

December 22, 1995

AUDIT RELATED MEMORANDUM
96-CH-212-1805

MEMORANDUM FOR: Donald J. Jakob, Director, Multifamily Division,
Ohio State Office

FROM: Dale L. Chouteau, District Inspector General for Audit,
Midwest

SUBJECT: Broadview Health Center
Columbus, Ohio

We have closed out our audit of the Broadview Health Center in Columbus, Ohio. After we presented the project's owner with our draft finding describing improper use of Project funds, he refinanced the project with a conventional mortgage and cancelled the FHA mortgage insurance.

The objectives of our audit were to: (1) evaluate the owner's compliance with the Regulatory Agreement, HUD regulations and other HUD requirements relating to the project's physical condition, and its financial and other general management practices; and (2) determine whether the owner was using and safeguarding the project's assets properly. We concentrated our review on the collection of receipts and cash disbursements, particularly cash distributions and repayments of advances.

The audit was part of our Operation Safe Home initiative. We selected Broadview for audit because HUD's records indicated that project funds may have been improperly used.

The audit showed that the project paid the owner \$328,800 in violation of the Regulatory Agreement. While the project was not in a surplus cash position, it distributed \$258,300 directly to the owner and repaid \$22,200 in owner advances. It also paid \$48,300 for expenses not related to the project.

HUD insured the Broadview Health Center's mortgage on July 14, 1989 for \$2,985,600 under Section 232 of the National Housing Act. On March 17, 1995, after receiving our draft finding, the owner refinanced the Project with a conventional mortgage. Because of processing mixups, HUD did not terminate the FHA insurance until

November 8, 1995. We verified that HUD has cancelled the FHA mortgage insurance.

If you have any questions, please contact me at (312) 353-7832.

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