



U.S. Department of Housing and Urban Development  
Wanamaker Building, Suite 1005  
100 Penn Square East  
Philadelphia, PA 19107-3380

District Inspector General for Audit

**Audit Related Memorandum**  
**No. 96-PH-212-1004**

December 5, 1995

MEMORANDUM FOR: Edward J. Palombizio, Director, Multifamily  
Division, Pittsburgh Area Office, 3EHM

FROM: Edward F. Momorella, District Inspector General  
for Audit, Mid-Atlantic, 3AGA

SUBJECT: Wilkins House  
Survey of Operations  
Wilkinsburg, Pennsylvania

Based on your request, we have completed a survey of operations of Wilkins House. The purpose of the survey was to address concerns noted by your staff in a July 25, 1995 memo to the Owner; most notably the Owners salary costs charged to the project.

We interviewed Field Office staff, reviewed HUD files and the latest IPA audit report. We visited Wilkins House, interviewed the staff, and reviewed financial records including the general ledger, cash receipts and disbursements journals, cancelled checks and bank statements.

Our survey disclosed that:

1. The Owner of Wilkins House had received \$57,000 in salary from Wilkins House payroll from January through September, 1995. The Assistant Director of Wilkins House stated that HUD Area Office staff had verbally approved the Owner's salary since the Owner was considered an employee of Wilkins House. Your office contends that prior written HUD approval was necessary before the Owner could collect a salary. The Assistant Director concurred that written approval was not obtained from HUD before the Owner collected the salary. The status of this issue remains vested with your office for a decision.

2. Your office stated in a July 25, 1995 memo it appeared the Notes Payable to the Owner decreased \$204,300 during 1994. The decrease in the Notes Payable actually occurred in 1993; \$195,000 was paid to a former investor and the remaining \$9,300 was paid to the Owner.

On February 24, 1995 your office advised the former owner that \$206,000 was an unauthorized distribution and reimbursement was required to the project's operating account. This issue was disclosed in the Audit Related Memorandum issued to your office on July 11, 1995. The \$195,000 addressed above is not included in the unauthorized distribution.

Please advise our office what action you have taken to have the unauthorized distribution reimbursed to the project.

3. The bookkeeping expenses totalling \$84,114 were primarily for financial services provided by a CPA firm. The CPA firm had recovered bad debt payments on behalf of Wilkins House and received a portion of the bad debt recovered. The firm also prepared several workout agreements, none of which were submitted by Wilkins House management to HUD.

No other reportable deficiencies were noted regarding the operations of Wilkins House. The results of our review were discussed with Wilkins House staff.

We have addressed the major issues identified in your letter to the owner dated July 25, 1995, and concerns expressed in our previously issued ARM. Although no controlled findings resulted from our review we are requesting your office provide us with the final disposition of the three issues listed.

If you have any questions please contact Irving I. Guss, Assistant District Inspector General for Audit at (215) 656-3401.

Attachment - Distribution

3AGA:GUSS:AMP:12/05/95

Correspondence Code	3AGA			
Concurrence	GUSS			
Date				



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