



City of Greensboro

Date: September 12, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Ole Asheboro Street Neighborhood Association 2006-2007

The Internal Audit Division has completed our annual review of The Ole Asheboro Street Neighborhood Association in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2006-2007 grant year. Attached you will find our review report; the agency response; the departmental response and our replies to their responses. We feel that sufficient corrective actions have been implemented to our recommendations as we move forward. If you have any questions or need additional information, please let us know. Thanks.

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Jim Westmoreland, Acting Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



Date: August 15, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Ole Asheboro Street Neighborhood Association 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of the Nettie Coad Apartments, which consists of 30 units for low-income individuals or families located in the David Caldwell School at 503 Martin Luther King Drive. These units are owned by the City of Greensboro and are managed by the Ole Asheboro Street Neighborhood Association, Incorporated (Association).

The lease agreement which the City and the Association are presently working under is dated August 1, 2006 and has expired on July 31, 2007. The rent is \$1.00 per year and is due in advance on August 1st of every year. The lease states that any excess funds from the rental of these units after all expenses incurred and funding of the reserve accounts must be used in the Ole Asheboro Neighborhood self-sufficiency programs. As of the date of this report, no excess funds have been transferred for the year.

The Association received a grant in the amount of \$72,000 from the Cemela Foundation for the Nettie Coad Apartments in 2003 for the purpose of constructing a multi-purpose room on site for the use of the local community. As of the date of the review, the project was not complete and a certificate of occupancy had not been issued and is therefore not being used by the Association. The plans call for a handicap access ramp and steps to the exterior door. The project when complete will include computer access outlets, a meeting room, two restrooms, a food pantry and a kitchen.

We accompanied Mr. Jim Teele, Housing Rehabilitation Specialist of the Department of Housing & Community Development, as he inspected approximately 15 percent of the units and some minor repairs were noted. Overall the units inspected appear to be well maintained. We did not inspect the Multi-Purpose room since no further work has been done since we inspected it in 2007.

We examined selected program documentation maintained by the Association for compliance with the existing lease agreement and found everything agreed except for the following findings:

FINDING:

The working capital was a negative (\$7,387) at fiscal year ended December 31, 2007 which could mean that the Association would not be able to pay all of its current liabilities from its current assets.

RECOMMENDATION:

The Association should try and keep a positive working capital balance.

FINDING:

The external audit and Management Letter for fiscal year ended December 31, 2007 calendar year was due by June 15, 2008 however it was not received until July 23, 2008.

RECOMMENDATION:

The Association should adhere to the audit requirement and Management Letter by the lease agreement in order to be in compliance.

FINDING:

The property management contract with the Association and the property manager expired on December 31, 2002. The contract does not state the property manager's compensation and was not signed or dated.

RECOMMENDATION:

The Association and property manager should execute a new contract signed by both parties.

FINDING:

The auditor's Management Letter for fiscal year ended December 31, 2007, stated the quarterly financial statements had a total discrepancy of \$9,906 in rental income; and bank reconciliations by the Association had not been reconciled for the last seven months of the year ended 2007 along with the operating and replacement reserves.

RECOMMENDATION:

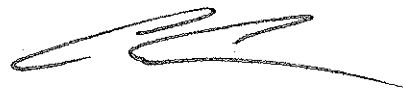
The quarterly financials reports should be accurate before distribution to the City. Bank reconciliations should be completed on a timely basis.

We request a written and signed response from Ole Asheboro Street Neighborhood Association and HCD which should be received by August 30, 2008 and mailed to the Internal Audit Division at address, P. O. Box 3136, Greensboro, NC 27401.

We would like to thank Ms. Jan Malone, Property Manager of Nettie Coad Apartments; and Ms. Nettie Coad, President for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-2821.

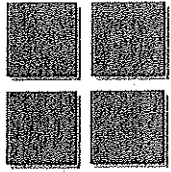


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Nettie Coad, President of the Board of Directors of Ole Asheboro Street Neighborhood Association



HCD

Department of Housing & Community Development

Date: August 14, 2008
To: Ms. Nettie Coad, Board Chair
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 Nettie Coad Apts. Programmatic Evaluation*

On July 23, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Nettie Coad Apartments. Ole Asheboro Street Neighborhood Association, Inc. leases and manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for contractual compliance.

The primary purpose of the monitoring visit is to determine whether the property is meeting applicable contractual requirements. In addition attention was paid to financial management systems, along with a review of tenant files, a physical inspection and occupancy. The period under review, along with current conditions, was from July 1, 2007 to June 30, 2008. In addition to examining various program materials, a physical inspection and financial files, in the course of the review HCD and IA staff met with Ms. Jan Malone, Apartment Manager.

For reference purposes the property is located at 503 Dr. Martin Luther King Jr. Dr., in Greensboro, NC and was acquired and rehabilitated with \$1,708,568 in local bond funds. No HOME Program funds were expended on this property therefore the lease agreement is the only controlling document regarding occupancy and tenancy requirements. The property consists of 30 units and would be made available to households with incomes at or below 50% of the adjusted area Median Income.

Resident incomes are certified, and recertified, annually according to HCD file review. The tenant files reviewed were in good condition and contained all required back-up documentation.

The reported occupancy has been 97% from January 2008 through July 2008. This is 14% higher than the April 2008 area occupancy rate of 83% and superb in any market.

Rents remain affordable at \$360/m (UA \$78) for a 2BR-2BA; \$325/m (UA \$75) for 2BR-1BA; \$310 (UA \$63) for a 1BR – 1.5BA; and \$285 (UA \$71) for a 1BR-1BA. The utility allowances (UA) are management averages from 2006. These should be updated again in 2009.

HCD staff inspected six (6) units on July 23, 2008 and reported certain minor deficiencies in three (3) of those units. The exterior and grounds are in good condition. The apartments are in a generally good state of repair. The interior is well maintained and comfortable. It should be noted that the small hole in the back parking lot has been filled. Please forward in writing any repairs or other actions referenced in the HCD inspection report dated July 23, 2008 to Internal Audit.

As a result of this review HCD staff is making zero (0) findings and two (2) concerns. A *finding* is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a *concern* is either a potential finding or management weakness that should be improved to avoid future problems.

Concern Number 1 – Multi-Purpose Room

The multi-purpose room remains unfinished and unusable. This is the third consecutive year that this has been the case.

Requested Action

None. HCD only wishes to see the room made available.

Concern Number 2 – Management Agreement

The City (HCD) and the Ole Asheboro Street Neighborhood Association, Inc. lease expired July 31, 2007.

Requested Action

For the City (HCD) and the Ole Asheboro Street Neighborhood Association, Inc. to execute an agreement by October 30, 2008.

HCD requests that management review and reply to the Internal Audit report as requested.


The concerns in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the concerns expressed in this report is to heighten management awareness and have overdue issues resolved.

It is HCD staff opinion that the Nettie Coad Apartments is contractually compliant concerning affordability requirements. The property appears to be in good condition and remains a very decent housing option for qualified households.

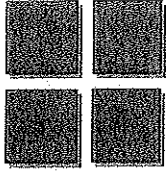
HCD staff appreciates the assistance provided during the monitoring visit by Nettie Coad Apartment staff.



Michael Blair
Specialist Grants Compliance



Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: September 1, 2008
To: Len Lucas, Internal Audit Director
From: *MB* Michael Blair, Specialist Grants Compliance
RE: HCD Review of Ole Asheboro St. (Nettie Coad Apt.) Audit Report

After review of the draft August 5, 2008 Internal Audit report of the Ole Asheboro Street Neighborhood Association, Incorporated (Association), for 2006-2007, HCD submits the following:

IA FINDING 1:

The working capital was a negative (\$7,387) at fiscal year ended December 31, 2007 which could mean that the Association would not be able to pay all of its current liabilities from its current assets.

IA RECOMMENDATION 1:

The Association should try and keep a positive working capital balance.

- HCD reply to Recommendation 1: *Concur*

IA FINDING 2:

The external audit and Management Letter for fiscal year ended December 31, 2007 calendar year was due by June 15, 2008 however it was not received until July 23, 2008.

IA RECOMMENDATION 2:

The Association should adhere to the audit requirement and Management Letter by the lease agreement in order to be in compliance.

- HCD reply to Recommendation 2: *Concur.*

IA FINDING 3:

The property management contract with the Association and the property manager expired on December 31, 2002. The contract does not state the property manager's compensation and was not signed or dated.

IA RECOMMENDATION 3:

The Association and property manager should execute a new contract signed by both parties.

HCD reply to Recommendation 3: *Concur.*

IA FINDING 4:

The auditor's Management Letter for fiscal year ended December 31, 2007, stated the quarterly financial statements had a total discrepancy of \$9,906 in rental income; and bank reconciliations by the Association had not been reconciled for the last seven months of the year ended 2007 along with the operating and replacement reserves.

IA RECOMMENDATION 4:

The quarterly financials reports should be accurate before distribution to the City. Bank reconciliations should be completed on a timely basis.

HCD reply to Recommendation 4: *Strongly Concur.*

On the above recommendations HCD generally concurs with the Internal Audit report.



City of Greensboro

Date: September 3, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Nettie Coad Apartments 2006-2007

Thank you for your reply of September 1, 2008 regarding IA's review report for Nettie Coad Apartments dated August 15, 2008. We agree with HCD responses.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

Ole Asheboro Street Neighborhood Association, Inc.
503 Martin Luther King Jr. Drive
Greensboro, NC 27406

August 29, 2008

Mr. Len Lucas
Internal Audit
City of Greensboro
PO Box 3136
Greensboro, NC 27402

Dear Mr. Lucas:

Thanks for your letter of findings and recommendations of the Ole Asheboro Street Neighborhood Association (OASNA). Based on your findings and recommendations the Ole Asheboro Board of Directors has implemented the following:

Finding:

The working capital was a negative (\$7,387) at fiscal year ended December 31, 2007 which could mean that the Association would not be able to pay all of its current liabilities from its current assets.

OASNA Board action/response to this finding:

Please see attached

Finding:

The external audit and Management Letter for fiscal year ended December 31, 2007 was due by June 15, 2008 but was not received until July 23, 2008.

OASNA Board action/response to this finding:

The Association plans to complete future audits on time

Finding:

The property management contract with the Association and property manager expired on December 31, 2002. The contract does not state the property manager's compensation and was not signed or dated.

OASNA Board action/response to this finding:

The new property management contract is included with this response

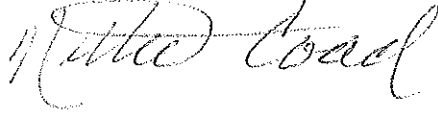
Finding:

The auditor's Management Letter for fiscal year ended December 31, 2007 stated the quarterly financial statements had a total discrepancy of \$9,906 in rental income; and bank reconciliations by the Association had not been reconciled for the last seven months of the year ended 2007.

OASNA Board action/response to this finding:

The director of finance will reconcile on a monthly basis

Nettie Coad, President

A handwritten signature in cursive script that reads "Nettie Coad". The signature is written in dark ink and is positioned below the typed name.

August 29, 2008

In response to a memorandum dated August 15, 2008 from the City of Greensboro Internal Audit Division, I would like to clarify that finding #1 is potentially misleading and from my understanding entirely incorrect.

The Internal Audit Division arrived at a negative working capital balance in the correct manner by subtracting the current liabilities from the current assets; however, more analysis of the components of stated current liabilities would have revealed that on balance the Ole Asheboro Street Neighborhood Association, Inc. is a cash positive venture.

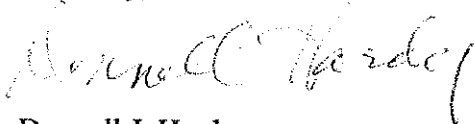
An important note is that the current liabilities relating to tenant deposits (totaling \$9,813.00) are offset by reserve amounts that are categorized as "Other Assets" (cash-restricted in the amount of \$10,725.00). In essence, we wish to make the point that the traditional formula of working capital without taking into consideration that these specific liabilities can be met if the conditions arise is a misuse of that tool. Therefore, it is incorrect to state that the Association as a venture is unable to meet its obligations which is implied by the suggestion that working capital is negative.

We request that the Internal Audit Division revise this statement making note of the above conditions and recalculating the working capital balance which should be the following line items:

Cash	\$	3,986.00
Accounts Receivable		1,145.00
Accrued Payables		(2,145.00)
Accrued Payroll Payable		(560.00)
<hr/>		
Working Capital	\$	2,426.00

Even if the Audit Division found it necessary to include the line items that bring the security deposit liabilities back into this calculation, then they should include the asset line item "Cash restricted-tenant deposits held in trust" (currently categorized as Other Assets) the Association has set aside to meet these obligations should it become necessary.

Sincerely,



Donnell J. Hardy
Member of the Board
Ole Asheboro Street Neighborhood Association, Inc.

NETTIE COAD APARTMENTS

503 MLK JR DRIVE, GREENSBORO, NC 27406

PHONE: 336-272-6844 FAX: 336-574-2410

August 28, 2008

Mickey Kerans & Len Lucas
City of Greensboro
Division of Internal Audit
P O Box 3136
Greensboro, NC 27402-3136

Dear Mr. Kerans and Mr. Lucas:

Re: Findings per Internal Audit, letter dated August 15, 2008

Finding: Property management Agreement out of date, compensation not stated and agreement not signed.

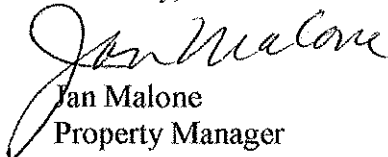
Action: New agreement including missing information signed and in place. (See copy attached)

Finding: Discrepancy of \$9,906 in rental income on last quarter report for 2007. Quarterly reports not accurate, and bank reconciliations not done on a timely basis.

Action: Discrepancy due to new procedures in bookkeeping put in place by auditor in 2007 which have been explained and are understood and now being used through QBooks program. Bank reconciliations will be completed by 15th of month, with overview by Board at monthly Board meeting. Quarterly reports will also be overviewed by Board before submitting to City.

Please advise if there is more information needed. Thank you for your help!

Sincerely,


Jan Malone
Property Manager

Cc: Ole Asheboro Neighborhood Association Board of Directors

City of Greensboro
North Carolina

September 5, 2008

Ms. Nettie Coad
President
Ole Asheboro Street Neighborhood Association, Inc.
503 Martin Luther King Jr. Drive
Greensboro, NC 27407

Re: Nettie Coad Apartments-Review 2006-2007

Dear Ms. Coad:

Thank you for your letter dated August 29, 2008 which Mr. Lucas received September 2, 2008 from you in reference to the Nettie Coad Apartments' review for 2006-2007. We agree with your board member, Donald J. Hardy regarding the Working Capital calculation. Even though "Restricted Assets" are not listed as Current Assets on the Balance Sheet, we will include them in the future in calculating Working Capital.

We agree with your response in reference to the findings for timely receipt of the External Audit and Management Letter; the Property Management Agreement with the Property Manager and the monthly reconciling of the Balance Sheets, Income Statements and Bank Statements.

As we have mentioned in past reviews, we request the Ole Asheboro Street Neighborhood Association, Inc be separated from Nettie Coad Apartments. Effective as soon as possible, the financial records and the external audits should be done as two separate and distinct entities.

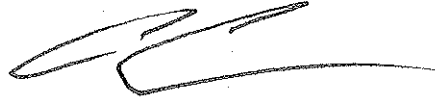
We are returning to you a hand written letter from Dorothy Brown dated October 13, 2004 to Ms. Jan Malone. We don't believe you intended to include this with your other correspondence to us.

If you should have any questions, please let us know at telephone number 373-2821.

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Director of Housing & Community Development
Dan Curry, Associate Director of Housing & Community Development