



U. S. Department of Housing and Urban Development  
Southwest District  
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October 16, 1996

97-FW-222-1802

MEMORANDUM FOR: Norma Cannon, Director, Contracting Division, 4AAC  
Keith Surber, Director, Contracting Division, 8AAC

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

SUBJECT: Hotline Complaint - HM00-18622  
Golden Feather Realty Services, Inc./REAM Inc.  
Real Estate Asset Manager (REAM) Contractor  
HUD Offices - Fort Worth, Texas, San Antonio, Texas, and Phoenix, AZ

The Office of Inspector General received a Hotline Complaint alleging that: (1) Golden Feather Realty Services, Inc., a San Antonio-based company, subcontracted work to a company that it owned and (2) a HUD employee provided contracting information to Golden Feather relative to their bid for the Fort Worth HUD Office Real Estate Asset Management (REAM) contract. The anonymous complainant also noted that Golden Feather currently had REAM contracts with HUD in the Fort Worth, San Antonio, Phoenix, and New Orleans Offices.

To review the allegations, we interviewed Property Disposition staff in HUD's San Antonio, New Orleans, and Phoenix Offices and interviewed contracting staff in HUD's Fort Worth Office. We also reviewed contract files maintained by the San Antonio HUD Office and obtained contract payment information from HUD's Fort Worth, San Antonio, and Phoenix Offices. We contacted third parties the complainant had identified as being able to provide information to substantiate the complainant's allegations. We also contacted a representative of the Small Business Administration (SBA) regarding SBA small business set-aside thresholds.

Based on our inquiries and review, there are two related companies:

- Golden Feather Realty Services, Inc. contracts with HUD's Fort Worth Office to provide REAM services. Bob Koltitz, San Antonio, Texas, is president.
- Real Estate Asset Management, Inc. contracts with HUD's San Antonio and Phoenix Offices to provide REAM services. Bob Koltitz, San Antonio, Texas, is president.

HUD Property Disposition staff in New Orleans stated that neither company had REAM contracts for their area. Neither the HUD Property Disposition staff nor the third parties could

provide any information that would substantiate the allegations. Therefore, we plan no further review of the allegations.

However, our inquiries did raise an issue as to whether Golden Feather Realty Services, Inc. and Real Estate Asset Management, Inc. were circumventing the intent of HUD's restriction of contract awards to qualified small businesses. These two corporations appear to be related companies that, when revenues of both companies are considered, would not qualify for contract award as small businesses. Since the San Antonio and Phoenix contracts were designated as small business set-asides, it appears that the principles of Golden Feather Realty Services, Inc. created Real Estate Management Services, Inc. as a separate corporation to qualify for contract award. The information provided for the San Antonio contract shows that at the time Real Estate Asset Management Services, Inc. bid on the 1994 contract, Bob Kolitz was president of the Corporation. Further, the top or proposed top management of Real Estate Management Services, Inc. were, at the time, current employees of Golden Feather Realty Services, Inc.

According to San Antonio's request for proposal (RFP), the size standard to be considered a small business was \$1,000,000 in average annual sales or receipts for the preceding 3 years (effective at the time the RFP was issued). The HUD Fort Worth Office shows the following REAM contract payment history for Golden Feather's contract, which began on September 1, 1992:

Period	Amount
October 1, 1992 - September 30, 1993	\$2,250,279.42
October 1, 1993 - September 30, 1994	\$2,512,084.85
October 1, 1994 - September 30, 1995	\$1,836,449.79
October 1, 1995 - June 13, 1996	\$1,256,519.30

The San Antonio and Phoenix contracts with REAM Inc., began on August 1, 1994, and July 1, 1994, respectively. Based on this information, there is an indication that Golden Feather's 3-year average annual receipts may have exceeded "small business set-aside" requirements. As a result, it appears that a separate company was formed to by-pass these requirements. Based on available information, Golden Feather began operations in December 1991 and Real Estate Asset Management, Inc. was formed in the first half of 1994.

Therefore, we are providing this information to you for any follow-up you deem necessary. We request that you provide us, within 45 days, the results of your review of this issue along with a description of any actions planned or taken. If you have any questions, please contact Darrel M. Vaught, Assistant District Inspector General for Audit, at 817-885-5551 or (817-978-9309 after October 25, 1996).

cc:

Chief, Contracting Operations Branch, 6AAC

Chief, Contracting Operations Branch, 9AAC

Chief, Real Estate Owned Branch, 6AHSR

Chief, Real Estate Owned Branch, 6JHSR

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