



U.S. Department of Housing and Urban Development  
**Office of Inspector General, Rocky Mountain**

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OFFICE OF INSPECTOR GENERAL FOR AUDIT

Audit Memorandum  
No. 00-DE-212-1802

August 18, 2000

MEMORANDUM FOR: Larry Sidebottom, Director, Office of Multifamily Housing, 8AHMLA

*Robert C. Gwin*

FROM: Robert Gwin, District Inspector General for Audit, 8AGA

SUBJECT: Review of Village Garden Apartments' Operations, Aurora, Colorado

## **Introduction**

We completed our survey of Village Garden Apartments and records maintained by the management company, Urban Inc. Our objective was to identify, review, and test the management controls utilized over the functions involving Cash, Tenant Occupancy, Bookkeeping, Section 8 Housing Assistance Payments and Housing Quality Standards. We reviewed the activities of both entities, in the above mentioned functions, for the period of January 1, 1998 through March 9, 2000.

During the survey, we reviewed the tenant and maintenance files and the cash accountability records of Village Garden Apartments; and we reviewed the tenant files, and cash accountability and bookkeeping records of the management company, Urban Inc., as they apply to Village Garden Apartments. We performed tests of the controls for these functions using a random sample selection of files, records and transactions. We interviewed the staff of Village Garden Apartments, Urban Inc., the Denver Multifamily Housing and the Colorado Housing and Finance Authority. We also reviewed the project files of both government entities.

## **Background**

Village Garden Apartments, Project Number 101-35373-PM-L8, is a 60 unit multifamily property consisting of five two story buildings. The project is located at 13032 E. 14<sup>th</sup> Place, Aurora, Colorado. The mortgagor entity is registered as Village Gardens Company, a limited partnership. Steve Shrailberg is the project's general partner.

The project was rehabilitated under HUD's Moderate Rehabilitation Program and was available for occupancy in 1984. HUD insured the mortgage under Section 221(d)(4) of the National Housing Act. The project was financed with Bonds through the Colorado Housing and Finance Authority. The HUD mortgage documents were executed by the general partner. The original mortgage amount was \$1,710,000; as of December 31, 1998, the balance due was \$1,431,347.

The Owner executed Regulatory Agreements with HUD and with the Colorado Housing and Finance Authority, the holding mortgagee, in April 1984. These agreements limit the use of the project's assets and require the owner to keep the property in good repair and condition. The Regulatory Agreements prescribe the conditions for distribution to owners.

The project is included under the Annual Contributions Contract between Colorado Housing and Finance Authority and HUD, under Project Number CO99-K094-003. All of the project units are included under the Section 8 Housing Assistance Payments Contract between the Owner and the Authority, which became effective July 23, 1984, for buildings #3 and #5, and August 31, 1984, for buildings #1, #6 and #7. The term of the contract is 15 years. Under the Section 8 Program, HUD subsidizes rents paid by qualified tenants.

The Colorado Housing and Finance Authority obtained a waiver from a HUD Assistant Secretary on May 9, 1984, which allows the Authority to transfer certain administrative responsibilities to the owners and management agents. The specific administrative functions are: (1) establishing and maintaining a tenant waiting list; (2) initial determination of family eligibility and contribution towards rent; (3) annual family reexaminations and family contribution adjustments; (4) tenant selection; (5) family briefings; and (6) determination of family ineligibility for continued assistance. The waiver stated that it does not relieve the Colorado Housing and Finance Authority of its responsibilities in administering the Moderate Rehabilitation Program. An Administrative Services Agreement, between the Colorado Housing and Finance Authority and the Owner, transfers the specific tenant occupancy responsibilities to the Owner.

The project is managed by an identity-of-interest management agent, Urban Inc., located in Denver, Colorado. This is also the location of the projects books and records. Records maintained at the project consist primarily of copies of current tenant files and maintenance records for the units.

We conducted our on-site survey work from March 6, 2000 through March 17, 2000. We conducted our review in accordance with Generally Accepted Government Auditing Standards.

## **Results of Review**

In our review we examined records that were maintained by Village Garden Apartments and Urban Inc. Management Company. All of the records reviewed pertained to the functions of: Cash, Tenant Occupancy, Bookkeeping, Section 8 Housing Assistance Payments and Housing Quality Standards. We found that Village Garden Apartments and Urban Inc. were adequately fulfilling the obligations of

their Regulatory Agreement and Housing Assistance Payment Contract and no significant deficiencies were noted.

In summary, we concluded that the internal controls incorporated by Urban Inc. were thorough, comprehensive and effective. All of the internal controls were being effectively utilized by the staff of Village Garden Apartments and Urban Inc. Several minor discrepancies were noted and passed on to the auditee for correction.

## APPENDIX

### Distribution

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 House Office Building, Washington, DC 20515  
 Mr. Pete Sessions, Government Reform and Oversight Committee, Room 212, O'Neil House  
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Director, Housing and Community Development Issue Area, United States General Accounting Office, 441 G Street, NW, Room 2474, Washington, DC 20548 (Attention: Judy England-Joseph )

Steve Redburn, Chief, Housing Branch, Office of Management and Budget, 725 17<sup>th</sup> Street, NW., Room 9226, New Executive Office Building, Washington, DC 20503

Mr. Pete Garcia, Asset Management Office, Colorado Housing and Finance Authority, 1981 Blake St., Denver, CO 80202

Mr. James Murphy, Vice President, Urban Inc., 5000 S. Quebec St., Suite 400, Denver, CO 80237