



Lawrence F. Alwin, CPA
State Auditor

March 25, 2002

Special Investigations Report Regarding The Department of Housing and Community Affairs

Members of the Legislative Audit Committee:

An investigation by the Special Investigations Unit led to a Travis County Grand Jury's indictment of Ernest bin Qadim'asil, a former employee of the Department of Housing and Community Affairs (Department), and his wife Judy R. Ponder Qadim'asil, former General Counsel of the General Services Commission. The Travis County District Attorney's Office Public Integrity Unit is prosecuting the Qadim'asils for Tampering with Governmental Record; a state jail felony. A finding in a December 2000 State Auditor's Office report prompted the investigation (*An Audit Report on the Department of Housing and Community Affairs*, SAO Report No. 01-009).

The indictments allege that on or about December 13, 1999, the Qadim'asils, with intent to defraud, knowingly and intentionally made, presented, and used a Low Income Housing Tax Credit rental application with knowledge of its falsity and with the intent that it be taken as a genuine governmental record. The Qadim'asils submitted this document to the Douglas Landing Apartments in Austin, Texas. Mr. Qadim'asil, who worked for the Department at the time, did not report his Department salary of \$44,760 on the application. To qualify for the low-income rent, he only reported \$34,248 in income from a second job. (Mrs. Qadim'asil left the General Services Commission for unrelated reasons prior to the application date.) Additionally, the indictments allege that Mrs. Qadim'asil did not report assets valued over \$5,000 as required by the application.

The **Low Income Housing Tax Credit Program** awards tax credits to developers for the construction and/or renovation of low-income rental housing units. The program awards approximately \$25 million in tax credits each year.

At the time of this incident, the program required tenants to have income of \$35,880 per year or less for a family of five.

The Department conducted an internal investigation of the falsifications in the application. However, the State Auditor's report, issued in December 2000, indicated that management did not act promptly when it learned that an ineligible Department employee had benefited from the Low Income Housing Tax Credit Program.

If you have any questions contact Richard Cannon, Senior Investigator, or John Weber, Special Investigations Unit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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cc: Travis County
Mr. Ronnie Earle, Travis County District Attorney
Department of Housing and Community Affairs
Chair and Members of the Board
Ms. Edwina Carrington, Executive Director

The **Special Investigations Unit** investigates reports of illegal activity involving state agencies and universities.

Texas Government Code, Section 321.022, requires state agencies and universities to report suspected fraud or unlawful conduct to the State Auditor's Office if there are facts that point to fraud or unlawful conduct.

To report suspected illegal activity, call 1-800-TX-AUDIT (1-800-892-8348), send a fax to (512) 936-9400, visit www.sao.state.tx.us, or mail information to the State Auditor's Office, Attn: SIU, P.O. Box 12067, Austin, Texas 78711.

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