

Internal Audit Division
City of Greensboro



March 26, 2010

TO: Rashad Young, City Manager
FROM: Internal Audit Division
SUBJECT: Seager Place Limited Partnership

The Internal Audit Division has completed our annual review of Seager Place Limited Partnership along with a Programmatic Review by the Housing & Community Development Department for the 2007-2008 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
Andy Scott, Assistant City Manager for Economic Development
Dan Curry, Interim Director of Housing & Community Development



Date: November 9, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: Seager Place Limited Partnership 2007-2008

The Internal Audit Division has performed our annual compliance review of the year ended December 31, 2008 of Seager Place Limited Partnership, which consists of 42 units for low-income individuals located at 1402 Fleming Road.

This Limited Partnership received a loan in June, 2003 for \$390,000 from the City of Greensboro to help in the initial building of the apartment units. This is a ½ of 1% interest bearing loan with final payment due December 1, 2034. On the first day of May 2004, and continuing each May 1st thereafter, the Borrower shall make principal payments calculated as follows: Gross Receipts received less expenses incurred to get a net income amount; this amount shall be divided by 1.15 which is the amount available to pay all loans. From this amount debt service payments shall be subtracted to arrive at a positive, if any, amount available for distribution; and lastly this amount shall be multiplied by 50% to determine amount of principal due to the City. The Partnership does not owe the City a mortgage payment for fiscal year ended December 31, 2008. The mortgage principal balance at December 31, 2008 is \$380,350. These units are called Seager Place Apartments and are managed by Beacon Management Corporation.

We accompanied Mr. Jim Teele, Housing Rehabilitation Specialist in the Department of Housing & Community Development (HCD), 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 examined selected financial transactions and program documentation maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement except for the following findings:

FINDING:

The External Audit and Management Letter for fiscal year end December 31, 2008 were not received by the City until after July 16, 2009.

RECOMMENDATION:

The Partnership should provide the City an External Audit and Management Letter for each fiscal year by April 30th of the following year.

We request a written signed response from Beacon Management Corporation and HCD by November 21, 2009 and mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Donna White, On-Site Property Manager; and the staff of Beacon Management Corporation 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
Andy Scott, Interim Assistant City Manager for Economic Development
George Carr, President of Beacon Management Corporation



Date: November 3, 2009
To: George Carr, Beacon Management
From: Michael Blair, City of Greensboro Dept. of Housing and CD
RE: Seager Place Apartments - 2009 Monitoring Report

City of Greensboro staff conducted an on-site monitoring visit of Seager Place Apartments on July 8, 2009. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other federal requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

The specific areas monitored were:

1. Certification of tenant income and Residential Lease
2. HOME (or other fund source) Rents
3. Affirmative Marketing
4. Property Standards
5. Lead-based Paint (if applicable)
6. Compliance with the Agreement and any other applicable requirements
7. Asset Management

During the monitoring, information is documented on checklists based on HOME Program requirements and modified to accommodate other funding sources and agreements. The information gathered serves as a basis for this monitoring report. Findings, concerns and observations, are identified in the report.

For clarification purposes 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; an "observation" can be a comment about the property or a suggestion that may improve a service or element of operations.

Certification of Tenant Incomes

The individual files reviewed were: 1400-E; 1402-A; 1406-E; 1406-H; 1408-A and 1408-H.

- The recertifications were completed within the annual required timelines.
- All income appeared to be included in the eligibility determination.
- Assets were evaluated & calculated for determining annual income.

No Findings or Concerns noted.

Rents

For reference purposes the 42 unit property is located at 1404 Fleming Rd. in Greensboro, NC. The June 2003 construction agreement included allocations of \$385,000 in Federal HOME dollars, \$5,000 of Local Nussbaum dollars, and \$269,329 in housing tax credits with a total development cost of \$3,601,708 for 42 total units.

Four (4) one-bedroom units and one (1) two-bedroom unit will be at Low HOME rents which are affordable to tenants with 50% of adjusted local median income. Sixteen (16) one-bedroom units and four (4) two-bedroom units will be at High HOME rents which are affordable to tenants with 60% of adjusted local median income. This created 25 HOME units.

2009 HOME Rents:	Required	Actual	Reported Rents:	Rent	Utility	Total Rent
LOW HOME 1/BR \$548/m	4	22	One Bedroom	\$475-\$541	\$50	\$525-\$591
LOW HOME 2/BR \$658/m	1	7	Two Bedroom	\$560-\$641	\$65	\$565-\$706
HIGH HOME 1/BR \$626/m	16	N/A				
HIGH HOME 2/BR \$699/m	4	N/A				

- Occupancy Requirement (20% rule): Achieved. Well over 50% of the households are at 50% or below of AMFI.
- Rent Requirements: None of the units had rents that exceeded the allowable rent.
- Over-Income Tenants: None of the households had incomes that exceeded the 140% level.
- Rent Increase: All sampled files contained a written 30 day notice of rent increase.

No Findings or Concerns noted.

Affirmative Marketing

Affirmative Marketing requirements appear to be in compliance as required in the agreement. No Findings or Concerns noted.

Property Standards

Unit inspections are conducted by management. Copies of the inspection and maintenance forms are kept in the tenant's file. The units inspected by City staff on July 8, 2009 were: 1400-E; 1402-A; 1406-E; 1406-H; 1408-A and 1408-H.

Observation # 1:

All units were in good condition except for one minor item noted for inspection (a fan switch in a bathroom). The exterior was also in good condition. Details can be found in the inspection.

Required Corrective Action:

Please send by email any repairs or maintenance in response to the inspection report to michael.blair@greensboro-nc.gov.

No Findings or Concerns noted.

Lead-based Paint

The property is not subject to lead-based paint requirements having been constructed in 2003.

No Findings or Concerns noted.

Residential Lease

All leases are for one year as required in the agreement. No findings or concerns noted.

Contractual Agreement Compliance

The purpose of the agreement June 2003 construction agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Seager Place Apartments is in compliance with the agreement insurance requirements as well as the majority of the rest of the agreement (with the exception of the annual audit and asset management).

Finding # 1:

The external audit and management letter was not received by the city until after July 16, 2009.

Required Corrective Action:

To adhere to the agreement (per §5.4) and submit the independent external audit to the city within 120 days of the partnership's fiscal year end.

Asset Management

Observation # 2:

In the agreement per §1.14(D) any withdrawals, excluding interest, in excess of \$2,000 from any reserve account must be approved in writing by the Lender (HCD) prior to said withdrawal. On at least one occasion a withdrawal was made then the approval was requested.

Required Corrective Action:

Going forward HCD approval for reserve drawdowns in excess of \$2,000 should be sought prior to the actual drawdown.

No Findings or Concerns noted.

Rental Property Scoring Report – 94.5

Observation # 3:

A score of 94.5 (out of 100 possible points) places Seager Place apartments in the green rental scoring category.

Required Corrective Action:

None. The property is very well managed and there are no financial or serious compliance concerns.

Rental Property Scoring Report: Maximum 100 – 94.5 retained after deductions


Indicator	Result	Deducted or added
Physical Occupancy FY08/09	99 %	0
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	<1%	0
Average Vacant Unit Off-line Time	19 days	0
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	\$926.74	0
Hard Debt Service Coverage Ratio	1.15	0
Timely Delivery of External Audit	Late audit (196 days)	-3
Adhering to HOME, PJ, Agreement and/or Note and Deed	No - see Asset Management /Late Audit	-2.5
Adhering to Reporting Standards	Yes	0
Cash Flow	positive	0
Resident Turnover Rate	4.8%	0
Property Taxes Paid Ontime	Yes	0
Reserve requirements met	Yes	0
Replacement reserve Minimum of \$1,000/unit	Yes	0

Overall the property is very well maintained and operated, and provides decent housing to qualified senior residents. There is no need to respond to the Finding or Observations identified in this letter. The Internal Audit report requested a reply.

HCD staff appreciates the assistance and documentation that by Beacon Management staff provided during the monitoring visit.



Michael Blair
Specialist Grants Compliance



Dan Curry
Acting Director HCD

BEACON MANAGEMENT CORPORATION
408 BATTLEGROUND AVENUE
GREENSBORO, NORTH CAROLINA 27401

OFFICE: (336) 545-9000
FAX: (336) 545-9004

WWW.BEACON-NC.COM

November 13, 2009

Mr. Mickey Kerans
Internal Audit Division
City of Greensboro
P.O. Box 3136
Greensboro, NC 27402-3136

RE: Seager Place Limited Partnership
Internal Audit 2007-2008

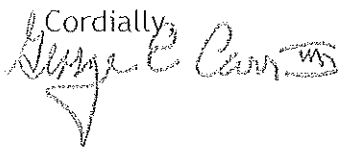
Dear Mr. Kerans:

Thank you for your letter of November 9, 2009. Following is our response to the finding:

FINDING #1: The Management Letter for fiscal year end December 31, 2008 was not received by the City until July 16, 2009.

RESPONSE: By copy of this letter we are asking Douglas Covington, the property's CPA, to prepare and forward directly to you management letters on a timely basis.

If you have any questions, please do not hesitate to contact me at 336-282-6000.

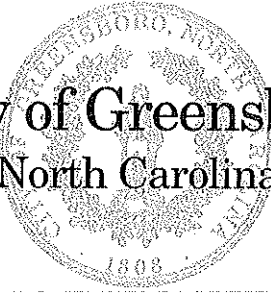
Cordially,


George E. Carr III

cc: GEC file
SP file
Deb Confer
Doug Covington
Dan Curry
Len Lucas
Michael Blair

MAILING ADDRESS:
P.O. Box 29229
GREENSBORO, NORTH CAROLINA 27429-9229

City of Greensboro
North Carolina



November 17, 2009

Mr. George E. Carr III
President
Beacon Management Corporation
408 Battleground Avenue
Greensboro, NC 27401

Re: Seager Place Limited Partnership Year-2007 to 2008

Dear Mr. Carr:

We are in receipt of your letter dated November 1, 2009 reference the City's Internal Audit report letter dated November 9, 2009 for the 2007 to 2008 Year. Your timely and concise response to our report is appreciated. We have reviewed your letter and agree with your response and corrective measure except we would like to add that the external audit report along with the Management Letter should be received by the City by April 30th of each year as stated in the loan agreement.

Sincerely,

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

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



MEMO

Date: March 22, 2010
To: Len Lucas, Internal Audit Director
From: Michael Blair, Analyst Grants Compliance *MB*
RE: HCD Review of Seager Place Apartments Audit Report

HCD concurs with the Internal Audit review.

Internal Audit Division
Executive Department
City of Greensboro



March 23, 2010

TO: Dan Curry, Acting Director of Housing & Community Development
FROM: Internal Audit Division
SUBJECT: Seager Place Limited Partnership, 2007-2008

Thank you for your reply of March 22, 2010. Internal Audit agrees with the Department of Housing & Community Development's response to Internal Audit's subject report dated November 9, 2009.

A handwritten signature in black ink, appearing to read "M. Kerans".

Mickey Kerans
Internal Auditor

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Andy Scott, Assistant City Manager for Economic Development