

AUDIT RELATED MEMORANDUM
96-CH-212-1808

March 29, 1996

MEMORANDUM FOR: Robert J. Turner, Director of Housing, Michigan State Office

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

SUBJECT: Western Hills Apartments
Multifamily Mortgagor Operations
Westland, Michigan

The Assistant United States Attorney for the Eastern District of Michigan and TR Associates of Western Hills Limited Partnership, the owners of Western Hills Apartments, have entered into a Consent Judgement in settlement of our audit findings. The terms of the Judgment require TR Associates to: deposit the sum of \$300,000 into an escrow account to be used to replace and repair capital and maintenance items; complete all needed replacements and repairs by May 31, 1996; and pay audit costs estimated at \$30,000.

Western Hills Apartments is a multifamily project in Westland, Michigan. It has 144 residential units. HUD insured the project in 1971 under Section 221(d)(4) of the National Housing Act. The original mortgage was \$2,136,600. The General Partners of TR Associates are C. Thomas Cummings and Rodney C. Robinson. Mr. Cummings also is the President of All State Management Company which manages the project.

Our audit, completed in October 1994, found Western Hills Apartments and its owners improperly withdrew \$296,574 of project funds between 1987 and 1991. TR Associates used the distributions to pay a promissory note to the original owner. Contrary to the Regulatory Agreement and the promissory note agreement, the distributions used to pay the promissory note were in excess of surplus cash.

The owners also made disbursements between 1991 and 1994 totaling \$45,984 that were not necessary to the operations of the project, ineligible, or inadequately supported. During the same period the project had deferred repairs and maintenance totaling \$273,980.

In January 1995, using procedures developed under Operation Safe Home, we submitted our findings and the auditee's comments to the Assistant U.S. Attorney for civil matters. Subsequent negotiations between the Assistant U.S. Attorney and the owners of TR Associates resulted in entry of the Consent Judgment.

If you have questions, please call me (312) 353-7832.

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