



U.S. Department of Housing and Urban Development
District Office of the Inspector General
Office of Audit
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July 28, 1998

No. 98-AT-212-1809

MEMORANDUM FOR: Ed Phillips, Director, Multifamily Program Center, 4LH

FROM: Nancy Cooper, District Inspector General for Audit, Southeast/Caribbean, 4AGA

SUBJECT: Independent Auditor Report of Illegal Acts
Marina Manor East Apartments
Nashville, Tennessee

We have completed a review of information provided by an Independent Auditor (IA) concerning apparent illegal acts by two employees of Ghertner & Company, management agent for Marina Manor East Apartments, a 161-unit HUD BMIR project insured under Section 221(d)(3) of the Housing Act. The IA reported theft of tenant rental payments by the project manager and assistant manager.

The objective of the review was to determine if there was adequate evidence to warrant administrative sanctions against the employees. We interviewed your staff, the management agent and the IA, and reviewed selected IA audit working papers.

RESULTS OF REVIEW

The theft was discovered when a former tenant complained to the management agent that the manager denied his request for a security deposit refund. The manager said he had not paid the deposit, but the tenant had a receipt supporting the payment. Based on the incident, the management agent requested the IA to perform a special review of cash receipts. The IA reviewed cash receipts for the 18 months ended March 31, 1997, and determined \$1,967 was unaccounted for (Attachment 1). Subsequently, the management agent and new property manager determined additional amounts were missing. The IA's audit report and audit working papers for the year ended September 30, 1997, reflected a theft loss of \$5,453 (Attachment 2). A letter from the management agent dated December 16, 1997, fixed the total loss at \$5,561, including \$299 taken by the assistant manager (Attachment 3). The management agent allowed both employees to resign.

The former property manager was responsible for the majority of the theft. The assistant manager reportedly took only \$299, and repaid it the same month. The former manager was also repaying funds taken. The management agent applied \$1,452 of unpaid salary to the debt (Attachment 3), and the former manager made three payments of \$100 each (see Attachment 4 for copies of two), reducing the amount owed to \$3,510 as of the date of our review.

Title 24 CFR 24.700 authorizes HUD officials designated by the Secretary to order a limited denial of participation (LDP) for any program participant based on adequate evidence of, among other things, irregularities in a participant's past performance in a HUD program. We believe there is need and adequate evidence of irregularities to issue LDP's against the former employees.

RECOMMENDATION

- 1A. We recommend that you issue, or request appropriate HUD staff with authority to issue, LDP's for the former manager and assistant manager of Marina Manor East Apartments as provided by 24 CFR 24.700.

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Within 60 days, please furnish this office, for the recommendation cited, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of our review.

Should you or your staff have questions, please call me at (404) 331-3369 or Rudy E. McBee, Assistant District Inspector General for Audit, at (423) 545-4368.

