not ask the tenants to provide copies of receipts as they were outside their apartments, and the management agent's documentation of theft was sufficient. However, it is likely additional theft occurred and could be documented.

We did not attempt to document the other allegations because of their age and, since the two individuals no longer work at the project, the lack of a compelling reason to do so.

Attached is documentation of theft from two of the four tenants as follows:

- Each tenant's rent computation form (HUD-50059) showing the correct rent.
- Copies of 10 receipts totaling \$846, 3 signed by the former resident manager (on generic receipt forms) and 7 signed by his wife, all for amounts higher than required by rent computations.
- For one tenant, a copy of the project ledger showing no collections during the period covered by the receipt copies.

Title 24 CFR 24.700 authorizes HUD officials designated by the Secretary to order a limited denial of participation (LDP) for any program participant based on adequate evidence of, among other things, irregularities in a participant's past performance in a HUD program. We believe there is need and adequate evidence of irregularities to issue LDP's against both former employees.

RECOMMENDATION

1A. We recommend that you issue, or request appropriate HUD staff with authority to issue, LDP's for the former resident manager of Greeneville Manor Apartments and his spousal assistant as provided by 24 CFR 24.700.

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Within 60 days, please furnish this office, for the recommendation cited, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of our review.

Should you or your staff have questions, please call me at (404) 331-3369 or Rudy E. McBee, Assistant District Inspector General for Audit, at Ext. 4368.