



# Majestic Management, LLC, St. Louis, MO

## Multifamily Management Agent

This report was reissued on December 23, 2016 to correct an error in Appendix A. This reissued report now correctly shows the monetary benefit associated with each recommendation.

**Office of Audit, Region 7  
Kansas City, KS**

**Audit Report Number: 2017-KC-1001  
December 16, 2016**



**To:** Edward Manning, Director, Kansas City Asset Management Division,  
7AHMLAS

Craig T. Clemmensen, Director, Departmental Enforcement Center, CACB

**From:** //signed//  
Ronald J. Hosking, Regional Inspector General for Audit, 7AGA

**Subject:** Majestic Management, LLC, a Multifamily Housing Management Agent in St. Louis, MO, Did Not Always Comply With HUD's Requirements When Disbursing Project Funds

Attached is the U.S. Department of Housing and Urban Development (HUD), Office of Inspector General's (OIG) final results of our review of Majestic Management's management agent activities for HUD's multifamily housing program.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued because of the audit.

The Inspector General Act, Title 5 United States Code, section 8M, requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at <http://www.hudoig.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at 913-551-5870.



**Audit Report Number: 2017-KC-1001**

**Date: December 16, 2016**

**Majestic Management, LLC, a Multifamily Housing Management Agent in St. Louis, MO, Did Not Always Comply With HUD's Requirements When Disbursing Project Funds**

# Highlights

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## What We Audited and Why

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We audited Majestic Management, LLC, located in St. Louis, MO, in response to a request from the U.S. Department of Housing and Urban Development's (HUD) Kansas City, KS, Office of Multifamily Housing Programs. Our objective was to determine whether Majestic Management charged only the appropriate fees in managing the projects, properly procured goods and services, and disbursed project funds only for eligible and supported expenses.

## What We Found

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Majestic Management improperly charged fees to its projects, did not properly procure goods and services, and spent project funds for ineligible and unsupported expenditures. As a result, it deprived its projects of at least \$242,275 in funds needed to pay for essential items, and HUD and property owners had no assurance that the projects benefited from the \$975,931 paid without adequate support.

## What We Recommend

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We recommend that HUD require Majestic Management to (1) support or reimburse the appropriate projects more than \$975,931 for the unsupported disbursements and improper procurements; (2) reimburse the appropriate projects their portion of \$242,275 for work not completed, overbilled, or ineligible; (3) be monitored by HUD to ensure that employees understand and correctly apply procurement requirements, (4) update its management agreements to properly disclose its identity-of-interest companies to HUD and property owners; and (5) implement adequate controls to ensure that payments are adequately supported, goods and services are properly procured, and only authorized fees are collected.

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# Background and Objective

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The president of Majestic Management, LLC, founded the company in 2003. According to Majestic Management's Web site, the company's mission is to develop communities and enhance family lifestyles by providing an optimal living environment facilitated by a quality management experience.

Majestic Management managed 17 U.S. Department of Housing and Urban Development (HUD)-insured projects between 2013 and 2016, which are listed in the table below. In 2015, Majestic Management stopped managing the majority of its projects. At the start of our audit, the only remaining project in its portfolio was the New Horizons project in Kansas City, MO, in which it also had an ownership interest.

**HUD-insured projects**

HUD project	Project location	# units	Ownership interest
Lancelot	Springfield, MO	45	No
JVL 17	St. Louis, MO	100	No
JVL 21	St. Louis, MO	90	No
NBA I Gateways Woodhaven	Columbia, MO	22	No
NBA II Gateways Woodhaven	Columbia, MO	23	No
Latter Glory (Kossuth Elderly)	St. Louis, MO	38	No
Brady-Callaway	Fulton, MO	16	No
Horizon North	St. Louis, MO	10	No
Oak Terrace	Fredericktown, MO	18	No
Liberty	Fulton, MO	15	No
Missouri Association of the Deaf Apartments	Fulton, MO	40	No
Freedom House I	Columbia, MO	13	No
Freedom House II	Columbia, MO	12	No
Peace Villa Senior Living	St. Louis, MO	30	No
Soulard In-Fill	St. Louis, MO	32	No
Hyde Park	St. Louis, MO	14	No
New Horizons	Kansas City, MO	30	Yes

Majestic Management used four identity-of-interest or employee-owned companies to conduct work on the projects it managed. HUD's Kansas City Office of Multifamily Housing Programs was unaware of Majestic Management's use of these entities.

Majestic Management used Majestic Maintenance and Construction to conduct work at its projects. The president's daughter runs the construction company in addition to maintaining her position as the director of operations for Majestic Management. According to the Missouri secretary of state's Web site, Majestic Maintenance and Construction lost its business registration with the State of Missouri in April 2015 for failing to maintain a registered agent.

Majestic Management used Supreme Cleaning and Maintenance to conduct work at its projects. This company is owned by Majestic Management's director of operations' husband. Majestic Management hired this company to complete rehabilitation work on its New Horizons project in Kansas City, MO, after the project was vandalized. We were initially unable to locate proof of registration or licensing for this company on the secretary of state's Web site because the company is not registered as Supreme Cleaning and Maintenance; instead, it is registered as Supreme Clean STL LLC with the registered agent's name spelled incorrectly.

Majestic Management used MRB Construction to complete work at its New Horizons project. MRB Construction is owned by the property manager that Majestic Management employed for the project. We were also unable to locate proof of registration or licensing for this company.

Majestic Management used DMK Consulting to provide consulting work for its projects. DMK Consulting is owned by Majestic Management's now former director of residential housing.

Property owners contract with a management agent through a management agreement to oversee the day-to-day operations of the project and maintain the financial and accounting records. The management agent executes a management certification providing that it will comply with the project's regulatory agreement and other HUD requirements.

By signing the property owner's management agent's certification, the agent agrees to, among other things,

- Ensure that all expenses of the project are reasonable and necessary;
- Exert a reasonable effort to maximize project income and take advantage of discounts, rebates, and similar money-saving techniques; and
- Obtain contracts, materials, supplies, and services, including the preparation of the annual audit, on terms most advantageous to the project.

Our objective was to determine whether Majestic Management charged only the appropriate fees in managing the projects, properly procured goods and services, and disbursed project funds only for eligible and supported expenses.

# Results of Audit

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## **Finding 1: Majestic Management Improperly Charged Fees to Its Projects**

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Majestic Management improperly charged fees to its projects. This condition occurred because Majestic Management did not implement an effective control structure. It did not have policies and procedures to properly determine and document fees charged to its projects and did not maintain an adequate system of records. As a result, HUD and projects' owners lacked assurance that at least \$464,759 paid to Majestic Management out of project funds was eligible and appropriate.

### **Improperly Charged Fees**

Majestic Management improperly charged fees to its projects. It made 975 payments to itself totaling nearly \$1.3 million from the 17 HUD-insured projects that it managed between 2013 and 2016 (appendix C). We reviewed 83 of those payments totaling \$240,235 to determine whether it charged only the appropriate fees to projects. Majestic Management improperly calculated management fees, improperly charged salaries to the projects, and was unable to provide support for some payments. All of these 83 payments are considered unsupported as shown in the paragraphs below.

#### Improper Calculation of Management Fees

Majestic Management charged projects management fees using a fixed fee schedule instead of calculating the fee each month based on actual revenues received. Of the 83 payments reviewed, 6 were for management fees and bookkeeping fees charged to the projects. HUD required Majestic Management to calculate its management fees based on a percentage of total tenant payments, housing assistance payments, and other revenue (appendix E). Instead, a former Majestic Management employee created a fixed fee schedule that Majestic Management used to charge management fees to its projects. The fee remained constant regardless of actual revenue received. Majestic Management continued to use this fee structure after the former employee left the company. The \$17,414 paid for these six payments was unsupported because Majestic Management was unable to show how it determined the fees.

#### Unsupported Salary Charges

Majestic Management improperly charged salaries to the projects. Of the 83 payments reviewed, 61 were for employee salaries. HUD requirements explain that only certain salaries and certain tasks completed by management agent staff are eligible to be charged to the project and the remaining salaries should be covered by the management agent fee Majestic Management collected from its projects. The only support Majestic Management was able to provide for the salary payments it charged to the projects was a total amount for payroll and the portion charged to each of the projects. It was not able to provide support showing which employees were paid from the amount, tasks performed, official job descriptions, or timesheets showing the hours worked. An example is provided below.



10/7/13 payroll

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Soutar \$1604.94 ✓  
 Newt \$2000.00 ✓  
 NBA I \$1250 ✓  
 NBA II \$750 ✓  
 OAKS \$400 ✓  
 HP \$1100 ✓

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PAKVIEW mgr \$300  
 MNT \$325  
 TAXES \$102.75

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Peace V mgr \$208  
 Office \$192  
 MNT \$500  
 TAXES \$192

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HOC \$500 mgr  
 ✓ \$896 MNT 2100k  
 \$209.90 TAXES 1070 Y  
 3170

1221469  
 4755

#### Example of payroll breakdown

One of the requirements in HUD Handbook 4381.5 is that salaries of the agent's supervisory personnel may not be charged to project accounts, with the exception of supervisory staff providing oversight for centralized accounting and computer services. Without support showing specific employees, the tasks performed, and hours worked, Majestic Management was unable to show that the \$183,630 paid for these 61 salary payments it charged to the projects were appropriate.

In addition, this same inadequate documentation was used to support 138 other salary charges totaling \$224,524 charged to the projects. For example, in the above illustration, we originally selected the circled payment, but there are an additional six payments from HUD-insured projects listed on the same document. The \$224,524 paid for these 138 salary payments was also unsupported because Majestic Management was unable to show that the payments were appropriate.

#### No Support Provided

Majestic Management was unable to provide support for the remaining 16 payments in our sample. It paid itself at least \$39,191 from the projects without documentation showing what the payments included. This amount is also unsupported.

#### **Ineffective Control Structure**

Majestic Management did not implement an effective control structure. It did not have policies and procedures to properly determine and document fees charged to its project and did not maintain an adequate system of records.



Majestic Management did not have policies and procedures to properly determine and document fees charged to its projects. One former employee was in charge of determining and processing payroll for Majestic Management. This employee would get the total amount needed from the payroll company, write the amount each project owed on a piece of paper, and issue checks from the projects. This procedure was not written and was not sufficient to provide adequate accountability or ensure that appropriate payroll amounts were charged to the projects.

Majestic Management did not maintain an adequate system of records. It was unable to provide a schedule of the management fees it charged to its projects and details showing the items included in its receipts. Without an adequate system of records, Majestic Management was unable to demonstrate that the fees it charged its projects were appropriate.

### **Projects Deprived of Funds**

HUD and project owners lacked assurance that at least \$464,759 paid to Majestic Management out of project funds was eligible and appropriate as shown in the table below. If Majestic Management had charged only the appropriate fees for managing the projects, the projects would have been able to use any remaining funds to pay for reasonable and necessary expenses.

#### **Unsupported fees**

<b>HUD-insured project</b>	<b>Improperly calculated management fee</b>	<b>Inadequate salary support</b>	<b>No support provided</b>	<b>Total</b>
Brady-Callaway	\$2,834			\$2,834
Freedom House I	2,510			2,510
Hyde Park		\$22,650		22,650
JVL 17		83,459		83,459
JVL 21		38,976		38,976
Latter Glory (Kossuth Elderly)	5,070	40,474		45,544
Missouri Association of the Deaf Apartments	4,900		\$2,018	6,918
NBA I Gateways Woodhaven		21,700	3,388	25,088
NBA II Gateways Woodhaven		12,250		12,250
New Horizons		98,091	33,785	131,876
Oak Terrace		5,700		5,700
Peace Villa Senior Living	2,100	36,070		38,170
Soulard In-Fill		48,784		48,784
<b>Totals</b>	<b>17,414</b>	<b>408,154</b>	<b>39,191</b>	<b>464,759</b>

### **Recommendations**

We recommend that the Director of the Kansas City Office of Multifamily Housing Programs require Majestic Management to

- 1A. Provide support showing that \$17,414 in management fees charged to the projects using a budgeted amount represented actual amounts or repay the difference to each affected project.
- 1B. Provide documentation to support that it paid itself \$447,345 for eligible purposes or reimburse the appropriate projects for the balance.
- 1C. Implement adequate policies, procedures, and controls to help ensure that fees charged to its projects are in accordance with HUD's requirements.
- 1D. Verify all management fees charged to the projects from 2013 through 2015 were appropriate.

## Finding 2: Majestic Management Improperly Procured Items

Majestic Management did not properly procure goods and services. It implemented a weak control structure for its procurement functions. As a result, HUD and property owners had no assurance that projects benefited from the \$693,372 spent on goods and services.

### Goods and Services Not Properly Procured

Majestic Management did not follow applicable procurement requirements. It also improperly used identity-of-interest and employee-owned companies and paid for work that was overbilled, not completed, or poorly completed.

#### Procurement Requirements Not Followed

Majestic Management did not follow procurement requirements, such as obtaining bids, maintaining procurement records, or executing contracts. From the \$7 million in payments from the check register and the nearly \$790,000 in reserve for replacement draws, we reviewed 43 procurement transactions totaling nearly \$700,000 from identity-of-interest, employee-owned and high-volume companies for use of proper procurement methods. Majestic Management did not properly procure goods and services associated with any of the transactions reviewed. HUD's procurement requirements in HUD Handbook 4381.5, paragraph 6.50(a), require at least three bids or quotes, the retention of procurement records, and that contracts be properly executed. These requirements are in place to help ensure that goods and services are obtained at the most reasonable prices using fair and open competition. We were often unable to determine what work was supposed to have been completed because Majestic Management paid invoices that stated "first draw," "third draw," "fourth draw," and "final draw" without a description of the work performed. A sample is provided below.

#### INVOICE

New Horizon Properties



Payment Terms	14 Days
Invoice #	001322
Date	09/15/2015

Supreme Clenaing & Maintenace

Phone: 314-669-6148  
Email: supremecontractingstl@gmail.com  
Web: supremecleaningstl.com

Description	Total
First draw	\$25,000.00
Draw for general maintenance and material for vandalized property	
1715 Linwood Kansas City, MO	

Draw from identity-of-interest company

#### Identity-of-Interest and Employee-Owned Entities

Majestic Management improperly used identity-of-interest and employee-owned companies. HUD permits the use of identity-of-interest entities if the entity is properly disclosed, there is evidence that the agent compared prices, and the use of an identity-of-interest entity is more advantageous to the project than purchasing through an arms-length transaction. Majestic Management improperly used at least four identity-of-interest and employee-owned entities. It certified to HUD on its management agent certification forms that it did not use identity-of-interest entities. It produced correspondence showing that HUD was aware of one of the identity-of-interest companies, its construction company that completed a substantial amount of work at its projects. However, there was no evidence provided showing that this arrangement was more advantageous to the projects than an arms-length transaction, and this entity was not properly procured to conduct work.

#### Overbilled, Incomplete, and Poorly Completed Work

Majestic Management paid for work that was overbilled, not completed, or poorly completed. It used project funds to pay for overbilled work for 8 of the 43 transactions reviewed. For example, in 2012 Majestic Management procured an 81-gallon hot water heater for the Freedom House I project for \$7,125. We inspected the project and confirmed that the hot water heater was replaced as invoiced. However, the estimated cost should have been around \$2,500. We also noted that in 2012, Majestic Management hired the same contractor to replace an 81-gallon water heater at New Horizons, a project with common ownership interest, and the repair was invoiced for \$3,300.

In 2013, one of the units at the New Horizons project sustained fire damage. Majestic Management paid its identity-of-interest company, Majestic Maintenance and Construction, to complete more than \$184,000 in repairs. However, there were several instances of incomplete and poorly completed repairs, including smoke-damaged insulation not replaced, existing smoke damage in the unit, and poorly patched drywall replacement, as shown in the photos below.



Smoke-damaged insulation not replaced after fire – photographed on June 21, 2016



Existing fire damage to unit - photographed on August 30, 2016



Soot from fire bleeding through paint - photographed on June 21, 2016



Poorly patched wall and receptacle cover not replaced after fire - photographed on June 21, 2016

In 2015, one of the New Horizons units was vandalized. Vandals opened walls and ceilings to steal copper wiring and plumbing from the unit. Majestic Management paid an identity-of-interest company, Supreme Cleaning and Maintenance, to complete nearly \$70,000 in repairs to the unit. However, the ceilings and walls were poorly patched, and electrical work was not

completed as shown in the photos below. There were missing breakers in the breaker panel and outlet and junction box covers were not installed.



Poorly patched ceiling in kitchen after vandalism - photographed on June 21, 2016



Sheetrock not properly finished - photographed on June 21, 2016





Missing breakers in breaker panel - photographed on June 21, 2016

Majestic Management hired an employee-owned company, MRB Construction, to install a dishwasher at the New Horizons project in 2014. However, the dishwasher currently in the unit had a manufacture date of 1999 and was not operational because it was screwed shut as shown in the photo below.



Dishwasher not operational and screwed closed - photographed on June 21, 2016

At the Missouri Association of the Deaf Apartments in Fulton, MO, Majestic Management paid to have tuck-pointing on the buildings and concrete transitions to handicapped ramps installed. However, the tuck-pointing was poorly completed. The onsite property manager stated that the contractor Majestic Management hired did not complete the work and the project's maintenance man completed the tuck-pointing. In addition, the concrete transitions were not installed. These deficiencies are shown in the photos below. Majestic Management later hired the same contractor to repair the nonexistent concrete transitions.



Poorly completed tuck-pointing - photographed on April 13, 2016



Concrete transitions to handicapped ramps not installed - photographed on June 27, 2016

In 2014, Majestic Management submitted an insurance claim for the Missouri Association of the Deaf Apartments related to storm damage. This claim resulted in a payout from insurance to the project of nearly \$83,000 for the replacement of the roofs on eight buildings. Majestic Management paid its identity-of-interest company, Majestic Maintenance and Construction, to complete the roofing repairs. Majestic Management used project funds to pay Majestic Maintenance and Construction \$69,562 to replace the roofs. However, it only completed two roofs, which should have cost \$17,000.

#### **Weak Control Structure Implemented**

Majestic Management implemented a weak control structure for its procurement functions. It did not adequately separate duties, did not have adequate policies and procedures, lacked an organized system of records, and did not have procedures regarding the use of identity-of-interest and employee-owned companies.

Majestic Management did not adequately separate duties. When we asked for records related to procurements, Majestic Management employees stated that a former employee was exclusively in charge of procurement activity, which included soliciting bids, selecting contractors, executing contracts, monitoring contract progress, making payments, and retaining procurement records (appendix D). Majestic Management maintained that because of this arrangement, it was unable to locate any records regarding the procurements made during our audit timeframe.

Majestic Management did not have adequate policies or procedures. Its only written policies and procedures guidance was a manual called the Residential Management Manual. This manual was issued in 2006, and Majestic Management employees stated that the manual was no longer in use. There were no policies in this manual that pertained to procurement practices at Majestic



Management. The manual was used primarily for onsite management of the individual projects and not as a tool for governing the activities conducted from the main Majestic Management office.

Majestic Management did not have an organized system of records. Its employees stated that the company had basically quit the multifamily property management business and had packed up records before the start of our audit so it was often hard for them to locate the documents requested. When we brought up the lack of an organized system of records, Majestic Management's attorney stated that the records were organized and compared the current system to an unassembled puzzle; that is, while it appeared unorganized with the pieces apart, it looked different when the pieces were assembled. The records management system can be viewed in the photo below.



Record retention system located in the basement of the Majestic Management office - photographed on June 30, 2016

Majestic Management did not have policies addressing the use of identity-of-interest and employee-owned entities or procedures ensuring that it disclosed such entities to HUD and property owners. When we asked the president of Majestic Management whether HUD was aware of its use of identity-of-interest companies and why the management agent certifications stated it did not conduct business with identity-of-interest entities, her response was that the former employee was responsible for all reporting to HUD so she did not know why identity-of-interest entities were not properly reported. However, the reporting forms were signed by the

president, not the former employee. Majestic Management's procedures should have outlined reporting responsibilities and steps that needed to be taken to ensure that transactions with identity-of-interest and employee-owned entities were more advantageous to the projects than arms-length transactions.

#### **No Assurance That Projects Benefited From Procurements**

HUD and property owners had no assurance that the projects benefited from the \$693,372 spent on goods and services. Incomplete and poorly completed work left tenants living in substandard conditions, overbilled transactions left fewer funds available for upkeep of the projects, competition was restricted, Federal funds were at risk of misuse, and goods and services may not have been obtained at the most reasonable price. See the table below.

Project name	Work not completed	Overbilled transactions	Other unsupported amount	Total
New Horizons	\$17,000	\$16,280	\$299,843	\$333,123
Freedom House I	43,480	4,625	12,500	60,605
Freedom House II	5,000			5,000
Missouri Association of the Deaf Apartments	92,666	52,040	149,938	294,644
<b>Total</b>	<b>158,146</b>	<b>72,945</b>	<b>462,281</b>	<b>693,372</b>

Incomplete and poorly completed work left tenants living in substandard conditions. According to the property manager at the Missouri Association of the Deaf Apartments, Majestic Management's contractor left one building without a roof for more than a year before it completed a roof replacement on the building. This situation resulted in extensive water damage to the units, and in one case, the ceiling collapsed, making the unit uninhabitable as shown in the photo below.



Ceiling collapse due to water damage - photographed on April 13, 2016

Overbilled transactions left fewer funds available for upkeep of the projects. Since project funds were not always spent at the most reasonable prices, fewer funds were available for maintenance items. For example, at the New Horizons project, the lawn was left overgrown, and there were many broken windows as shown in the photos below.



Unattended weeds at New Horizons - photographed on July 14, 2016





Broken windows at New Horizons - photographed on August 23, 2016

Improper procurement practices restricted competition and placed Federal funds at risk of misuse. In addition, goods and services may not have been obtained at the most reasonable price. Majestic Management restricted competition when it noncompetitively procured goods and services without obtaining quotes. Majestic Management's failure to execute contracts for its procurements also placed the Federal funds spent at risk since the purchases were not subject to the required contract provisions, such as antikickback requirements, access to records relating to the contract, and the retention of records. Majestic Management's failure to follow proper procurement processes may have resulted in projects overpaying for goods and services. Federal procurement requirements help to ensure that purchases are made through full and open competition at the most reasonable prices.

### **Recommendations**

We recommend that the Director of the Kansas City Office of Multifamily Housing Programs

- 2A. Require Majestic Management to reimburse the appropriate projects their portion of \$231,091 for work not completed or overbilled.
- 2B. Require Majestic Management to provide support that \$462,281 paid for procurements was reasonable or reimburse the appropriate projects for the balance.
- 2C. Require Majestic Management to implement adequate policies, procedures, and controls to help ensure that goods and services are properly procured in accordance with HUD's requirements.
- 2D. Monitor Majestic Management's expenditures to ensure that the employees understand and correctly apply procurement requirements.



- 2E. Require Majestic Management to update its management agreements to properly disclose its identity-of-interest and employee-owned companies to HUD and property owners.

We recommend that the Director of the Departmental Enforcement Center

- 2F. Consider administrative sanctions against Majestic Management and its employees for their failure to adequately manage the multifamily projects.

### **Finding 3: Majestic Management Spent Project Funds on Ineligible and Unsupported Expenditures**

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Majestic Management spent project funds for ineligible and unsupported expenditures. This condition occurred because Majestic Management did not maintain adequate separation of duties, did not have adequate policies or procedures, and lacked an organized system of records. As a result, it deprived its projects of at least \$11,184 in funds needed to pay for essential items and may have deprived them of an additional \$48,891 in funds needed for these payments.

#### **Project Funds Spent on Ineligible and Unsupported Expenditures**

Majestic Management spent project funds for ineligible and unsupported expenditures. It made more than \$7 million in payments from the 17 HUD-insured projects that it managed between 2013 and 2016. We reviewed 73 of those payments totaling \$102,522 and determined that Majestic Management disbursed project funds for 54 ineligible and unsupported purchases.

<b>Ineligible and unsupported expenditures</b>	<b>Sample count</b>
Ineligible purchases	14
Missing or Inadequate support	40
<b>Total ineligible and unsupported expenditures in sample</b>	<b>54</b>

#### **Ineligible Purchases**

Majestic Management made ineligible cash withdrawals and check card purchases, purchased items we were unable to locate at the respective projects, made a payment to a non-HUD project, and paid for items that should have been covered by the management fee.

Majestic Management made ineligible cash withdrawals and check card purchases from the New Horizons project accounts. According to information in the project's bank statements, Majestic Management made eight check card purchases and cash withdrawals totaling \$1,226 for food purchases at restaurants, clothing purchases, nail services, and purchases at a convenience store. These were all ineligible uses of project funds.

Majestic Management made three payments from project funds to purchase items that we were unable to locate at the respective projects. We were unable to locate three of the seven appliances purchased for the Missouri Association of the Deaf Apartments. At the New Horizons project in Kansas City, MO, we attempted to locate a van purchased by the project from the housing authority. The property manager stated that she had never heard of a van for the project. During a visit to a project in St. Louis, MO, we observed a Majestic Management van (shown in the photo below). We asked the president of Majestic Management if this was the van purchased by New Horizons. She told us it was the same van. The van purchase of \$2,000 and the missing appliances totaling \$1,332 were ineligible.



Van purchased from housing authority with New Horizons' funds - photographed on June 28, 2016

Majestic Management made a payment for \$3,925 from New Horizons to a non-HUD project. Majestic Management did not provide an eligible purpose for this payment.

Majestic Management paid \$2,700 from project accounts for items that should have been covered by the management fee. HUD requirements do not allow the use of project funds for supervisory training costs. Majestic Management made a payment for two of its supervisory personnel to attend training. In addition, it paid a salary to one of its supervisory employees, which was also not allowed.

#### Missing or Inadequate Support

Majestic Management was not able to provide support for some payments, paid items based on insufficient support, could not support reimbursements made to employees and their companies, and charged one project based on a budgeted amount instead of the actual amount.

Majestic Management was not able to provide support for 14 of the 73 payments reviewed for eligibility. It spent \$11,194 in project funds for these 14 expenditures without supporting documentation showing that the expenditures were reasonable and necessary expenses of the projects.

Majestic Management paid for 21 items totaling \$30,879 based on support that did not adequately detail what services or commodities were provided. HUD requirements state that payments must be supported by sufficient detail to show that the expense was reasonable and necessary for the operation of the project. For example, Majestic Management would make

payment from statements that referenced an invoice and the total amount owed. These statements did not show what goods or services were obtained so Majestic Management was unable to show that these were reasonable and necessary expenses of the projects.

Majestic Management could not support at least four reimbursements totaling \$5,318 made to employees and their companies. For example, it wrote a check to one of its employees to reimburse her for a money order she had bought to pay one of the project's bills. However, the support provided showed that the money order had been purchased by the project rather than the employee who was reimbursed. Majestic Management was unable to provide further explanation.

Majestic Management charged a project for salary costs based solely on a budget. HUD requirements state that management agents may bill only actual costs to its projects. Majestic Management billed a \$1,500 salary payment for one of its supervisory employees based on its budget including "Manager or Superintendent Salaries" and not the actual hours worked or tasks performed as shown below.

Admin.	Conventions and Meetings	6203	687	687	525	(162)	(23.58%)	525
Expenses	Management Consultants	6204	0	0	0	0	0.00%	0
6200 /	Advertising and Marketing	6210	205	205	0	(205)	(100.00%)	0
6300	Other Renting Expense	6250	3,076	14,633	0	(3,076)	(100.00%)	0
	Office Salaries	6310	300	300	0	(300)	(100.00%)	0
	Office Expenses	6311	8,646	8,974	14,150	5,605	65.59%	5,600
	Office or Model Apartment Rent	6312	0	0	0	0	0.00%	0
★ →	Management Fee	6320	14,681	13,672	14,941	250	1.70%	14,941
★ →	Manager or Superintendent Salaries	6330	49,841	45,641	43,000	(6,841)	(13.73%)	43,000

Budget provided to support \$1,500 salary payment to Majestic Management's director of operations

### Inadequate Control Over Expenditures

Majestic Management did not have adequate control over expenditures. It did not maintain adequate separation of duties, did not have adequate policies or procedures, and lacked an organized system of records.

Majestic Management did not maintain an adequate separation of duties. It made a single employee solely responsible for approving payments and signing checks from project accounts. It provided this employee with a signature stamp of the president of Majestic Management's signature, which the employee routinely used to sign checks. Adequate separation of duties helps to ensure that payments are fully supported and for only eligible project expenses. Separation of duties also helps to hold employees accountable for their actions. Management needs to take a more active role in small organizations to achieve separation of duties. The president said she did not take an active role in supervising the actions of her employee because she trusted her.

Majestic Management did not have adequate policies or procedures. Its only written policies and procedures guidance was a manual called the Residential Management Manual. This manual was issued in 2006, and Majestic Management employees stated that the manual was no longer in use. There were no policies in this manual that pertained to expense review and approval at Majestic Management. The manual was used primarily for onsite management of the individual

projects and not as a tool for governing the activities conducted from the main Majestic Management office.

Majestic Management did not have an organized system of records. Its employees stated that the company had basically quit the multifamily property management business and had packed up records before the start of our audit so it was often hard for them to locate the documents requested.

### **Ineligible and Unsupported Costs**

Majestic Management deprived its projects of at least \$11,184 in funds needed to pay for essential items and may have deprived them of an additional \$48,891 in funds needed for these payments.

Majestic Management deprived its projects of funds needed to pay for reasonable and necessary operating expenses. The projects' regulatory agreements with HUD require the projects to make monthly deposits to a reserve for replacement account. This measure helps to ensure that projects have funds on hand to make needed repairs. Annual audit reports cited many of the projects for underfunding the reserve for replacement accounts, a condition that may have been preventable if Majestic Management had spent project funds for reasonable and necessary expenditures. In at least one case, the New Horizons project had to borrow money from its reserve for replacement account to make its mortgage payment because the project's operating account had so few funds. The table below shows the ineligible and unsupported funds.

Project	Ineligible	Unsupported	Total
Freedom House I		\$4,021	\$4,021
Freedom House II		1,115	1,115
Missouri Association of the Deaf Apartments	1,332	10,571	11,903
NBA I Gateways Woodhaven		585	585
New Horizons	9,852	31,930	41,782
Oak Terrace		669	669
<b>Totals</b>	<b>11,184</b>	<b>48,891</b>	<b>60,075</b>

### **Recommendations**

We recommend that the Director of the Kansas City Office of Multifamily Housing Programs require Majestic Management to

- 3A. Reimburse the appropriate projects their portion of \$11,184 that it charged for ineligible items.
- 3B. Provide documentation to support that \$48,891 was spent for eligible purposes or reimburse the appropriate projects for the balance.
- 3C. Implement adequate policies, procedures, and controls to help ensure that payments are adequately supported and for eligible purposes.



# Scope and Methodology

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We performed our onsite audit work between February and September 2016 at Majestic Management's central office located at 2815 Olive Street, Saint Louis, MO. Our audit period was January 1, 2013, through December 31, 2015. We expanded the audit period as needed to accomplish our objective.

To accomplish our objective, we reviewed

- Applicable HUD Handbooks.
- The results of HUD's management and occupancy review conducted in July 2015 and the follow-up conducted in March 2016.
- Majestic Management's policies and procedures and organizational chart.
- The most recent HUD Real Estate Assessment Center physical inspection reports at the projects.
- The projects' audited financial statements from 2011 through 2015 and HUD's files for the projects, including management agent certifications, management agent profiles and regulatory and use agreements.

In addition, we interviewed employees of Majestic Management, tenants of the projects, former and present property managers and owners, present management agents, and HUD staff. We also conducted physical inspections, when possible, of all items in the procurement sample and the Home Depot items in the disbursement sample described below. For the projects inspected, we also requested documentation from their insurance companies and mortgage companies.

## Sample Selection

Our audit universe was all 8,157 payments shown on the check registers from HUD-insured projects from 2013 to 2016 totaling \$7,076,442. We selected a payments to management agent sample, a procurement sample, and an expenditure sample.

For the payments to management agent sample, we selected 83 payments totaling \$240,235 for review. In total, there were 975 payments totaling nearly \$1.3 million made to Majestic Management. We selected all 62 payments of at least \$2,000 from the New Horizons project, the president of which is also the president of Majestic Management. We also selected 26 more payments, which were the largest 5 payments of at least \$2,000 from each of the other 16 projects. Upon reviewing the sample, we determined that the circumstances of one of these sample items fit better into the procurement finding and the circumstances of four of these sample items fit better into the expenditures finding. After removing those 5 items, the payments to management agent sample size was 83 payments.

For the procurement sample, we selected 43 payments totaling \$693,372 for review. We selected these from the 7,182 payments totaling \$5,981,906 that had a payee other than Majestic Management and from 47 reserve for replacement draws totaling \$789,458. We selected from the check register all 32 payments over \$1,000 to the following companies:

- Majestic Maintenance and Construction, a company owned by the daughter of Majestic Management's president, who is also an employee of Majestic Management;
- Supreme Cleaning and Maintenance, a company owned by the son-in-law of Majestic Management's president;
- MRB Construction, a company owned by the New Horizons' onsite property manager; and
- An unrelated construction company that received more payments than any other nonrelated construction services contractor.

Each of the 32 payments above were at 1 of 4 properties. We also selected the 11 disbursements totaling \$138,226 from the reserve for replacement account for those 4 properties to the 4 companies selected above.

For the disbursement sample, we selected 73 payments totaling \$102,522 for review. We selected these from the 7,182 payments totaling \$5,981,906 that had a payee other than Majestic Management. To select this sample, we searched for items that were suspicious or would be at a high risk for ineligibility as follows:

- We selected from the projects' check registers all 10 payments exceeding \$600 to 2 Majestic Management central office employees and all 11 payments exceeding \$600 to DMK associates, which is owned by Majestic Management's former director of residential housing.
- We selected the largest five Home Depot purchases from the Missouri Association of the Deaf Apartments and Freedom House I accounts and all three Home Depot purchases from Freedom House II's account because the property manager at those properties told us she had seen irregularities in project purchases from this vendor.
- We selected 27 payments that appeared to be payments for professional services, to other entities Majestic Management manages, and to related parties, in an attempt to identify potential owner distributions.
- We reviewed the New Horizons bank statements for check card purchases and selected all eight purchases with questionable descriptions.

We focused on the above payments to evaluate items we believed were most susceptible to abuse. Since we were looking for specific examples of noncompliance, we believed this sampling methodology to be the most effective. The results of procedures applied to items selected under this method apply only to the selected items and cannot be projected to the portion of the population that was not tested.

We relied in part on computer-processed data contained in the Majestic's Management's electronic check register to achieve our audit objective. Although we did not perform a detailed assessment of the reliability of the data, we performed a minimal level of testing and found the data to be adequately reliable for our purposes. The tests for reliability included but were not limited to comparing computer-processed data to invoices, checks, procurement records, and other supporting documentation.



We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

# Internal Controls

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Internal control is a process adopted by those charged with governance and management, designed to provide reasonable assurance about the achievement of the organization's mission, goals, and objectives with regard to

- Effectiveness and efficiency of operations,
- Reliability of financial reporting, and
- Compliance with applicable laws and regulations.

Internal controls comprise the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives. Internal controls include the processes and procedures for planning, organizing, directing, and controlling program operations as well as the systems for measuring, reporting, and monitoring program performance.

## **Relevant Internal Controls**

We determined that the following internal controls were relevant to our audit objectives:

- Policies and procedures that have been implemented to reasonably ensure that procurements and expenditures are conducted in accordance with Federal requirements.
- Policies and procedures to ensure that only the appropriate fees are charged to projects.
- Internal control structures to ensure adequate separation of duties and control environments that hold individuals accountable for their responsibilities.

We assessed the relevant controls identified above.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, the reasonable opportunity to prevent, detect, or correct (1) impairments to effectiveness or efficiency of operations, (2) misstatements in financial or performance information, or (3) violations of laws and regulations on a timely basis.

## **Significant Deficiencies**

Based on our review, we believe that the following items are significant deficiencies:

- Majestic Management did not implement an adequate control structure to ensure that it charged only the proper fees to the projects it managed (finding 1).
- Majestic Management did not have adequate controls in place to ensure that it complied with HUD's procurement requirements (finding 2).
- Majestic Management did not have adequate controls over project expenditures (finding 3).

# Appendixes

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## Appendix A

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**Schedule of Questioned Costs**

<b>Recommendation number</b>	<b>Ineligible 1/</b>	<b>Unsupported 2/</b>
1A		\$17,414
1B		447,345
2A	\$231,091	
2B		462,281
3A	11,184	
3B		48,891
<b>Totals</b>	<b>242,275</b>	<b>975,931</b>

- 1/ Ineligible costs are costs charged to a HUD-financed or HUD-insured program or activity that the auditor believes are not allowable by law; contract; or Federal, State, or local policies or regulations.
- 2/ Unsupported costs are those costs charged to a HUD-financed or HUD-insured program or activity when we cannot determine eligibility at the time of the audit. Unsupported costs require a decision by HUD program officials. This decision, in addition to obtaining supporting documentation, might involve a legal interpretation or clarification of departmental policies and procedures.

## Appendix B

### Auditee Comments and OIG's Evaluation

#### Ref to OIG Evaluation

#### Auditee Comments

Comment 1

Comment 2



November 14, 2016

Ms. Carrie Gray  
Assistant Regional Inspector General for Audit  
Office of Audit (Region 7)  
400 State Avenue Suite 501  
Kansas City, KS 66101

Dear Ms. Gray:

Majestic Management would like to take this opportunity to thank you for allowing our company the opportunity to respond to the discussion draft audit report submitted by your office. We have taken the time to thoroughly read through OIG's findings and detailed items presented in this report and respectively disagree with some of the findings indicated throughout the report. Consequently, in view of this report, Majestic Management is in the process of reviewing its entire operation policies, manuals, and reporting procedures to fully comply with ALL HUD regulations. Majestic Management recognizes that better oversight should be done over ALL operations of its management entity and fully accepts the responsibility to do so. Currently, Majestic Management would like to clarify certain discrepancies listed in the initial audit report and submit the following as its comments and response.

Majestic Management in its entirety takes this matter very seriously. We had no intent at any time to deceive or defraud the federal government in any way. Mrs. [REDACTED] and Ms. [REDACTED] began a long term working relationship when Mrs. [REDACTED] sought out the use of a Director of Housing position to help aid in the growth of Majestic Management. Mrs. [REDACTED] was referred to [REDACTED], who worked at the Sansone Group, a large property management and development company in the city of St. Louis. [REDACTED] came highly recommended as she performed these same duties for Sansone Group in the capacity of Director of Senior and Residential Housing. After working together for many years, [REDACTED] met with Mrs. [REDACTED], President, in May 2015, and explained that she was tired of the rigorous work of managing HUD properties and determined that the multifamily properties that were in inventory at that time were not thriving and continued to struggle each month. She further explained that she had become "burnt out" and would like to resign from her position as Director of Residential Housing for Majestic Management. After further discussion, Mrs. [REDACTED] accepted Ms. [REDACTED] resignation and asked that she provide the property



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Comment 3

owners a 90-day notice, per the management contract, that they would be terminating management services on September 30, 2015. Mrs. [REDACTED] also instructed Ms. [REDACTED] to get ALL the remaining documentation such as files, and accounting documentation back to the properties and/or the new management agent that property selected. After September 30, 2015, Mrs. [REDACTED] informed Mrs. [REDACTED] that she would assist in packing up documentation at the management office and leave items that would be needed for the fiscal year audits in the file room and the remaining items that were no longer needed, would be boxed up in our storage area in the basement of the management office. In December 2015, [REDACTED] became privy to suspected activity when she was contacted by an owner, that she was unaware of and whose property was not included in the Majestic Management portfolio, reached out to inquire about missing payments for his property managed by [REDACTED], and if Mrs. [REDACTED] knew of her whereabouts. Mrs. [REDACTED] agreed to meet with the owner to discuss his concerns, and attempted to get Ms. [REDACTED] involved in this process, as she had no knowledge of this owner or the accusations he was alleging. At the initial meeting with this owner, he explained that he had been working with Ms. [REDACTED] as she managed several of his market rate, single family homes under her company DMK Management and Consulting. He stated that he had been having issues collecting his rents from Ms. [REDACTED] for a while, but in the last 6 months, he had not received the amounts that he was scheduled to collect to most of the time, not receiving any funds at all. Mrs. [REDACTED] informed him that she was unaware of him and his properties; however, she would continue to contact Ms. [REDACTED] and inform her of his concerns and assist with trying to set up a meeting for the two of them to discuss the concerns present. Mrs. [REDACTED] diligently attempted to secure a meeting with both Ms. [REDACTED] and the owner however; Ms. [REDACTED] avoided a formal meeting only agreeing to talk via text/email and telephone. In her correspondence with the owner, she did agree that she owed the owner \$36,000 in rents and other fees that she had collected but never deposited into his account. (SEE Introduction -EXHIBIT 1) This prompted Mrs. [REDACTED] to instruct her accountant to go back through the properties that were still in inventory for Majestic to review deposits and charges and report back any discrepancies for her review. At that time, it was found that there was activity that occurred that were unknown and were not authorized by Mrs. [REDACTED] for disbursement. This prompted Mrs. [REDACTED] to lock Ms. [REDACTED] out of ALL property management software, changing ALL passwords/access to other various management components, securing her office computer, changing the locks on the management office and changing the alarm code on the office building as well. Mrs. [REDACTED] also contacted ALL the remaining owners and informed them of the activity that she had discovered and encouraged each to take the necessary measures to secure their properties to ensure no further activity could take place. Mrs. [REDACTED] attempted to meet with Ms. [REDACTED] to discuss her findings however upon presentation of what was found, Ms. [REDACTED] exploded to defend herself and left when Mrs. [REDACTED] stated that she no longer needed any of her services and that she would have report the activity to the authorities.

Mrs. [REDACTED] contacted her attorney for guidance on how to proceed with the findings and her attorney instructed her to contact the local authorities and since HUD funds were involved she

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**Auditee Comments**

Comment 4

needed to notify the local HUD office to disclose what was found. (*SEE Introduction-EXHIBIT 2*) Mrs. [REDACTED] was also advised to have her accountant to go back through all properties that she had in inventory in the last year to determine if this was an issue that had been ongoing. Mrs. [REDACTED] instructed her accountant to complete the ALL property audit and notified HUD and the local authorities as instructed by her attorney.

Comment 5

In February 2016, Mrs. [REDACTED] was contacted by the local OIG office for Housing and Urban Development to discuss, what she initially thought was to discuss the events that led up to this meeting. However, at the end of the meeting Mrs. [REDACTED] was presented with a subpoena to audit ALL the activity of Majestic Management for the last five years. Prior to this meeting, Mrs. [REDACTED] was not notified of the intent of the meeting and therefore did not have her attorney present to advise on signing the documents presented. However, Ms. [REDACTED] and Ms. [REDACTED], OIG representatives that were present insisted that they were there to help aid Majestic and HUD to find out if Ms. [REDACTED]'s reach went further than what was already discovered. Thus, Mrs. [REDACTED] signed the document and informed the OIG team that the Majestic office would be available for use to research the documentation requested. During the investigation, Mrs. [REDACTED] and her attorneys expressed concern with the length of time the subpoena covered and direction in which the investigation appeared to be going. The Majestic team and the OIG team met to discuss the concerns to amend the subpoena to only include documentation that was for a period of three years and expedite the findings and have the report concluded by September/October of 2016. Majestic Management was notified via email by Ms. [REDACTED] on October 13, 2016 of the initial findings and further explained that full draft would be available for comment and would be forwarded for review upon its completion. The DRAFT documentation was forwarded in November 2016 for review and the extension of comments and exit interview would be authorized in response to the audit draft. The following is the response of Majestic Management to the findings included in the initial report.

Comment 6

*\*Please note: Any reference to signatures of Mrs. [REDACTED], actual or implied, to the best part of our knowledge, are more than likely an unauthorized use of a signature stamp. A copy of the alleged signed documents was not provided to Majestic Management for review or verification. Mrs. [REDACTED] did have a signature stamp and this stamp was kept and maintained in a locked safe in the accounting office within the Majestic Management office. Ms. [REDACTED] had access to this office and safe to perform the necessary functions of her position. \**

Comment 7

*Majestic Management used four identity-of-interest companies to conduct work on the projects it managed. HUD's Kansas City Office of Multifamily Housing Programs was unaware of Majestic Managements use of these entities.*

Majestic Management did utilize the services of Majestic Maintenance and Construction Supreme Cleaning & Maintenance, MRB Construction under the procurement guidelines set forth in the policies and procedures per HUD guidelines. This oversight was directed and



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Comment 8

Comment 7

managed by the St Louis Office of Multifamily Housing Office before its closure in August of 2014. This office provided written correspondence of approval for Majestic Maintenance & Construction to be able to provide services to properties that were managed by Majestic Management as Mrs. [REDACTED] had ownership in this entity. As the Director of Residential Housing, Ms. [REDACTED] was instructed to secure three (3) bids from three different companies in accordance with HUD guidelines. She was also instructed to provide a scope of work and permit the three companies to bid work based on the scope to ensure each proposal/bid would be bid the same. In her job description, Ms. [REDACTED] was to identify ALL areas of procurement and if there was an Identity of Interest present, she was to notify HUD in writing to disclose and get written permission from the governing office for that entity to be able to provide services. Ms. [REDACTED] informed Ms. [REDACTED] that these issues, as well as ALL other areas under her direct supervision, were addressed and all approval was noted and granted. Various updates were provided through weekly staff meetings, in-prompt-to meetings throughout the course of a week, daily emails, and telephone conversations and written documentation provided to support that the job functions of her role were in fact being completed.

***Majestic Management created a spinoff company called Majestic Maintenance & Construction. Majestic Management used Majestic Maintenance and Construction to conduct work at its projects. The president's daughter runs the construction company in addition to maintaining her position as the director of operations for Majestic Management. According to the secretary of state website, Majestic Maintenance and Construction lost its business registration with the state of Missouri in April for failing to maintain a registered agent.***

Comment 9

Majestic Maintenance and Construction was not a "spinoff" of Majestic Management. This company was set up as a separate entity and was independently operated by [REDACTED] to provide Construction services for various projects. Majestic Maintenance & Construction maintained a vast majority of work in across the state of Missouri, and Illinois. Majestic Maintenance & Construction was certified through the state and local entities as required, and certified as a minority agent through the state of Missouri and the Airport Authority to be able to bid various construction projects in the State of Missouri. Majestic Maintenance & Construction was paired and mentored through RG Ross Construction in St. Louis, MO under the guidance of Mr. [REDACTED], President during this period. This entity had its own staff, payroll/operating systems independently of Majestic Management. Mrs. [REDACTED], when asked, provided bids/proposals to Majestic Management at the request of the Director of Residential Housing, [REDACTED]. When the opportunity was presented and Majestic Maintenance & Construction was the lowest bidder, they were awarded the work. All bids/proposals that were issued to Majestic Management were under the instruction and the guidance of [REDACTED]. Majestic Maintenance & Construction was closed officially in February 2015 after Mrs. [REDACTED] became pregnant and due to a difficult pregnancy opted to finish all scheduled work on the books and close the Construction entity. Mrs. [REDACTED] resumed her Management responsibilities as property manager for Majestic Management taking

Comment 10



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Comment 12

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Comment 13

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on the management of a 120-market rate facility. Mrs. [REDACTED] did not assume the role of Director of Operations until December 2015 when due to the findings of Ms. [REDACTED], this role was established to help facilitate the remaining items finalizing the turnover of the projects that concluded in September 2015. Mrs. [REDACTED] has always acted in the role of property management (front-line) and not supervisory (fee-based).

During the timeframe of the audit, Majestic Maintenance & Construction had three contracts in total that were awarded to perform construction services. Majestic Maintenance & Construction was awarded a Fire Damage/Repair bid for Agape Properties in Kansas City, MO, A Spot Roof /Soffit/Fascia Board Repair for Missouri Association of the Deaf Apartments in Fulton, MO, and Storm Damage/Siding Repair for Freedom House apartments in Columbia, MO. As previously stated, Majestic Maintenance & Construction bid work for Majestic Management under the direction and guidance of Ms. [REDACTED]. For each bid awarded, Majestic Maintenance & Construction was issued a notice to proceed by Ms. [REDACTED] to begin work and provide progress invoices until conclusion of the project. At no time was Mrs. [REDACTED] or Mrs. [REDACTED], owners of Majestic Maintenance & Construction, involved in the review or selection of the 3 bids. A bid was requested per the scope issued and Majestic Maintenance & Construction was issued a notice to proceed if they were the most thorough and price point bidder for the project.

Please see attached proposals and notice to proceed for each of the above-mentioned projects. Notice to proceed was previously submitted for Fire claim. (**Introduction-EXHIBIT 3**)

*Majestic Management used Supreme Cleaning and Maintenance to conduct work at it projects. This company is owned by Majestic Management's director of operations' husband. Majestic Management hired this company to complete rehabilitation work on its New Horizons project in Kansas City, MO after the project was vandalized. We were unable to locate proof of registration or licensing for this company.*

Supreme Cleaning & Maintenance is owned and operated by [REDACTED], the husband or [REDACTED]. [REDACTED] nor [REDACTED] has no ownership or input in the direction or the use of this company. In its original registration, as Supreme Cleaning STL LLC, Mr. [REDACTED] provided bids/proposals to Majestic Management under the instruction and guidance of [REDACTED]. All registration, licensing, and insurance was provided to Ms. [REDACTED] for her review. Ms. [REDACTED] was introduced and utilized the services of Supreme Cleaning prior to the marriage in June of 2014. After the marriage, Mrs. [REDACTED] informed Ms. [REDACTED] to ensure she was completing the necessary requirements with informing HUD of the use of Supreme Cleaning after she informed her that she had secured a bid/proposal for a managed project. She stated that she had taken the necessary steps to ensure the appropriate documentation was in place. Please see attached state registration, proposal, and notice to proceed issued for the above-mentioned project. (**Introduction EXHIBIT 4**)

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Comment 7

Comment 17

***Majestic Maintenance used MRB Construction to complete work at its New Horizon project. MRB Construction is owned by the property manager that Majestic Management employed for the project. We were also unable to locate proof of registration of licensing for this company.***

MRB Construction is owned and operated by [REDACTED]. Mrs. [REDACTED] does not have any ownership or input in the direction or the use of this company. Mrs. [REDACTED] provided bids/proposals to Majestic Management under the instruction and guidance of [REDACTED]. Ms. [REDACTED] utilized the services for Ms. [REDACTED] at New Horizons, in Kansas City, MO for maintenance purposes. Mrs. [REDACTED] was paid as an independent contractor out of the maintenance line item of the HUD approved budget for this property to provide monthly routine maintenance services to this project. Mrs. [REDACTED] formed her company in December 2014 and provided Ms. [REDACTED] with the appropriate documentation to disclose and wanted to ensure that if she pursued other work it would not be a conflict of interest. Ms. [REDACTED] at that time indicated that this would not be a conflict of interest and invited Mrs. [REDACTED] to provide bids/proposals on other projects managed by Majestic Management. At the request of Ms. [REDACTED], Ms. [REDACTED] provided a bid/proposal for work concerning New Horizons and the refinance of the property and work that needed to be completed because of the refinance. Mrs. [REDACTED] was awarded the work and completed the work per the scope and bid provided. This work was issued and completed prior to Mrs. [REDACTED] becoming employed by Majestic Management as an assistant property manager under its public housing contract in August 2015. Mrs. [REDACTED] continues to provide maintenance services to the New Horizons project and is now billed under her company and is issued a 1099 for the services rendered. In its many efforts to update practices and procedures, Majestic Management has sought out local maintenance personnel in the Kansas City area as well as bids/proposals for any work that should come up in the future. At the time the work was completed, Majestic Management had no knowledge of registration not being completed for MRB Construction. MRB did however provide a proposal, notice to proceed issued by Ms. [REDACTED], and insurance cert for ALL work completed.

***Majestic Management used DMK Management and Consulting to provide consulting work for its projects. DMK Management & Consulting is owned by Majestic Management's now former director of residential housing.***

DMK Management and Consulting was solely owned and operated by [REDACTED]. Mrs. [REDACTED] does not have any ownership or input in the direction or the use of this company. Ms. [REDACTED] provided management/consulting services to single family owners and consulting services to owners that sought out her expertise on HUD refinance. At no time, did Majestic Management, or any of the properties that Majestic Management had an active management agreement with, utilized the services of DMK Management & Consulting. Mrs. [REDACTED] was aware of the entity established by Ms. [REDACTED] and did not deem the entity as a conflict of interest as Majestic Management did not manage single family homes or provide refinance consulting as part of its management services. Majestic Management/[REDACTED]

Auditee Comments

████ did not benefit in any way from the establishment and operation of DMK Management & Consulting. Please see Missouri Registration noting ownership by ██████████. (Introduction-EXHIBIT-5)

**Finding 1: Majestic Management Improperly Charged Fees to its Projects**

Majestic Management does not agree with the complete details of the finding for improperly charging fees to its projects. Majestic Management used a payroll company which drew funds from a single account to pay all employees from each property. Checks were written in the amount provided by the payroll company from each property and deposited into the account prior to the payroll company drawing the funds for payment.

**Improperly Charged Fees**

**Improper Calculation of Management Fees**

In regards to the management fee being based on a fixed amount, Majestic Management agrees a fixed schedule was in place provided by the former employee, ██████████. The fixed schedule was determined at the start of each management agreement and remained the same throughout. Each year the management fee was audited according to HUD 4381.5 Chapter 3. The auditor determined the fee was either overpaid or underpaid in some cases. The fee remained the same even though rent and HAP increased throughout the years. As mentioned before, Majestic Management no longer oversees the listed developments prior to the start of the OIG audit as of August 30, 2015 with the exception of one property, Agape Properties. For the remaining property Majestic Management is currently using the appropriate calculation. For the six payments that totaled \$17,414 Majestic Management provided the flat fee schedule. For some developments Majestic Management did not receive a fee in some months due to the lack of income of the property. However, when income became available, Majestic Management withdrew the funds owed. OIG auditors focused on amounts inconsistent from the normal payment and noted the amount as unsupported. At year end, according to HUD 4381.5 Chapter 3, the fees were determined to be adequate. We have noted per the last audited report the amount owed in which we agree should be paid back to the projects. Please see (*Finding 1 EXHIBIT 1.*) Majestic Management will continue to review historical data and calculate the fee earned which verifies the audited amount. Please see (*Finding 1 EXHIBIT 2.*)

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• Brady- Callaway	\$224.00
• Freedom House I	\$646.00
• Hyde Park	\$ 91.00
• Latter Glory	\$ -0-
• MADA	\$3,217
• Peace Villa Senior	\$1,290
	<u>\$5,468</u>

**Unsupported Salary Charges**

Comment 19

Majestic Management does not agree with the full details of unsupported salary charges. Majestic Management had onsite staff where needed and centralized staff for the projects. The centralized staff salary were allocated over the projects in which they performed frontline services according to HUD 4381.5 REV 2 6.38. The allocation method was maintained by the former employee, [REDACTED], who in turn sent hours to the Payroll Company bi-monthly on a spreadsheet. W2's and written allocations by the former employee were provided to OIG auditors. Please see (*Finding 1 EXHIBIT 3*). OIG auditors also received an organizational chart. Please see (*Finding 1 EXHIBIT 4*.) After the investigation, Majestic Management received W2's back from OIG auditors with employee's titles written on them by OIG auditors assigned to the investigation, Ms. [REDACTED] and Mr. [REDACTED]. Majestic Management has put in a request for prior year W2's from the Payroll Company as well as Timesheets (2013). Timesheets that detailed employee's hours were housed by the former employee, who in her duties, supervised the frontline staff. Attached are copies of the job description for employees (*Finding 1 EXHIBIT 5*) and time sheets (*Finding 1 EXHIBIT 6*). Majestic Management will request the remaining timesheets from the payroll company.

Comment 20

**No Support Provided**

Comment 21

For the payments determined as no support provided Majestic Management agrees the amount \$2,018 should be reimbursed. The other amounts noted were for salaries and fees owed to Majestic Management that were not collected due to the project having low income to ensure expenses were paid timely. The checks either noted what the payment was for by account or description. Please see (*Finding 1 EXHIBIT 7*). Also, please see spreadsheet and proof of support (*Finding 1 EXHIBIT 8*)

**Ineffective Control Structure**

Comment 22

Majestic Management agrees that there was a weak control structure and lack of documentation in some cases. There were multiple cases where the information that was initially provided for review and approval, upon its closure of the 16 properties in August 2015 Majestic Management was unable to locate some of the documentation that was requested. Again, the facilitation of

Comment 23

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packing the Majestic Management office and completing the property transition was a directive from Mrs. [REDACTED] to Ms. [REDACTED] upon her initial resignation.

**Response**

1A. Majestic Management believes the FY audit report is sufficient in reconciling the management fees. Majestic Management agrees the amount the FY audit reports states were overpayments should be repaid. The amount of \$5,468. **\*(Please refer to Finding 1-EXHIBIT 1 & 2)\***

1B. Majestic Management provided allocation sheets and W2's to show the amount disbursed to employees through the single account for payroll. Majestic Management agrees \$2,018 should be reimbursed for unsupported expenses. **\*(Please refer to Finding 1-EXHIBIT 3,4,5,&6)\***

1C. Majestic Management terminated 16 of the 17 projects and changed staff prior to the OIG audit but has worked toward updating all policies and procedures in accordance with HUD's requirements with guidance of their lawyer and accountant.

1D. Majestic Management believes the FY audit report is sufficient in reconciling the management fees. Majestic Management will recalculate the fee for the period in question to verify the audit. **\*(Please refer to Finding 1-EXHIBIT 1 & 2)\***

**Finding 2: Majestic Management Improperly Procured Items**

**Procurement Requirements Not Followed**

It was understood by Mrs. [REDACTED] that Procurement was followed according to the current policies and procedures that were in place in the Majestic Management in the Operating Manual. The Director of Residential Housing, [REDACTED], was responsible for procurement and insuring if present, the Identity- of- Interest Company was brought to the attention of HUD and the necessary approval was granted. It is the practice of Majestic Management to obtain at least three invitations to bid work, and to our knowledge, were extended in every item procured by Majestic Management. If all three did not respond in a timely fashion, Ms. [REDACTED] should have documented the results of the bid, noting she did not receive three bids as requested and proceeded with the most through and price point bidder of the two that responded.



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Comment 24

In the multiple samples provided to the OIG auditors for review, the office highlighted an invoice provided by Supreme Cleaning, for work completed on Agape properties, for the vandalism claim for 1715 Linwood on August of 2015. As previously noted, Supreme Cleaning & Maintenance is owned and operated by [REDACTED]. Neither Mrs. [REDACTED], nor Mrs. [REDACTED] has any ownership or interest in this entity. Supreme Cleaning & Maintenance provided a proposal based on the scope of work that issued by the Director of Residential Housing, Ms. [REDACTED]. Ms. [REDACTED] issued a notice to proceed for the work to be completed. As previously noted, neither Mrs. [REDACTED] nor Mrs. [REDACTED] was involved in the review or award of this contract. Mrs. [REDACTED] informed Mrs. [REDACTED] that she was obtaining a bid from Supreme for the work that needed to be completed and that if awarded, she would ensure all correspondence would be issued to HUD. ALL invoices and payments regarding the work completed for this job was issued by the mortgage company for Agape properties, Gershman Mortgage. Please see original proposal that was provided and the notice proceed issued by Director of Residential Housing, [REDACTED] [REDACTED]. (Please see Finding 2 Exhibit 1)

**Identity-of-Interest Entities**

Majestic Management utilized identity-of-interest companies on a selected amount of contracts when the company bidding the work, provided the most through and price point for all work encompassed by the project. This may not have always been the lowest bidder for the project, but issued to the contractor who met the above mentioned requirements. At any time there may have been any form of a discrepancy or questions regarding why a particular contractor was chosen, Ms. [REDACTED] should have documented the case with measures that supported why she went with the chosen contractor and placed in the file along with the backup for support. While Majestic Management used identity-of-interest companies to complete jobs on the projects in the Majestic Management portfolio, more than half of the procured work was completed by Baumhoff Construction, which is owned and operated by Mr. [REDACTED]. Mrs. [REDACTED] had a working relationship with Mr. [REDACTED] prior to her employment with Majestic Management. There were a series of questions asked about this entity and the extent of the relationship of both Mr. [REDACTED] and Ms. [REDACTED] during the OIG interviews, and the Majestic team provided all known information of the relationship at that time.

**Overbilled, Incomplete, and Poorly Completed Work**

Out of the many samples provided to the OIG auditors, the office opted to discuss a 81 gallon hot water tank, that in both instances, were conducted in a prior year (2012) and not included in the agreed terms of the Audit period. As a result, Majestic Management will focus its efforts in answering all items pertaining to the Audit period.

Majestic Maintenance and Construction was awarded the contract Fire Damage/Repair in August of 2013. As previously noted, Majestic Maintenance & Construction was asked to provide a

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Auditee Comments

Comment 26

proposal by Mrs. [REDACTED] based on the scope of work provided by the insurance company. Majestic Maintenance & Construction provided a proposal and was later issued a Notice to Proceed by Ms. [REDACTED] to begin immediate work. Neither Mrs. [REDACTED] nor Mrs. [REDACTED] was apart of the bid selection/award of this project. Majestic Maintenance & Construction worked closely with the insurance adjuster, the city of Kansas City, and [REDACTED] to ensure that all work was completed per the scope and city code regulations. There were NO instances observed or noted upon completion of the work in 2013 when ALL work was inspected and completed by all entities mentioned above. The pictures provided in this audit report did not accurately depict work that was completed for this job. Work that was completed almost three years ago can not be confirmed that this was due to smoke damage from that particular job. The pictures that were produced did not have an address shown, a time or date attached to the pictures and as a result, Majestic Management is unaware of what these pictures are and/or where they are from. Majestic Management did however, provide the OIG office with pictures of completed work and with the original scope that was provided and approved by the Director of Residential Housing, Ms. [REDACTED]. Please see attached original Scope of Work and completed

pictures from the Fire claim/Repair for Agape properties. *(Please see Finding 2 Exhibit 2)*

Comment 27

It was also noted and previously discussed that Supreme Cleaning and Maintenance did complete the repairs of the Vandalism claim for Agape Properties in 2015. Supreme Cleaning & Maintenance was issued a total of \$57,887.00 for the claim in its entirety. It was not in excess of the \$70,000.00 the report claims for this particular project. Supreme Cleaning & Maintenance worked closely with the insurance adjuster, the city of Kansas City, [REDACTED] to ensure that all work was completed per the scope and city code regulations. There were NO instances observed or noted upon completion of the work in 2013 when ALL work was inspected and completed by all entities mentioned above. The pictures provided in this audit report did not accurately depict work that was completed for this job. Work that was completed over a year ago can not be confirmed that this particular damage noted in the report was due to work not being completed from that particular job. The pictures that were produced did not have an address shown, a time, or date attached to the pictures and as a result, Majestic Management is unaware of what these pictures are and/or where they are from. Majestic Management did however, provide the OIG office with pictures of completed work and with the original scope that was provided and approved by the Director of Residential Housing, Ms. [REDACTED]. Please see attached original Scope of Work and completed pictures from the Vandalism Claim for Agape properties. *(Please see Finding 2 Exhibit 3)*

Comment 28

Majestic Management/Agape Properties did contract with MRB Construction to perform the monthly maintenance for Agape Properties. This was completed under the direction and guidance of the Director of Residential Housing, Ms. [REDACTED]. As previously noted, MRB is not an identity-of-interest company. Mrs. [REDACTED] was not an employee of Majestic Management until August 2015. MRB Construction completes routine maintenance for

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**Auditee Comments**

Comment 29

Agape Properties and did in fact install the dishwasher noted. She is issued a 1099 for ALL work completed. When the dishwasher was installed, it was working properly at installation; however, at some point the dishwasher became inoperable and was not reported to the management/maintenance team for repair. A resident at the property screwed it shut to prevent further damage. Mrs. [REDACTED]'s invoice did not indicate that the dishwasher installed was new. Therefore, the manufacture date noted in the audit report has no validity on the work that was actually performed or the item purchased to be installed. Also noted in the audit report, was an unidentified breaker box at an unknown address that stated there were breakers missing/inoperable at the panel box. The areas of a panel box that are not in use are to be covered with panel spacers to cover the opening. The referenced picture notes the panel spacers in place at the time the picture was taken. This is a common practice and is recommended by the UPCS (Uniform Physical Conditions Standards) and REAC (Real Estate Assessment Center).

Comment 30

The audit report also notes and discusses a building tuckpointed at the Missouri Association of the Deaf Apartments. Noting that the contractor that performed the tuckpointing on this building was also paid to do concrete transitions that were also not complete. Again, it is the policy of Majestic Management to inspect completed work before payment is rendered. The audit report indicates that there was some form of dialogue that occurred between the management and the OIG audit team. There was no indication that this particular building photographed was the building assigned to the contractor completed for tuckpointing. The picture does not have an address, date, or time associated with the photo and as a result, Majestic Management can not identify or confirm what was noted. The particular building could have been completed after the original scope was issued and was not included in the proposal submitted by the contractor. The additional photograph mentioned regarding the concrete transitions does not show ALL of the concrete transitions to handicapped ramps on the property. The picture only notes one ramp, does not show an address, date, or time associated with the photograph and as a result, Majestic Management can not identify or confirm what was noted. This ramp could have been completed recently and was not apart of the original scope provided to the contractor. Again, none of the work discussed in the audit report was completed recently and therefore, cant determine if this was any of the work assigned to the contractor, Baumhoff Construction.

Comment 31

The audit report also noted that Majestic Management paid its identity- of -interest company, Majestic Maintenance & Construction, \$83,000 for the replacement of 8 roofs at the Missouri Association of the Deaf Apartments. This is false statement and was discussed during the OIG interviews and documentation was provided to support this statement. Majestic Maintenance & Construction was issued a \$40,000.00 contract to complete shingle replacement and repair soffits and fascia board on the project due to storm damage. Majestic Maintenance & Construction partnered Baumhoff Roofing to complete the shingle repair and the Majestic team repaired soffits and fascia board. Majestic Maintenance and Construction issued a check to Baumhoff Roofing in the Amount of \$26,561.50 for their portion of the work. As a result, Majestic Maintenance & Construction was paid \$13,438.50 for their portion of the work completed. There

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Comment 31

was a separate contract entered into with Baumhoff Roofing for the remainder of the roof work that needed to be completed. Baumhoff provided The Director of Residential Housing [REDACTED] with a proposal and was issued a notice to proceed. The audit report did not provide and reports or pictures of roofs to indicate that the work had not been performed by the contractor. It only provided the statement. Please see attached 1099 and check made payable to Baumhoff Roofing. (Finding 2-EXHIBIT-4)

**Weak Control Structure Implemented**

Majestic Management agrees that there was a weak control structure and lack of documentation in some cases. There were multiple cases where the information that was initially provided for review and approval, upon its closure of the 16 properties in August 2015 Majestic Management was unable to locate some of the documentation that was requested. Again, the facilitation of packing the Majestic Management office and completing the property transition was a directive from Mrs. [REDACTED] to Ms. [REDACTED] upon her initial resignation. Majestic Management recognizes that there should have been more controlled measures in place and are taking the necessary steps to update policies and procedures and also implement more protective measures to ensure procurement is completed in accordance HUD guidelines. Majestic management did provide procurement documents that were in its possession and took additional steps to contact the contractors that provided the work to obtain any documentation that they may have had to support that procurement was completed in accordance with our policies and procedures and also HUD guidelines. Majestic Management did have a procurement section in its policies and procedures that was supplied to the OIG audit team for review.

Comment 32

The audit report also indicated that Majestic Management did not have an organized system of records and provided a picture of the basement of the main office where storage items are kept along with other items pertaining to building matters. This statement is false. Majestic Management does have a file room that is locked and accessed by the Majestic Management Staff. At the time the OIG audit began, the main office of Majestic Management did not have regular office hours as the management entity moved operations to another location. The offices were cleaned out and the only items that were out were items that were used in preparation for audits. The photograph of the basement was taken unknown to Majestic Management as the OIG auditors were utilizing the main conference room to review documentation and the staff that was present brought all requested documentation to the conference room as requested. The auditors did ask to see any form of a file room and assumed that this was the method of organization without confirming this was correct. Please see pictures of the actual file room for Majestic Management (*Finding 2-EXHIBIT 5*)





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Comment 33

Comment 34

Comment 35

**No assurance that Projects Benefited from Procurements**

As previously stated, It is the policy of Majestic Management that procured work is completed in alignment with its policies and procedures and in accordance with HUD guidelines. Work completed by contractors was inspected and noted upon completion unless otherwise noted in the contract. The photographs provided in the audit report under this section provide no indication that these incidents were as a result of work not completed by contractors Majestic Management procured work through. As previously noted, the pictures have no addresses, dates, or times to suggest that the findings were not done as a result of procured work not being done. The pictures provided were taken more than 6 months after Majestic Management stopped managing the project and as previously stated, there was no documentation to support that these actions happened as a result of work not being procured properly. The photograph provided does not indicate wet insulation, wet or molded ceiling joists, or wet drywall. The audit report indicated that the roof had been replaced and therefore, was completed before Majestic Management stopped managing the project. That would lead us to believe that the ceiling was dry and as a result could not be from water damage as suggested by the audit team. The report also indicated that as a result of items being overbilled and not properly procured, the remaining property that we have in inventory suffered due to lack of funds that could have been readily available if items were procured properly. The photographs provided suggest that there were many broken windows and that the lawns had overgrown vegetation. Again, there is direct no indication that work that was procured over a year ago, or in some cases three years, has a direct reflection the current status of the property. The photographs provided in the report do not have a date or time and provides little insight to the conditions of the weather where there could have been excessive rain and as a result, a delay in cutting the grass. The overgrown lawn that the auditor is referencing in the report is actually plants that line the walkway. There as evidence of a broken window that had not been reported to management at the time the photograph was taken. After further investigation management discovered the two windows were broken out a couple of days prior by a residents boyfriend and the resident was fearful of being evicted and therefore did not disclose to management until the management came to the property as it does on average three times per month.

**Recommendations**

2A. *Require Majestic Management to reimburse the appropriate projects their portion of \$231,091 for work not completed or overbilled.* Majestic Management does not agree with the full amount stated to be reimbursed. Majestic Management is completing a thorough investigation on the items listed in this audit to determine if there are amounts needed to repaid.



Auditee Comments

2B. *Require Majestic Management to provide support that \$462,281 paid for procurements was reasonable or reimburse the appropriate projects for the balance.* Majestic Management does not agree with the full amount stated to be reimbursed. Majestic Management is completing a through investigation on the items listed in this audit to determine if there are amounts needed to be repaid.

2C. *Require Majestic Management to implement adequate policies and procedures, and controls to help ensure that goods and services are properly procured in accordance with HUD's requirements.* Majestic Management is updating all operational policies and procedures under the guidance of our attorney and accountant to ensure all procurement measures going forward are accurate and accounted for.

2D. *Monitor Majestic Management's expenditures to ensure that the employees understand and correctly apply procurement requirements.* Majestic Management is updating all operational policies and procedures under the guidance of our attorney and accountant to ensure all expenditures going forward are accurate and accounted for.

2E. *Require Majestic Management to update its management agreements to properly disclose its identity-of-interest companies to HUD and property owners.* Majestic Management is currently updating all operational policies and procedures and will make the necessary updates to all its correspondence.

We recommend that the Director of the Departmental Enforcement Center

2F. *Consider administrative sanctions against Majestic Management and its employees for their failure to adequately manage the multifamily projects.* Majestic Management respectfully disagrees with this recommendation. Based on the documentation provided to the OIG auditors we believe that this documentation supports our claim. We further ask that any administrative sanctions that would have been imposed, be mitigated due to this reason.

**Finding 3: Majestic Management Spent Project Funds on Ineligible and Unsupported Expenditures.**

Majestic Management established separation of duties but the control was weakened due to the former Director having additional oversight of the projects. Thus, full support was not gathered in the distribution of checks to vendors.

Majestic Management feels the focus of the vendors reviewed were due to the initial request to HUD to review fraudulent activity of the former employee. Majority of the unsupported items are due to the former employee issuing checks to her own company or self.

**Ineligible Purchases**

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Comment 36

Majestic Management agrees that there was an ineligible withdrawal and ineligible check card purchase. The one withdrawal there is lack of support. The ineligible check card purchases lasted over two-day period in November of 2014 and one day Dec. 2014. Majestic Management has similar cards in which they use for the property and personal use. The amount in November 2014 was repaid with a remaining balance to repay of \$20. Please See **(Finding 3 Exhibit 1)**. Majestic Management agrees 518 is owed back to the project.

Comment 37

Majestic Management is unaware of missing appliances. For the van purchased Majestic Management property manager for New Horizon did not meet with OIG to make the statement mentioned of never hearing of a van. The van was in Missouri during the audit and is used when maintenance travels to New Horizon for repairs. Majestic Management agrees to repayment amount of \$2,000

Comment 38

The payment of \$3,925 was made by the former employee which is part of an insurance claim pending by Majestic Management. Please see **(Finding 3 Exhibit 2)**.

The amount totaling \$2,700 includes the property manager salary and training cost. Training cost is allowed under 4381.5 Rev-2 6.38 c.

**Missing or Inadequate Support**

Majestic Management agrees for some payments there were lack of support. During the audit the current staff were unable to locate where the staff prior stored the old documents. Some items OIG considered as lack of support where Majestic Management felt the support given was enough.

Some projects lack funds to pay utilities and the former employee would pay the bills using her own funds. The receipts showing the utilities paid by the employee would be reimbursed when the project had the funds to do so.

Comment 39

Salaries were paid to the property manager based on the budget amount. OIG mentions the employee as the director of operations in this statement and notes the employee as supervisor in other statements. The amount budgeted was determined by the former employee in which determined the amount to pay each month. Majestic Management agrees that they will determine an allowable amount based on HUD 4381.5 REV-2.

**Inadequate Control Over Expenditures**

Majestic Management agrees the control over expenditures were weakened as the former Director gained additional responsibility.

The Director had access to issue checks and approve checks. These items are a part of an insurance claim as most checks were written without knowledge of Majestic Management. As

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Comment 40

mentioned before 16 of the 17 properties were terminated at Majestic Management request. Please see **(Finding 3 Exhibit 3)**.

Majestic Management President is now active in all aspects of the company and ensuring all policies and procedures are up to date.

Comment 32

Majestic Management disagrees with not having an organized system of record. Majestic Management maintains 2 years of data in file cabinets by project and name of document. The information OIG is referring to is documents in the basement where all storage items are stored. OIG went to the basement and took pictures unknowing to Majestic Management.

### **Recommendations**

3A. Majestic Management agrees to \$7,776 in ineligible items.

3B. Majestic Management disagrees with the full amount of \$59,253. Majestic Management agrees \$18,489 should be repaid in which Majestic Management has a claim for the items or could not find support. The remaining amount Majestic Management feels the support provided is sufficient or additional backup can be requested.

3C. Majestic Management is in the process of updating all policies, procedures and controls under the guidance of Majestic Management lawyers and accountant.

### **Appendix D**

Listing of Majestic Management's former Director of Residential Housing's Responsibilities According to its Owner and Employees

The noted bullets are accurate in the description of this position. The position included but was not limited to only these duties. The exception would include of the following:

Comment 41

- Perform all tenant admissions and recertifications (Completed by property management staff)
- Review work of ALL subcontractors for payment and progress (NOT LIMITED TO MAJESTIC MAINTENANCE & CONSTRUCTION)
- Collect rent & deposit rent (Completed by Property Management staff)
- Run a "side business" DMK to manage projects. (DMK had no association with Majestic Management)
- Manage Majestic Management staff. (Supervised property management/maintenance staff)
- Reconcile Invoices (Completed by in-house accounting team)

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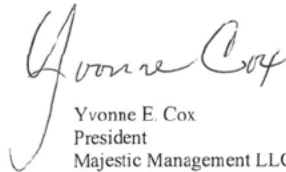
**Auditee Comments**

**Conclusion**

Majestic Management would again like to take this opportunity to thank you for allowing our team to respond the audit draft and the content that was noted throughout the report. Majestic Management recognizes that there is room for improvement within our organization and has taken the necessary steps to ensure better practices are in place, policies and procedures are updated and in compliance with updated HUD guidelines, and implementation of updated measures to ensure the security of not only our organization, but to our owners and HUD. We have responded to the comments in the audit draft truthfully and to the best of our knowledge. Should you have any further communication, please contact Mrs. Yvonne Cox, President at [yvonne\\_cox01@hotmail.com](mailto:yvonne_cox01@hotmail.com).

\* Majestic Management reserves the right to ammend any subitted documenation at a later date to further support ALL activities discussed during this process.\*

Sincerely,

  
Yvonne E. Cox  
President  
Majestic Management LLC.

## OIG Evaluation of Auditee Comments

- Comment 1     Majestic Management’s response included numerous exhibits which due to volume are not printed in our report. The exhibits are available upon request.
- Comment 2     These comments indicate that it was Majestic Management’s former director of residential housing that led to the decision to terminate Majestic Management’s agreements with the multifamily projects. However, during our entrance conference, Majestic Management’s president stated she made the decision to cease management activity of all her HUD-insured projects.
- Comment 3     This situation involves a non-HUD project so we did not review this information during our audit.
- Comment 4     We contacted the president on February 19, 2016, and explained to her that we would be conducting an audit of Majestic Management and set up the entrance conference for three days later. At this meeting, we told the president the reason for scheduling the audit, the audit objective and the scope and also allowed time for any questions to be asked. Because of the short turnaround between scheduling and the meeting, we delivered the audit notification letter to the auditee at the meeting. It is not a standard auditing practice of ours to ask for an attorney to be present when a subpoena is signed.
- Comment 5     During our meeting the attorney asked if we would agree to reduce the scope of the subpoena from five years to three years. We stated that when we started we were looking at five years of information, however, when we started the audit phase of the assignment we adjusted the beginning of our audit period to January 1, 2013. We noted that there may be some items we have requested for certain samples earlier than January 1, 2013, but all recent requests have been for items after January 1, 2013.
- Comment 6     The president of Majestic Management is ultimately responsible for the actions of the company and its employees as this is her company. Proper oversight of the business and its employees is needed to ensure the company is performing in accordance with all HUD rules and regulations. There is no way for us to determine who used the president’s signature stamp or where it was located in the Majestic Management office, but ultimately it is her responsibility to safeguard the stamp. Proper segregation of duties and policies and procedures could have also helped with this task but they were lacking at Majestic Management.
- Comment 7     Since we were not given any procurement information other than some invoices, we cannot agree with this statement or other similar statements within these comments claiming certain procurement procedures were followed. Majestic Management told us during the audit they did not have procurement records to provide to us.



- Comment 8 The letter also states that all HUD policies and procedures need to be followed if using this company. The president signed the letter requesting approval, yet she states in these comments that the former director of residential housing was ultimately responsible for all identity-of-interest reporting to HUD.
- Comment 9 We will not comment on this information about Majestic Maintenance and Construction's qualifications and accomplishments as we were not given any information confirming this information. We deleted reference to the company being a "spinoff" since the point we were trying to emphasize was just that it was an identity-of-interest company.
- Comment 10 The president stated in one of the exhibits provided that her daughter took over New Horizons in May 2015. However, this is not a 120 market rate facility as noted here in the comments. In addition, we have correspondence from the New Horizons files showing that the daughter was involved in 2013. We have correspondence which shows she was the director of operations for Majestic Management on February 28, 2014, which contradicts the auditee comments which state she did not assume the role of director of operations until December 2015. Therefore, we do not agree with these statements.
- Comment 11 We identified 13 payments to Majestic Maintenance and Construction from February 20, 2013, to October 1, 2014, totaling \$265,623. Finding 2 contains the results of our review of these payments.
- Comment 12 The checks state 'roof replacement down payment' and do not state 'spot roof/soffit/fascia board repair.' These payments to Majestic Maintenance and Construction, totaling nearly \$70,000, were paid from the Missouri Association of the Deaf Apartments out of nearly \$83,000 in insurance proceeds received to replace all eight roofs, not just spot repair them. The claim did not mention the replacement of fascia boards or soffits. The only mention of soffits in the claim was the measurement of each roof area. Only two of the eight roofs were replaced.
- Comment 13 These notices to proceed were not available for review during our audit. The first we saw them were as exhibits to these comments. These alone do not resolve the procurement deficiencies discussed in finding 2.
- Comment 14 Based on HUD Handbook 4381.5, a spouse or any other relation by blood or marriage would make this company an identity-of-interest company. This company was never disclosed to HUD. We reviewed \$75,887 in payments from 2015, which was after the marriage.
- Comment 15 We could not find the registration with the secretary of state for Supreme Cleaning and Maintenance because it was under Supreme Clean STL LLC and the registered agent's name was spelled incorrectly multiple times on the form. None of the documents provided to us during audit mentioned Supreme Clean STL

LLC. The notice to proceed provided with the comments was the first time we saw the name.

- Comment 16 Majestic Management's response indicates that the New Horizons property manager provided the appropriate documentation disclosing the company she had formed to the former director of residential housing, who indicated it was not a conflict and invited her to provide bids/proposals. This is not documented in anything we have been provided. Majestic Management should provide any documentation it has to HUD to resolve the audit findings.
- Comment 17 There were payments from the check registry to DMK that were included in our audit samples which Majestic Management did not note as fraudulent when providing support during the audit, making it appear that Majestic Management did business with DMK. However, in the exhibits to Majestic Management's response, it is now noting these payments as fraudulent.
- Comment 18 Majestic Management did not provide adequate information for us to verify the correct calculation of the management fees. Majestic provided spreadsheets for 2 of the 6 payments noted in this part of the finding. However, the spreadsheets did not match the amounts from the bank statements so we could not use this to reconcile. In order to determine what would be correct, we would need documentation, including rent rolls and deposit ledgers. Majestic Management should provide this documentation to HUD to resolve the audit findings.
- Comment 19 We conducted an audit, not an investigation. We wrote the employee titles as dictated by Majestic Management's employee, with her permission, as they were copies and not original documents.
- Comment 20 Majestic Management provided, as an exhibit to the comments, pay statements showing the amount paid to each employee each pay period. This is a start to what Majestic Management will need to provide HUD to resolve the finding. In addition, Majestic Management will need to give HUD documentation of who worked in what capacity for what timeframes. For staff who worked in more than one capacity, Majestic Management will need to provide timesheets showing the amount of time spent working on each project. HUD will need this information to determine if there is adequate support for the amounts charged to each project.
- Comment 21 Exhibits 7 and 8 did not contain sufficient support to clear this finding. Majestic Management should provide any additional documentation it has to HUD to resolve the finding.
- Comment 22 There is a discrepancy in these comments between whether Majestic Management no longer oversaw the projects as of August 30, 2015, or September 30, 2015. Since we have not been given the termination letters, we cannot comment on which date is accurate.

- Comment 23 Ultimately, the records and retention of documents are the responsibility of the president and owner of Majestic Management.
- Comment 24 As the owner and board members of Agape, Majestic Management's president and her daughter are also responsible for overseeing the use of Federal funds at their project. Supreme Cleaning and Maintenance, Majestic Maintenance and Construction, and MRB Construction, which are identity-of-interest and employee-owned companies, could not provide the supporting information, including contracts. The original proposals and notices to proceed were not made available to us during our audit despite multiple requests for this information. The response from Majestic Management is the first time we have seen these documents.
- Comment 25 We agreed to limit to three years the period of time covered by the subpoena for records not yet provided, with the understanding we would expand as necessary.
- Comment 26 We subpoenaed documents from the insurance company. There were no additional fire claims. However, in at least a couple of cases, the pictures from the insurance adjusters file showed the same damage that was shown in our picture taken three years later. We have updated the photo captions to include dates as requested and also added additional pictures in appendix F.
- Comment 27 Majestic states they paid Supreme Cleaning and Maintenance \$57,887 for the vandalism repairs, rather than the nearly \$70,000 that we cited in our report. Majestic's total excludes an \$11,000 payment marked 'final payout for 1715 Linwood insurance claim.'
- Comment 28 There are discrepancies as to when the property manager assumed her duties. While the auditee comments say she was not an employee until August 2015, insurance documents and emails indicate she was already serving in this capacity in May 2015 and before. We were not provided with Internal Revenue Service Forms W-2 or 1099 for the property manager despite requesting both during our audit. In addition, it is questionable why Majestic Management would pay for a 15 year old dishwasher.
- Comment 29 There are no panel spacers in the picture. The picture shows hollow spaces. We added additional pictures of the vandalism claim in appendix F.
- Comment 30 Since the invoice was not detailed, we had to confirm with the onsite property manager which units received concrete transitions and which buildings received tuck-pointing. We added appendix F to show pictures of all ramps and tuck-pointing observed during our inspection.
- Comment 31 Our report did not state that Majestic Maintenance and Construction received \$83,000 for the replacement of eight roofs at the Missouri Association of the Deaf Apartments. We stated the project received that amount from the insurance company. The project, in turn, paid Majestic Maintenance and Construction

\$40,000 as a downpayment on the work and then Majestic Maintenance and Construction received an additional \$29,562 directly from the mortgage company's loss draft reserve account. If Majestic Maintenance and Construction paid a subcontractor to complete their work, they should have ensured the work was completed.

- Comment 32 Majestic Management informed us on multiple occasions that they stored information related to our requested sample items in the basement. In addition, we obtained permission on June 30, 2016, prior to viewing the basement storage area. We photographed the space to document the condition.
- Comment 33 We agree that the roof was completed. However, the onsite property manager explained that the roof was left off of the building for more than a year, which led to the water damage documented in the report. We also noted there were large water stains shown on the wall in the picture included in the report.
- Comment 34 We added the date each photograph was taken to our audit report. The overgrown lawn was observed on July 14, 2016. Based on weather records, it had rained the two days prior to our site visit but there had been no rain for the four days prior to that; therefore, we do not believe the weather conditions were responsible for Majestic Management's inability to cut the grass. We have included pictures that show there were no additional plants other than overgrown grass and weeds lining the walkway.
- Comment 35 As noted in the report, we identified broken windows at the project. Majestic Management's comments state that this damage was recent, but we do not have evidence supporting this statement. Further, we identified other damage during our audit that we now know was considerably older than initially indicated, and which had not been repaired after the damage occurred. We identified a hole in the roof from storm damage. The property manager stated the damage was caused only a few days prior. However, an insurance claim showed that the damage was from a storm in July 2015. The claim was denied for coverage, but this established that management was aware of the damage from a year prior, but stated that the damage was very recent.
- Comment 36 Majestic Management provided a journal entry page that noted a \$727.22 reimbursement due to check card misuse; however, the actual deposit on the bank statement shows only a deposit of \$702.22, not \$727.22 as listed in the journal entry. Further, without a deposit slip or other details showing the source of funds, we are unable to determine whether this amount should satisfy any portion of the repayment.
- Comment 37 Majestic Management disputes that the New Horizons property manager made the statement to us that she was not aware of the van. However, she stated during a site visit with us to the property on June 21, 2016, that she was unaware of a van used for the New Horizons property. Nevertheless, Majestic Management agrees to repay the \$2,000. It will need to submit to HUD proof of repayment.

- Comment 38 Majestic Management submitted documentation in its Finding 3, Exhibit 4 with these comments that was sufficient to support two items considered unsupported in our draft audit report. We adjusted the final audit report to remove those two items from the totals. Other amounts referenced in the report will remain until Majestic Management provides HUD with sufficient documentation or proof of repayment during the audit resolution process.
- Comment 39 At issue is the amount billed to the property for Majestic Management's director of operations. Majestic Management will need to reach agreement with HUD as to what amount is allowable, if any, based on HUD Handbooks.
- Comment 40 Finding 3, Exhibit 3 refers to an insurance claim for employee dishonesty. Majestic Management's response said that certain items questioned in our report are included in that claim. We did not receive the details of the claim, but if Majestic Management receives these monies, they are owed to the respective projects to satisfy our recommendations related to those particular expenditures. Majestic Management should provide documentation of any repayments to HUD.
- Comment 41 Majestic Management generally agreed with our listing of the former director of residential housing's responsibilities in appendix D, but made several clarifying remarks. It said that she did not perform all tenant admissions and recertifications, but rather that property management staff performed that task. However, Majestic Management's current director of operations stated during an interview on August 15, 2016, that the former director of residential housing was responsible for tenant file related duties prior to her departure.

Majestic Management also said that she was responsible for reviewing all subcontractor work and making payments to those subcontractors. We note that typically the contractor would be responsible for paying its subcontractors. For example, if Majestic Management contracted with Majestic Maintenance and Construction to repair roofs, and then the work was subcontracted to another entity, Majestic Maintenance and Construction would be responsible for paying the subcontractor.

Majestic Management said she did not collect and deposit rents, but rather, property management staff did this task. However, during our entrance conference, Majestic Management explained that the former director of residential housing was stealing from rent deposits instead of making the deposits. This clearly indicated she was at some point responsible for depositing rents.

Majestic Management said that she was not responsible for reconciling invoices, but rather the in-house accounting team had that responsibility. However, Majestic Management stated in an email on August 5, 2016, that the former director of residential housing was responsible for invoice reconciliation.

We noted the differences above to show that we disagree with the changes Majestic Management wanted us to make to the listing in Appendix D. We



included the listing to show all of the responsibilities of a single employee as identified by Majestic Management's owner and employees. This listing appears to be more responsibilities than a single employee can realistically handle.

## Appendix C

### HUD-Insured Projects That Majestic Management Managed Between 2013 and 2016

HUD project	Total to Majestic Management	Time period based on entries in the check registry	# months	# units
Lancelot	\$37,964	1/2/2013-6/26/2013	6	45
JVL 17	144,789	1/2/2013-8/5/2013	7	100
JVL 21	89,124	1/2/2013-8/12/2013	7.5	90
NBA I Gateways Woodhaven	69,575	1/2/2013-12/17/2014	23.5	22
NBA II Gateways Woodhaven	44,534	1/2/2013-1/31/2015	25	23
Latter Glory (Kossuth Elderly)	114,071	6/23/2014-6/19/2015	12	38
Brady-Callaway	12,988	3/25/2014-8/3/2015	16	16
Horizon North	14,052	1/2/2013-8/27/2015	32	10
Oak Terrace	19,996	1/2/2013-8/31/2015	32	18
Liberty	26,526	1/2/2013-8/3/2015	31	15
Missouri Association of the Deaf Apartments	68,514	1/2/2013-9/1/2015	32	40
Freedom House I	20,025	1/2/2013-9/18/2015	32.5	13
Freedom House II	18,791	1/2/2013-9/15/2015	32.5	12
Peace Villa Senior Living	138,252	3/20/2013-9/17/2015	31	30
Soulard In-Fill	164,543	1/2/2013-10/7/2015	33	32
Hyde Park	73,196	1/2/2013-11/18/2015	34.5	14
New Horizons	237,596	1/2/2013-1/16/2016	36.5	30
<b>Totals</b>	<b>1,294,536</b>		<b>424</b>	<b>548</b>

## Appendix D

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### **Listing of Majestic Management's Former Director of Residential Housing's Responsibilities According to Its Owner and Employees**

- Manage all HUD-insured and HUD-assisted multifamily projects
- Manage all employees of all HUD-insured and HUD-assisted projects
- Provide payroll breakdowns of all projects' employees to the payroll company
- Perform all tenant admissions and recertifications
- Procure and solicit bids for construction and maintenance contracts
- Perform progress and final inspections for maintenance and construction contracts
- Review work of subcontractors of Majestic Maintenance and Construction company for payments and progress
- Pay all bills to contractors and pay bills to utility companies from the projects
- Work with insurance companies regarding claims
- Conduct all HUD correspondence and requests for approval of identity-of-interest companies and management agent certifications
- Submit housing assistance payment vouchers and reports to HUD
- Collect rent and deposit rent
- Run a side business, DMK Consulting, to manage projects
- Calculate the amounts for the projects' management fees
- Manage Majestic Management employees
- Reconcile invoices

## Appendix E

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### Criteria

#### **Finding 1**

Paragraph 6(b) of the regulatory agreement between the property owner and HUD states that owners shall not without the prior written approval of the Secretary: Assign, transfer, dispose of or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash except for reasonable operating expenses and necessary repairs.

Section 9(b) of the regulatory agreement limits allowable costs for goods and services. This requirement states that payment for services, supplies, or material shall not exceed the amount ordinarily paid for such services, supplies, or materials in the area where the services are rendered or the supplies or materials furnished.

HUD Handbook 4381.5, paragraph 3.2(b), states that fees derived from project income (residential, commercial, and miscellaneous) must be quoted and calculated as a percentage of the amount of income collected by the agent. Multiplying the fee percentage by the income collected gives the actual amount of fee paid to the agent.

HUD Handbook 4381.5, paragraph 6.37(a), provides that HUD allows owners to charge certain management costs to the project's operating account. However, other management costs may be paid only out of the management fee.

HUD Handbook 4381.5, paragraph 6.37(c), provides that salaries and fringe benefits of personnel performing front-line duties are prorated among the properties served in proportion to actual use.

HUD Handbook 4381.5, paragraph 6.39(c), requires that the salaries of the agent's supervisory personnel be paid from management fees unless one of the exceptions listed in 6.39 (c) are met.

#### **Finding 2**

HUD Handbook 4381.5, paragraph 6.50(a), provides that the agent is expected to solicit written cost estimates from at least three contractors or suppliers for any contract for ongoing supplies or services, which are expected to exceed \$10,000 per year or the threshold established by the HUD area office with jurisdiction over the project. Paragraph 6.50(b) provides that for any contract for ongoing supplies or services estimated to cost less than \$5,000 per year, the agent should solicit verbal or written cost estimates to ensure that the project obtains services, supplies, and purchases at the lowest possible cost. The agent should make a record of any verbal estimates obtained. In addition, paragraph 6.50(c) states that documentation of all bids should be retained as part of the project's records for 3 years following the completion of the work.

Paragraph 11(g) of the management agreement and certification between the owner and management agent provides that the agent agrees to provide minorities, women, and socially and economically disadvantaged firms equal opportunity to participate in the project's procurement and contracting activities.

Paragraphs 4(a), (c), (e), and (f) of the management agreement and certification between the property owner and management agent provides that the agent agrees to

- Ensure that all expenses of the project are reasonable and necessary.
- Obtain contracts, materials, supplies, and services on terms most advantageous to the project.
- Solicit verbal or written cost estimates and document the reasons for accepting other than the lowest bid.
- Provide that copies of such documentation will be maintained and made available for your inspection during normal business hours.

### **Finding 3**

Paragraph 6.38(a), figure 6-2, of HUD Handbook 4381.5 states that reimbursement of all costs related to maintaining a centralized or project-based accounting functions of the project, including resident certification, worksheets, and monthly subsidy billings, as well as monthly accounting reports required by the owner or HUD. Includes prorated costs on a per-unit basis for centralized accounting systems, including hardware, software and technical support. Agent can be reimbursed for the prorated cost to the project of personnel providing property-specific accounting and computer services. The cost to the projects for such services provided by the agent may not exceed the cost of procuring comparable services from an independent vendor. Each year, the agent must determine that these costs are at or below the market and maintain such evidence on-site.

Paragraph 6.37(c) of HUD Handbook 4381.5 provides that salaries and fringe benefits of personnel performing front-line duties are prorated among the properties served in proportion to actual use.

Paragraph 6(b) of the regulatory agreement between the property owner and HUD states that owners shall not without the prior written approval of the Secretary: Assign, transfer, dispose of or encumber any personal property of the project, including rents, or pay out any funds except from surplus cash except for reasonable operating expenses and necessary repairs.

HUD Handbook 4370.2, paragraph 2-6(e), states that all disbursement from the regular operating account (including checks, wire transfers, and computer-generated disbursements) must be supported by approved invoices, bills, or other supporting documentation. The request for project funds should be used only to make mortgage payments, make required deposits to the reserve for replacements, pay reasonable expenses necessary for the operation and maintenance of the project, pay distributions of surplus cash permitted, and repay owner advances authorized by HUD.



## Appendix F

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### Additional Photographs

Majestic Maintenance and Construction repaired fire damage at 3920 East Linwood, Kansas City, MO 64128 following a 2013 fire at New Horizons, see finding 2. Dates below refer to the date the picture was taken.



Smoke damaged insulation - June 21, 2016



Insurance adjuster's photo showing smoke damaged insulation – July 10, 2013



Smoke damaged insulation - June 21, 2016



Smoke stains bleeding through paint - June 21, 2016



Existing fire damage to unit - August 30, 2016



Insurance photo showing smoke damage to exterior vinyl – July 10, 2013



Return vent painted and textured over - June 21, 2016

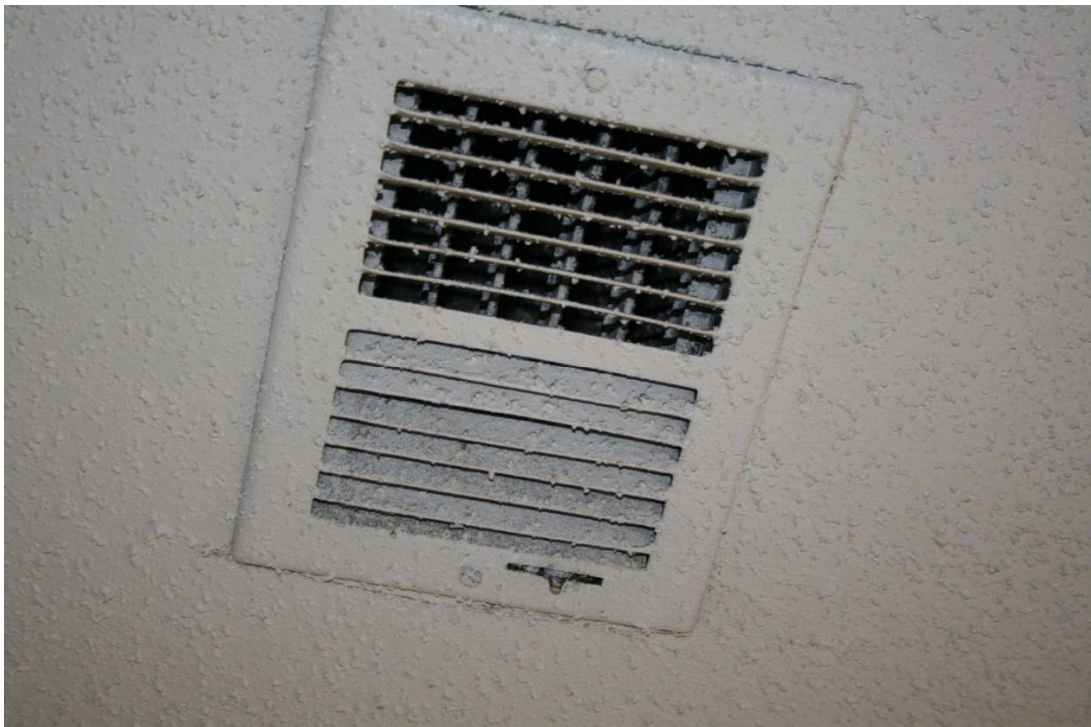


Fixture not removed prior to repainting - June 21, 2016





Switch cover not installed - June 21, 2016



Air vent painted and textured over - June 21, 2016





Smoke stains bleeding through paint - June 21, 2016

Supreme Cleaning and Maintenance repaired damage at 1715 Linwood, Kansas City, MO 64109 following a 2015 vandalism at New Horizons, see finding 2.



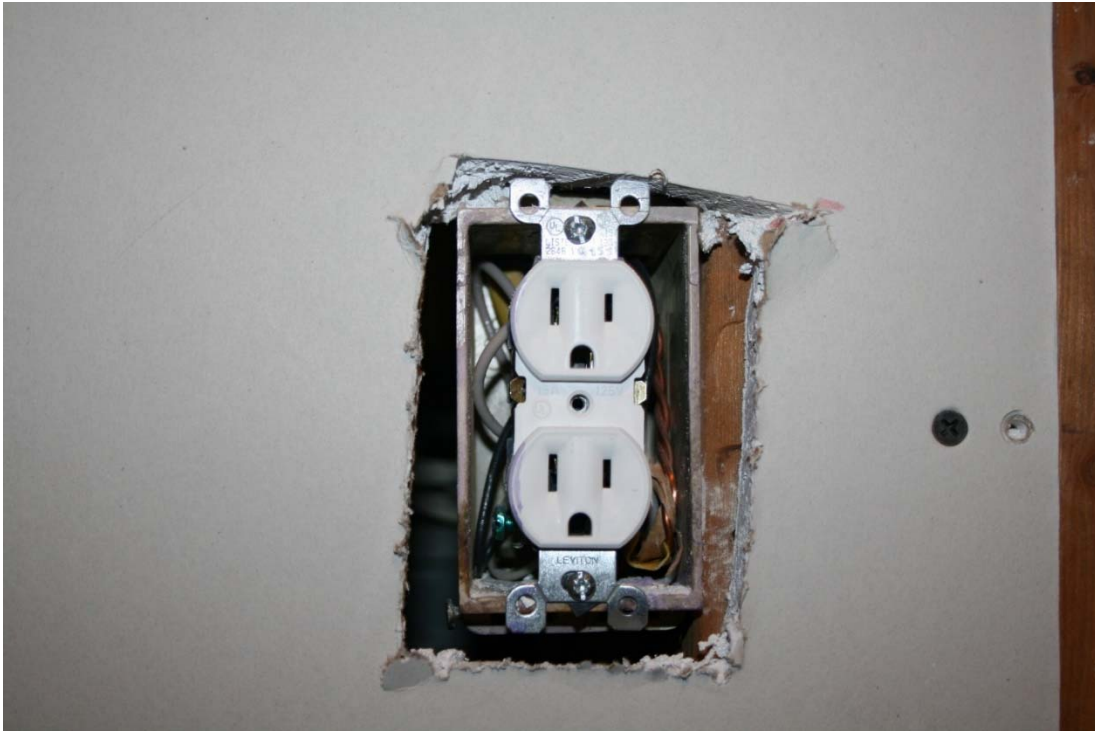
Insurance adjuster's photo showing damage to ceiling – August 10, 2015



Outlet cover not installed - June 21, 2016



Switch cover not installed - June 21, 2016



Outlet cover not installed - June 21, 2016



Switch cover not installed - June 21, 2016



Poorly patched drywall - June 21, 2016



Insurance photo showing ceiling damage – August 10, 2015





Poorly patched drywall - June 21, 2016



Insurance adjuster's photo's showing original damage – May 27, 2015





Switch cover not installed - June 21, 2016

The New Horizons property at 2643 Garfield Avenue, Kansas City, MO 64127 had an overgrown lawn, see finding 2.



No additional plants lining sidewalk - June 21, 2016

Contractor hired to install and later to repair concrete transitions as well as complete tuck-pointing at the Missouri Association of the Deaf Apartments, see finding 2.



No concrete transition - April 13, 2016



No concrete transition - April 13, 2016





No concrete transition - April 13, 2016



No concrete transition - April 13, 2016





No concrete transition – June 27, 2016



No concrete transition - June 27, 2016





No concrete transition - June 27, 2016



Concrete transition installed by maintenance - June 27, 2016





No concrete transition - June 27, 2016



Handicap ramp removed from unit - June 27, 2016



No concrete transition - June 27, 2016



No concrete transition - June 27, 2016





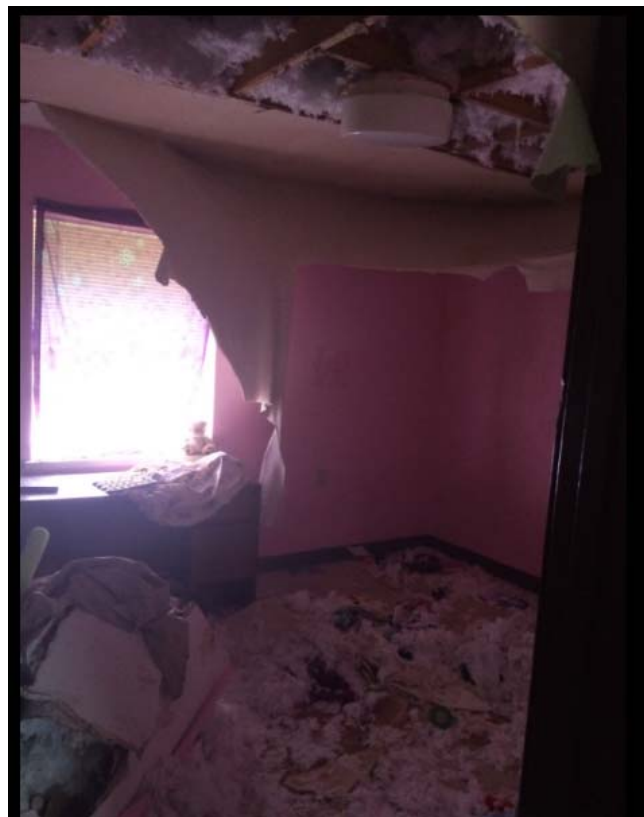
Poorly completed tuck-pointing - April 13, 2016



Poorly completed tuck-pointing - April 13, 2016



Poorly completed tuck-pointing - April 13, 2016



Damage due to collapsed ceiling – April 13, 2016