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OFFICE OF INSPECTOR GENERAL FOR AUDIT

AUDIT MEMORANDUM
2002-DE-1804

July 26, 2002

MEMORANDUM FOR: Larry C. Sidebottom, Director, Denver Multifamily HUB, 8AHMLA

FROM: Robert C. Gwin, Regional Inspector General for Audit, 8AGA

SUBJECT: Tamarack Property Management Company, Billings, Montana, HUD-Insured
Multifamily Properties Management Agent

INTRODUCTION

We completed a limited scope review of Tamarack Property Management Company, Billings, Montana, Management Agent for HUD Multifamily properties. The objectives of the review were to determine if Tamarack Property Management Company (Tamarack) is:

- Properly preparing and submitting the Section 8 Housing Assistance Payment Voucher requests; and,
- For one property, properly administering the mandatory meals program and making timely deposits to the reserve account.

SCOPE AND METHODOLOGY

We limited our review to the management controls over the occupancy functions associated with the Section 8 rental procedures. We also reviewed the management controls over the mandatory meals program and reserve account for one property. Our review period was January 1, 2000 through February 28, 2002. We accomplished our objectives by reviewing Tamarack's policies and procedures manual pertaining to the objectives; reviewing pertinent records maintained by Tamarack; interviewing Tamarack staff who perform functions relating to the objectives; and visiting three properties to interview the site managers and review the pertinent records maintained at the properties to determine the actual procedures. We also reviewed pertinent data maintained in HUD's Real Estate Management System (REMS) and Tenant Rent Assistance Certification System (TRACS) computer systems and interviewed pertinent Denver Multifamily HUB staff. We performed the site review work

during April 2002.

BACKGROUND

Tamarack is the management agent for 26 HUD-insured properties in the Denver Multifamily HUB area and 1 property in California. Tamarack also manages conventional and Rural Development multifamily properties and commercial properties with which HUD is not involved. Tamarack Property Management Company is located at 2929 3rd Avenue North, Suite 538, Billings, Montana 59101.

The 26 HUD-insured properties, located in the Denver Multifamily HUB area, involved the following Housing Acts Sections: 202, 221(d)(3), 221(d)(4), 223, 231, 236, 244, and 542c. The properties all have Section 8 contracts. The properties are comprised of 22 in Montana, 3 in Wyoming, and 1 in Utah. The properties included in our site reviews were:

- Rose Park Plaza, 2350 Avenue C, Billings, Montana 59102, 112-unit family property, insured under Section 221(d)(4);
- Prairie Tower Apartments, 725 North 25th Street, Billings, Montana 59101, 109-unit elderly property, insured under Section 202; and
- Sage Tower, 115 North 24th Street, Billings, Montana 59101, 111-unit elderly property, insured under Section 236.

RESULTS OF REVIEW

Section 8 Occupancy Functions

We reviewed Tamarack Property Management Company's management controls over and the procedures used to accomplish the Section 8 occupancy functions. We determined that Tamarack has established effective management controls over the occupancy functions relating to the HUD-insured properties. They have developed a detailed Policies and Procedures Manual, which is being followed by the site managers of the properties for which we did site reviews. At the time of our site review, Tamarack was in the process of updating and expanding the Manual to incorporate recent HUD requirement changes.

Tamarack staff provides effective oversight of the properties. A Tamarack Property Manager is assigned specific properties. The Property Manager visits each property monthly. The visit includes completion of a checklist that includes reviews of occupancy, control system data, tenant files, financial activities, and physical inspections, including inspections of all vacant units. The Property Manager also attends the Board Meeting for each property. The Property Manager provides training to new Site Managers and Tamarack conducts annual training seminars. The Site Managers are also encouraged to contact Tamarack with any questions.

The Tamarack Property Manager Assistants request each Site Manager to send specified tenant files to the Tamarack office each month. The Property Manager Assistants complete reviews of the tenant files using a checklist. The checklists are provided to the responsible Site Managers and the Property Managers. If deficiencies are identified, the Property Manager follows up on the corrective actions during the next site review.

The Site Managers prepare the required tenant occupancy forms, maintain the tenant files, and enter the

tenant data in the computer system. They also collect and deposit the tenant rents. The rent reports are submitted to Tamarack. The Tamarack Accounting staff reconciles the rent payments to the computer data and the bank records. The Site Managers also prepare the monthly Section 8 Housing Assistance Payments voucher requests. These are submitted to Tamarack for review. After receiving approval from Tamarack, the Site Managers submit the requests to the Contract Administrator. For the properties for which we did site reviews, the Contract Administrator has been performing detailed reviews of the requests and notifying the properties of any needed corrections.

The Site Managers submit weekly reports to Tamarack detailing unit change status, including move-ins, move-outs, and vacant units. The Property Managers review these reports and monitor the changes. The Site Managers also submit monthly occupancy and financial reports, which Tamarack reviews and uses to prepare month end reports.

Mandatory Meals Program and Reserve Account Deposits

Information was provided to OIG indicating that, for one property, project funds were being used to supplement the mandatory meals program and that the required reserve account payments were not being properly made. We reviewed documentation maintained by Tamarack and at the site to determine the actual status. The financial records for 2000 and 2001 show that the revenues generated by the collections from residents for the meals program actually exceeded the meals program expenses. The Tamarack Asset Manager works with the Site Manager to establish the annual budget, including the meals program. The Site Manager and Food Services Manager regularly monitor the meals program status. Effective management controls have been established for the mandatory meals program.

The audited Financial Statements Report for 2000 included a finding that six required deposits, totaling \$9,960, had not been made to the reserve for replacement account. The Report for 2001 showed that these deposits had been paid, but one deposit for 2001 had been missed. We reviewed the financial records and determined that this payment had been made and the reserve for replacement account is currently fully funded. The Tamarack Controller explained that the Site Manager is responsible for submitting the Accounts Payable information to Tamarack and the reserve payments were inadvertently omitted. Based on these findings, Tamarack has established a spreadsheet for each property to track the reserve account payments. This schedule is reconciled monthly. Therefore, Tamarack has now established effective management controls over the required reserve account deposits.

We had an exit conference with the Tamarack Compliance Manager at the conclusion of our site review on April 25, 2002. Since no items needing corrective action were identified in this report, the draft report was not provided to Tamarack.

We appreciate the courtesies and assistance of the personnel of Tamarack Property Management Company, the site personnel of Rose Park Plaza, Prairie Towers Apartments, and Sage Tower, and the personnel of the Denver Multifamily HUB. Should you have any questions, please contact Ernest Kite, Assistant Regional Inspector General for Audit, at (303) 672-5452.

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