

Internal Audit Division
City of Greensboro



March 26, 2010

TO: Rashad Young, City Manager
FROM: Internal Audit Division
SUBJECT: Richardson Village Limited Partnership

The Internal Audit Division has completed our annual review of Richardson Village 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.

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
Dan Curry, Interim Director of Housing & Community Development



City of Greensboro

Date: October 21, 2009
To: Dan Curry, Acting Director of Housing & Community Development
From: Internal Audit Division
Subject: Richardson Village Limited Partnership 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of Richardson Village Limited Partnership. This property received a loan provided by the City of Greensboro in support of Affordable Housing in Greensboro and is managed by Beacon Management Corporation.

RICHARDSON VILLAGE APARTMENTS are comprised of 24 units located at 600 DeWitt Street. The City provided a loan to help in the acquisition and rehabilitation in the amount of \$750,000 on March 14, 2002. This loan bears interest at one-half (1/2%) percent per annum and is to be repaid to the City based upon a percentage of cash flow starting on the first day of May 2025, and continuing on each May 1st thereafter. This loan is due in full May 1, 2044. No payments are due at this time. The balance of the loan including accrued interest as of December 31, 2008 was \$775,490.

Ms. Elizabeth Benton, Specialist Housing Rehabilitation of the Department of Housing & Community Development (HCD), inspected approximately 15 percent of the units and some repairs were noted for the property. These issues have been forwarded to the Apartment Manager to address before they escalate into costly problems.

We examined selected financial transactions 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 findings described below:

FINDING:

The External Audit and Management Letter for the year ended December 31, 2008 were due to the City on March 31, 2009 but were not received until June 17, 2009.

RECOMMENDATION:

The Partnership should provide the annual Management Letter to the City within 90 days of their fiscal year end date.

FINDING:

Per the External Audit, Note G, the Operating Reserve was under funded at December 31, 2008 in the amount of \$6,132 and the Capital Replacement Reserve was over funded in the amount of \$2,347 for the same period.

RECOMMENDATION:

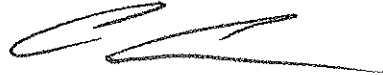
The Partnership should abide by the City Loan Agreement in maintaining the balances required for each Reserve balance.

We request a written signed response from Beacon Management Corporation and HCD which should be received by November 4, 2009 and mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Ann Costner, Property Manager; Ms. Connie Oatman, Regional Asset 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: Andy Scott, Interim Assistant City Manager for Economic Development
George Carr, President of Beacon Management Corporation



Date: October 20, 2009
To: George Carr, Beacon Management
From: Michael Blair, City of Greensboro Dept. of Housing and CD
RE: Richardson Village Apartments - 2009 Monitoring Report

City of Greensboro staff conducted an on-site monitoring visit of Richardson Village Apartments on June 17, 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: 615-D; 604-C and 600-A.

- 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

City funding consisted of \$725,000 of federal Section 108 (CDBG) funds and \$25,000 in CDBG funds. Additional financing was provided by the NCHFA, Carolina Bank (Wachovia) and Community Affordable Housing Equity Corp. (CAHEC). HOME was not used. Gross Rent on the 24 two-bedroom units would not exceed 30% of the adjusted income of a three person household whose gross income is less than or equal to 60% of the area median income. Maximum rent is \$550/m (\$69/m UA) for 2/br units which does not exceed the 60% rent limit.

- Occupancy Requirement (20% rule): N/A
- 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 June 17, 2009 were: 615-D; 604-C; 602-A and 600-A.

Observation # 1:

All units were in good condition except for minor items noted for repair. The exterior was also in good condition with the exception many wood surfaces in need of paint. 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.

Lead-based Paint

The property is subject to lead-based paint requirements having been constructed prior to 1978 (1970).

Finding # 1:

Management provides a lead disclosure form to be signed to Section 8 tenants and placed in the tenant file but not for non-Section 8 tenants.

Required Corrective Action:

Within 30 days of the date of this report management shall have provided the lead safe housing pamphlet and completed a lead disclosure form for all households. HCD staff will confirm that this has been completed by file inspection on a date to be determined in late November 2009.

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 dated March 14, 2002 is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Richardson Village Apartments is in compliance with the agreement insurance requirements as well as the majority of the rest of the agreement (see asset management). No Findings or Concerns noted.

Asset Management

The Internal Audit review reported the following asset management issues:

Finding # 2:

Per the External Audit, Note G, the Operating Reserve was under funded at December 31, 2008 in the amount of \$6,132 and the Capital Replacement Reserve was over funded in the amount of \$2,347 for the same period.

Required Corrective Action:

To adequately maintain balances. Per the City Loan Agreement it is required to maintain the balances for each Reserve balance.

Rental Property Scoring Report – 79.5

Observation # 2:

A score of 79.5 (out of 100 possible points) places L. Richardson Village apartments in the amber rental scoring category and only .5 points from the green category.

Required Corrective Action:

None. The property is very well managed and there is no pressing concern to increase compliance monitoring.

Observation # 3:

Lower than recommended occupancy was reported in the 2nd Quarter. The three months in Q2 2009 (April, May, and June of 2009) have averaged 86.1%.

Required Corrective Action:

Only to work to increase occupancy and limit the time units remain vacant.

Rental Property Scoring Report: Maximum 100 – 79.5 retained after deductions

Indicator	Result	Deducted or added
Physical Occupancy FY08/09	92 %	-5
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	<1%	0
Average Vacant Unit Off-line Time	149 days	-8
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	\$869.88	0
Hard Debt Service Coverage Ratio	1.234	0
Timely Delivery of External Audit	Late audit (77 days)	-3
Adhering to HOME, PJ, Agreement and/or Note and Deed	No - see Asset Management Findings/Lead	-2.5
Adhering to Reporting Standards	Yes	0
Cash Flow	positive	0
Resident Turnover Rate	7%	0
Property Taxes Paid Otime	Yes	0
Reserve requirements met	No (see F#2)	-2
Replacement reserve Minimum of \$1,000/unit	Yes	0

Overall the property is well maintained, and provides decent housing to qualified residents. Please respond as to how management is addressing Finding #1, Observation #1 and lower occupancies identified in this letter; a response to the issues detailed is due to HCD by November 20th, 2009. There is no need to respond to the other Findings and 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

WWW.BEACON-NC.COM

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

November 5, 2009

Mickey Kerans
Internal Auditor
City of Greensboro
P. O. Box 3136
Greensboro, NC 27402

RE: Richardson Village Limited Partnership
2007 - 2008

Dear Mr. Kerans:

We have received your October 21, 2009 letter on the subject property and offer the following comments with respect to your listed findings:

Finding #1: 2008 Management Letter - Due 03/31/2009 but not received until 06/17/2009.

Response: We advised our accountant last year of your requirement that management letters are due on or before March 31st. By copy of this letter we are again reminding him that management letters must be submitted on a timely basis.

Finding #2: Operating Reserve was under funded at December 31, 2008 in the amount of \$6,132 and the Capital Replacement Reserve was over funded in the amount of \$2,347 for the same period.

Response: Our Operating Reserve account has been increased by \$6,132 and our Reserve for Replacement has been reduced by \$2,347.

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

November 5, 2009
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Thank you for your correspondence and please let us know if you should need any further information in regards to these matters.

Cordially,



George E. Carr III

cc: GEC file
RV file
Barbara George
Ann Costner, Richardson Village
Connie Oatman
Len Lucas, Director Internal Audit, City of Greensboro
Dan Curry, Acting Director HCD, City of Greensboro
Michael Blair, HCD, City of Greensboro
Doug Covington, CPA

City of Greensboro
North Carolina



November 9, 2009

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

Re: Richardson Village Limited Partnership Year-2007 to 2008

Dear Mr. Carr:

We are in receipt of your letter dated November 5, 2009 reference the City's Internal Audit report letter dated October 21, 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 responses and corrective measures.

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 *DB*
RE: HCD Review of Richardson Village 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: Richardson Village 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 October 21, 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