



U.S. Department of Housing and Urban Development  
**Region 6, Office of Inspector General**  
819 Taylor Street, Room 13A09  
Fort Worth, Texas 76102

(817) 978-9309 **FAX** (817) 978-9316  
<http://www.hud.gov/oig/oigindex.html>

January 10, 2003

**2003-FW-1803**

MEMORANDUM FOR: Linda K. Hardway  
Director, Office of Multifamily Housing Program Center, 6FHMLAZ  
J. Tom Miller  
Director, Office of Multifamily Housing Program Center, 6IHM  
Ann C. Kizzier  
Director, Office of Multifamily Housing Program Center, 6HHM

FROM: D. Michael Beard  
Regional Inspector General for Audit, 6AGA

SUBJECT: Coffman Investment Company, Inc.  
Multifamily Management Agent  
Little Rock, Arkansas

### **Introduction**

In response to a complaint, we have completed a limited review of Coffman Investment Company, Inc. (Coffman), a management agent of HUD-insured multifamily properties. The purpose was to determine whether the complaint against Coffman was true. Specifically, our objectives were to determine whether the management agent: (1) appropriately used proceeds from property insurance claims; (2) properly used funds released by HUD for property maintenance, repairs or improvements, and (3) maintained the properties in satisfactory condition. The review did not substantiate any of the allegations in the complaint.

### **Methodology and Scope**

The review included interviews of Multifamily Housing Program Center staff and Coffman officials. We also reviewed and analyzed the reserve for replacement accounts, files on all casualty losses, related disbursement records, and audited financial statements. We interviewed a consultant that Coffman hired to settle insurance claims and reviewed his records relating to work done for Coffman. We reviewed job cost records of CME, Inc. (CME), a related party contractor that Coffman used for repair work.

We reviewed fund use from September 1, 1996, through April 30, 2001. We performed the work between February 3, 1999, and November 19, 2002. We did the work over a 46-month period

because of delays in receiving documentation from Coffman and because of other higher priority assignments of assigned staff.

### **Background**

Coffman Investment Company, Inc. is a for-profit entity that manages multifamily properties for partnerships. It incorporated in the State of Arkansas on November 12, 1985.

Coffman does business with CME, a related party contractor. Mr. Marshall B. “Skip” Coffman owns Coffman and CME. CME is a for-profit company incorporated in the State of Arkansas on June 29, 1995. Mr. Coffman created CME to do repair and rehabilitation work for Coffman-managed properties. Coffman and CME share the same office located at 124 West Capitol in downtown Little Rock, Arkansas.

During the period of September 1, 1996, through April 30, 2001, Coffman had the management agent contract for fifteen HUD-insured properties. The Federal Housing Administration insured the properties under the National Housing Act, as amended.

| <b>HUD-INSURED PROPERTIES MANAGED BY<br/>COFFMAN</b> |                           |
|--|---------------------------|
| <b>Properties</b>                                    | <b>Section of the Act</b> |
| Aristocrat Manor Apartments                          | Section 231               |
| Cedar Hill Apartments                                | Section 236               |
| Char-Mur Apartments                                  | Section 236               |
| Crossett Apartments                                  | Section 236               |
| Glenwood Apartments                                  | Section 236               |
| Greenwood Manor Apartments                           | Section 236               |
| Henslee Heights Apartments                           | Section 236               |
| Hereford Manor Apartments                            | Section 236               |
| Malvern Manor Apartments                             | Section 236               |
| Southwest Apartments                                 | Section 236               |
| Bradley Woods Apartments                             | Section 221(d)(4)         |
| Briarwood Apartments                                 | Section 221(d)(4)         |
| Chestnut Meadows Apartments                          | Section 221(d)(4)         |
| Morehouse Gardens Apartments                         | Section 221(d)(4)         |
| Pleasant Ridge Apartments                            | Section 221(d)(4)         |

Management agents of HUD-insured properties have a key role in helping HUD provide quality affordable housing. To this end, management agents certify in writing that they will comply with governing requirements. HUD regulatory agreements and handbooks set forth the requirements.

### **Results of Review**

The review did not substantiate the allegations in the complaint. Based on our review, Coffman had made appropriate use of insurance proceeds and funds authorized for property maintenance, repairs or improvements. In addition, Coffman maintained the properties in a condition satisfactory to HUD. Our review did not disclose conditions requiring corrective action. Therefore, we have not made recommendations.

**DISTRIBUTION**

Coffman Investment Company, Inc., Little Rock, Arkansas

Chairman, Committee on Government Affairs

Ranking Member, Committee on Governmental Affairs

Senior Advisor, Subcommittee on Criminal Justice, Drug Policy & Human Resources

House Committee on Financial Services

Senior Counsel, Committee on Financial Services

Committee on Financial Services

Director, Housing and Telecommunications Issues, U.S. GAO

Chief Housing Branch, Office of Management and Budget

Department of Veterans Affairs, Office of Inspector General

Department of Veterans Affairs, OIG Audit Operations Division

Assistant Inspector General for Health Care Financing Audits

Chairman, Committee on Government Reform

2185 Rayburn Building, House of Representatives, Washington, D.C. 20515

Ranking Member, Committee on Government Reform

2204 Rayburn Building, House of Representatives, Washington, DC 20515