



City of Greensboro

Date: February 11, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Greenbriar Housing, L.L.C. (Partnership Village II)

The Internal Audit Division has completed our annual review of Partnership Village II in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2005-2006 grant year. Attached you will find our review report; the programmatic 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, Assistant City Manager
Andy Scott, Director of Housing & Community Development



City of Greensboro

Date: November 6, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Greenbriar Housing II, LLC (Partnership Village II) 2005-2006

The Internal Audit Division has performed our compliance review of the year ended December 31, 2006 of Greenbriar Housing II, LLC, which consists of 24 units for low-income individuals or families located at 137 to 141 Greenbriar Road.

This Limited Liability Corporation received a loan in May 14, 2001 for \$150,000 from the City of Greensboro to help in the initial building of the apartment units. This is a non-interest bearing loan with final payment due March 1, 2032. The current balance per the Department of Housing & Community Development is \$149,680. Principal payments were to begin March 1, 2001 at 50% of gross receipts after deducting all normal and reasonable operating and capital expenses actually incurred and payments into the Replacement Reserve Account. These units provide housing for qualified individuals and families in the Greensboro area. These units are called the Partnership Village II and are managed by Partnership Property Management.

We were not accompanied by the building inspectors from the Department of Housing & Community Development. The inspectors will inspect approximately 15 percent of the units at a later date and a written report of their findings will be forwarded to the property management.

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 following findings:

FINDING:

The Management Letter for fiscal year ended December 31, 2006 was due to the City within 90 days of the fiscal year end or by March 30, 2007. We did not receive these documents until October 3, 2007.

RECOMMENDATION:

The Partnership should deliver to the City the Management Letter by the date required in the loan agreement.

We request a written signed response from Partnership Property Management which should be received by November 20, 2007 with a copy to the Department of Housing & Community Development (HCD) and the Internal Audit Division.

We also request a written signed response from HCD on this review which should be received on or before November 20, 2007.

We would like to thank Ms. Pat Somers, Associate Property Manager; Mr. Harry Lee, Site Manager; Ms Sandy Lucas, Director – Asset Management and the staff of Partnership Property Management 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.

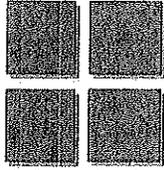


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Bob Kelly, President of Partnership Homes, Incorporated



HCD

Department of Housing & Community Development

Date: November 2, 2007
To: Greenbriar Housing II, LLC
From: Michael Blair, City of Greensboro HCD
RE: *FY07/08 Partnership Village II Programmatic Evaluation*

On October 3, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Partnership Village II Apartments. The property is located at 139 Greenbriar Road in Greensboro, NC. Partnership Property Management, Inc. (Formally Harris-Brown Management) manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable requirements. In this monitoring review attention was paid to contract compliance along with financial management systems, a review of tenant files, and occupancy.

The period under review, along with current conditions, was from July 1, 2006 to June 30, 2007. In addition to examining various program materials and financial files, in the course of the review HCD and IA staff met with Ms. Pat Somers, Associate Property Manager; Mr. Harry Lee, Site Manager and Ms. Sandy Lucas, Director.

The May 2001 project created 24 three bedroom units for low-income residents. It is a two year Transitional Housing property for the homeless. No Greensboro Consortium HOME Program funds were expended on these properties therefore the NCHFA/LIHTC guidelines regarding occupancy and tenancy requirements are used for this review along with city loan agreement requirements. Affordability was to be for 30 years.

City of Greensboro financing for Partnership Village II consisted of \$150,000 in local funds combined \$1,764,760 in North Carolina Affordable Housing Tax Credits and private sources.

The twenty-four (24) three bedroom units at Partnership Village II are required to be made affordable to, and occupied by, families with incomes (adjusted) at or less than:

- Twelve (12) units at 50% of Median income adjusted for family size of 4.5 persons which is \$29,350. The 2007 rent at 50% of affordability for a 3BR unit:

$$\mathbf{\$29,350 / 12 = \$2,446 \times .30 = \$734/month}$$

- Twelve (12) units at 35% of Median income adjusted for family size of 4.5 persons which is \$20,550. The 2007 rent at 35% of affordability for a 3BR unit:

$$\mathbf{\$20,550 / 12 = \$1,713 \times .30 = \$514/month}$$

This has been met for all units with tenant rents at \$481/month (\$385/month rent plus utilities \$96/m). HCD staff has determined that the utility information provided by Duke Energy in a letter dated June 18, 2007 could serve as the utility cost per unit. This would be derived from the average of 3 units provided by Duke Energy or \$67/month. This utility average is not included on the RCRS report or reflected in tenant files. This is not considered a concern only an observation. Unless prohibited by the NCHFA the utility adjustment for this property could be \$67/m and not \$96/m.

Incomes of residents are certified annually according to the NCFHA report dated from 09.27.07. Four (4) tenant files were inspected by HCD staff. The files were well maintained and contained all required income and lease information.

The reported occupancy has been 92.9% from January 2007 through September 2007. This is better than the April 2007 area occupancy rate of around 89.1% but down 4% from a reported 96.9% in 2006.

Section 8 tenants are accepted but there are not any reported on the RCRS. This is likely due to the local rental subsidy of \$153/m given to all residents and the nature of a two year transitional property.

Partnership Property Management has a fair marketing plan that meets the City Affirmative Marketing Requirements. The Tenant Selection Policy is clear and understandable.

Management maintains an updated waiting list with approximately thirty-eight (38) current applicants at the time of the visit.

HCD inspection staff was not available on October 3, 2007 and will perform an inspection at a later date.

As a result of this review HCD staff is making one (1) finding and one (1) concern. 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.

Finding – Audit

City of Greensboro Internal Audit staff reports that the management letter was submitted on October 3, 2007. The independent external audit was submitted on March 1, 2007 which is commendable however the management letter was not part of that submittal.

The financial statement, which includes a management letter or letter stating no management concern by the CPA, is due per the agreement §5.4 within 180 days of the fiscal year end (FYE), delivery was 272 days from FYE.

Requested Action

Management should submit to the City the management letter along with the external audit within 180 days of fiscal year end per the agreement.

Concern – Occupancy

Occupancy was 87% at the time of the visit and 92.9% for the balance of 2007 per documentation provided to HCD staff. The 2007 average is down 4% from 2006 reported occupancy.

Requested Action

Considering the substantial waiting list, and a higher reported occupancy in 2006, occupancy should be improved.

HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated October 9, 2007.

The finding and concern in this review, in our view, does not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the finding is to ensure future contractual compliance regarding complete submittal of financial statements. The intent of the concern is to make management aware that HCD sees high occupancy as a top priority.

It is HCD staff opinion that Partnership Village II Apartments is contractually compliant concerning affordability requirements. The property itself appears to be in good condition and remains a good transitional housing option for qualified recently homeless households.

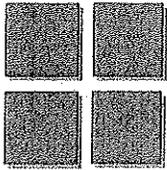
HCD staff appreciates the assistance provided during the monitoring visit by Partnership Property Management staff.



Michael Blair
Specialist Grant Compliance



Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: November 6, 2007
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: 2-07 HCD Review of Partnership Village II Audit Report

HCD has reviewed the draft October 9, 2007 Internal Audit report on Partnership Village II. The audit is for 2005-2006. HCD submits the following:

IA Finding 1:

The Management Letter for fiscal year ended December 31, 2006 was due to the City within 90 days of the fiscal year end or by March 30, 2007. We did not receive these documents until October 3, 2007.

IA Recommendation 1:

The Partnership should deliver to the City the Management Letter by the date required in the loan agreement.

HCD Reply to Finding/Recommendation 1: Concur.

Note: The May 2001 agreement is set at 180 days from fiscal-year-end not 90 days. This would have made it due June 30, 2006 which is still prior to November 28, 2006. This was included as a finding in the HCD review.

Summary: HCD generally concurs with the Internal Audit report.



City of Greensboro

Date: November 8, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Partnership Village II 2005-2006

Thank you for your reply of November 6, 2007. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated November 6, 2007 that the financials per the contract were due within 180 days.

Handwritten signature of Mickey Kerans.

Mickey Kerans
Internal Auditor

Handwritten signature of Len Lucas.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

Kerans, Mickey

From: Kerans, Mickey
Sent: Wednesday, December 19, 2007 1:21 PM
To: 'psomers@partnershippm.com'
Cc: Blair, Michael; 'hlee@partnershippm.com'
Subject: Review Partnership Village I & II



Partnership Vllg. I Partnersip Vllg. II
Apts 05-0... Apts 05-...

We mailed the reviews (see attached) to Bob Kelly on November 1, 2007. His reply was due to us by November 15, 2007. As of today we have not received Mr. Kelly's written reply. Would you please contact Mr. Kelly and advise him of the situation.

*Thanks,
MK*

Mickey Kerans, Internal Auditor
City of Greensboro
P. O. Box 3136
Greensboro, NC 27401
Ph: 336-373-2821
Fx: 336-373-2138

Kerans, Mickey

From: Kerans, Mickey
Sent: Monday, January 14, 2008 7:56 AM
To: 'hlee@partnershippm.com'
Cc: Blair, Michael
Subject: FW: Review Partnership Village I & II

Harry:

In regard to the e-mail below I sent out on 12/19/07, I haven't heard from anyone. Would you follow-up with Mr. Kelly or whoever so we can get a final resolution to matter?

Thanks,
Mickey Kerans

-----Original Message-----

From: Kerans, Mickey
Sent: Wednesday, December 19, 2007 1:21 PM
To: 'psomers@partnershippm.com'
Cc: Blair, Michael; 'hlee@partnershippm.com'
Subject: Review Partnership Village I & II



Partnership Vilg. I Partnership Vilg. II
Apts 05-0... Apts 05-...

We mailed the reviews (see attached) to Bob Kelly on November 1, 2007. His reply was due to us by November 15, 2007. As of today we have not received Mr. Kelly's written reply. Would you please contact Mr. Kelly and advise him of the situation.

***Thanks,
MK***

Mickey Kerans, Internal Auditor
City of Greensboro
P. O. Box 3136
Greensboro, NC 27401
Ph: 336-373-2821
Fx: 336-373-2138

City of Greensboro
North Carolina

CERTIFIED MAIL RETURN RECEIPT REQUESTED

January 28, 2008

Mr. Robert Kelly
Greenbriar Housing
PO Box 3402
Greensboro, NC 27402

RE: Greenbriar Housing, LLC(Partnership Village I & II) 2005-2006

Dear Mr. Kelly:

In regards to the City of Greensboro's review report dated November 1, 2007, this is to advise we have not received your response to subject report that was due to us by November 15, 2007. We followed up by e-mail with Ms. Somers of Partnership Management on December 19, 2007 and Mr. Lee of Partnership Village on January 14, 2008. As of today, we have not had a response or reply from anyone. Please see copies of correspondence enclosed.

Please send us your written response as soon as possible. If you should have any questions, please call me at 373-2821.

Sincerely,



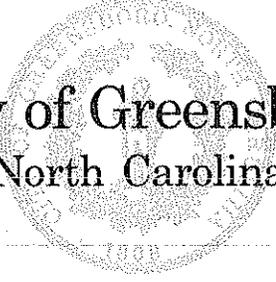
Mickey Kerans
Internal Audit



Len Lucas
Internal Audit Director

Enclosure

Cc: Ben Brown-Assistant City Manager for Economic Development
Andy Scott-Director of Housing & Community Development
Winston McGregor-Executive Director of Habitat for Humanity of Greater
Greensboro



City of Greensboro
North Carolina

February 4, 2008

Mr. Robert G. Kelley
Greenbriar Housing
P. O. Box 3402
Greensboro, NC 27402

Re: Partnership Village I & II-2005 to 2006

Dear Mr. Kelley:

We are in receipt of McGladrey & Pullen's letter dated February 1, 2008 reference the City's Internal Audit report letters November 1, 2007 and November 6, 2007 for the 2005 to 2006 Year.

We have reviewed McGladrey & Pullen's Management Letter covering both properties and we agree with their response.

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Mitchell Johnson, City Manager
Andy Scott, Director of Housing & Community Development

McGladrey & Pullen
Certified Public Accountants

McGladrey & Pullen, LLP
230 North Elm St., Ste. 1100, Greensboro, NC 27401-2436
P.O. Box 2470, Greensboro, NC 27402-2470
O 336.273.4461 F 336.274.2519
www.mcgladrey.com

February 1, 2008

Mr. Mickey Kerans
City of Greensboro
P.O. Box 3136
Greensboro, North Carolina 27401

Dear Mr. Kerans:

This letter is to inform you that McGladrey & Pullen, LLP did not issue a management letter for Partnership Village I and II for the year ended December 31, 2006.

Sincerely,



Ed W. Evans
Partner