

November 8, 1995

AUDIT RELATED MEMORANDUM
96-CH-212-1803

MEMORANDUM FOR: John E. Breuer, Acting Director, Multifamily Housing
Division, Grand Rapids Area Office

FROM: Dale L. Chouteau, District Inspector General for Audit, Midwest

SUBJECT: Village Green Apartments
Multifamily Mortgagor Equity Skimming
Portage, Michigan

We completed a review of Village Green Apartments. The audit objective was to determine whether the project's owners/management agent used the project's operating funds to make loan repayments to the owners when the project was not in a surplus cash position.

We selected Village Green for audit because the financial statements indicated that project funds were distributed to the owners as loan repayments when the project was not in a surplus cash position. To evaluate the use of project funds, we reviewed HUD's monitoring reports, check disbursement reports, physical inspection reports, and prior audit reports. We also interviewed applicable HUD Grand Rapids Area Office staff regarding the financial operations of the Project.

Village Green Apartments is a 168 unit project located in Portage, Michigan. HUD insured the project for \$5,293,900 under Section 221 (d)(4) of the National Housing Act. HUD endorsed the original mortgage on October 20, 1980. Village Green Apartments, Ltd., a Michigan Limited Partnership owns the project. The general partners are Meyer C. Weiner and Joshua T. Weiner. Chessler Corporation, an identity of interest company, manages the Project and is located at 200 Mall Drive, Portage, Michigan.

We found that project funds were not distributed to the owners for loan repayments. The payments were for management fees that the owners had allowed to accrue in the project. The management fees were earned and allowed by HUD. The owners/management agent properly maintained the project and there were no outstanding notices of deferred maintenance. Therefore, we concluded a detailed audit was not necessary.

If you have any questions, please contact me at (313) 353-7832.

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