



Date: November 15, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Berryman Square Limited Partnership

The Internal Audit Division has completed our annual review of Berryman Square Limited Partnership 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', with a long horizontal line extending to the right.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



Date: November 2, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Berryman Square Limited Partnership

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Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



City of Greensboro

Date: October 3, 2007
To: Andrew Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Berryman Square Limited Partnership 2005-2006

The Internal Audit Division has performed our compliance review of the year ended December 31, 2006 of Berryman Square Limited Partnership. The Partnership received a loan in the amount of \$765,000 from the City of Greensboro to help in the rehabilitation of 44 apartments on 200-208 Berryman Street for low-income individuals or families. These units are called Berryman Square and are managed by Affordable Housing Management, Incorporated.

We accompanied Mr. Doug Booth, Housing Construction Manager of Housing & Community Development, as he inspected approximately 15 percent of the units and some repairs were noted for the property. These issues were forwarded to the Property Director to address before they escalate into costly problems. We received notice from Affordable Housing Management that these repairs have been completed.

The City's loan bears interest at a rate of 2.50%. A portion of this interest, .50%, will be made in semi-annual payments of .25% on each January 1 and July 1. The remaining 2.00% will accrue. The repayment of the principal of \$765,000 will be based on 25% of the Net Operating Income less payments to the Reserve Accounts and Debt Service. The agency is meeting the interest payment requirements. There has been no Net Operating Income that would require the 25% principal payment. The balance of the principal and accrued interest will be due in full January 1, 2010.

We examined selected financial transactions maintained by the entity for compliance with the loan agreements. Based on our review, it appears that the funds have been spent according to the terms of the loan agreements except for the findings described below:

FINDING:

Concerning Accrued Interest Payable regarding the City Loan at December 31, 2006, there is a difference of \$7,885 between the Department of Housing & Community Development balance of \$198,073 and Berryman Square's balance of \$205,958.

RECOMMENDATION:

AHMI and HCD should check with each other to see why their balances are not the same.

We request a written signed response from Affordable Housing Management, Inc. which should be received by October 17, 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 October 17, 2007.

We would like to thank Ms. Donna Dungee, Property Site Manager; Ms. Joyce Satterfield, Regional Manager of Tax Credit Properties; and Ms. Debora Osborne, Finance Director, and the staff of Affordable Housing Management, Inc. 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.

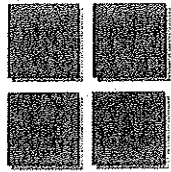


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
David Levy, Executive Director, Affordable Housing Management, Incorporated



HCD

Department of Housing & Community Development

Date: October 1, 2007
To: David Levy, Affordable Housing Management, Inc.
From: Michael Blair, City of Greensboro HCD
RE: FY07/08 Berryman Square Programmatic Evaluation

On September 5, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Berryman Square Apartments. The property is located at 200-208 Berryman Street, in Greensboro, NC. Affordable Housing Management, Inc. 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 program and contractual 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, a physical inspection and financial files, in the course of the review HCD and IA staff met with Ms. Donna Dungee, Property Site Manager, Ms. Joyce Satterfield, Regional Manager of Tax Credit Properties, and Ms. Debora Osborne, Finance Director.

The property was rehabilitated with \$765,000 in local funds (Housing Partnership/Nussbaum Fund) combined with \$1,224,000 in private funds. Greensboro Consortium HOME Program funds were not expended on this property therefore the lease agreement is the main document regarding occupancy and tenancy requirements for this review. The lease agreement uses §42 of the IRS code which refer to Low Income Housing Tax Credits. The property consists of 44 units and the units would be made available to households with incomes at or below 50% of the adjusted area Median Income. The rent on 100% of the units would not exceed that which is affordable to those families whose gross income does not exceed 42% of area median.

Monthly housing costs are as follows:

Unit Type	Rent	Utility	Total Housing Cost
Efficiency	\$385	\$46	\$431
One Bedroom	\$409	\$52	\$461
Two Bedroom	\$450	\$67	\$517

Six (6) of the tenant incomes reviewed have exceeded 140% of their maximum eligible income limit. Resident incomes are certified annually according to the NCFHA Rental Compliance Reporting System report and HCD file review. The tenant files reviewed were in superb condition and contained all required back-up documentation.

The reported occupancy has been an average of 92% from January 1, 2007 through September 11, 2007. This was calculated with the vacancy report provide by management. This is slightly higher than the April 2007 area occupancy rate of around 90%.

Section 8 housing vouchers are accepted and thirteen (13) tenants receive this assistance.

HCD staff inspected seven (7) units on June 22, 2007 and reported certain deficiencies that need attention in all of those units. The exterior also had items reported that need attention. Please refer to the inspection report for details.

As a result of this review HCD staff is making one (1) finding and no (0) 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.

Finding Number 1 – Affordability

The agreement dated August 16, 1993 states in Article IV "Events of Default" §4.2 "Use of Premises" that rents would be affordable to families whose gross income does not exceed 42% of the area adjusted median income.

In order to achieve the 42% (in reality 42.5%) affordability requirement an Efficiency would have a maximum housing cost of **\$395 a month**; a 1/BR unit would have a maximum housing expense of **\$451 a month**; and a 2/BR unit would be **\$508 a month**.

Rents plus utilities reported to HCD are as follows:

- Efficiency unit (1): \$431/m. This unit exceeds its affordability by \$36/m.
- 1/BR units (5): \$461/m. These units all exceed their affordability by \$10/m.
- 2/BR units (38): \$517/m. These units all exceed their affordability by \$9/m.

Requested Action

Bring housing expenses into compliance by reducing rents or seek approval, per the loan agreement, from the Greensboro City Council to raise the maximum housing expense from 42% of adjusted MFI.

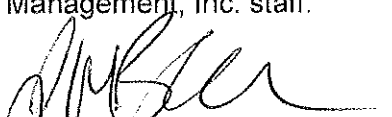
Action on this finding must be taken within 60 days. An acceptable resolution of this compliance problem would include lowering of housing costs to 42% affordability or a written plan to request raising the affordability requirement from City Council.

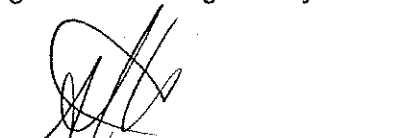
HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated September 10, 2007.

The finding 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 get immediate action regarding required contractual affordability compliance.

It is HCD staff opinion that Berryman Square Apartments is not contractually compliant concerning affordability requirements. That noted the property appears to be in average condition and remains a decent housing option for qualified households.

HCD staff appreciates the assistance provided during the monitoring visit by Affordable Housing Management, Inc. staff.


Michael Blair
Specialist Grants Compliance


Andy Scott
Director HCD



AFFORDABLE HOUSING
MANAGEMENT, INC

Writer's Extension: 123
Writer's Email: dosborne@ahmi.org

October 17, 2007

Mr. Mickey Kerans
City of Greensboro
Internal Audit Department
P.O. Box 3136
Greensboro, N.C. 27402-3136

Re: Berryman Square

Dear Mr. Kerans,

In response to your letter of October 3, 2007 I offer the following information:

Finding:

- a) City of Greensboro loan balance is not in agreement with partnership general ledger balance: We have submitted the auditors workpaper to Mrs. Vera Troxler. She has agreed to review the account. We look forward to reconciling the balance with the City.

If you have any further questions, please don't hesitate to contact me.

Sincerely,

Debora Osborne
Finance Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Michael Blair, Specialist Grants Compliance

City of Greensboro
North Carolina

October 22, 2007

Ms. Debora Osborne
Affordable Housing Management, Inc.
330 S. Greene St.
Suite B-11
Greensboro, NC 27401

Re: Berryman Square Apartments-2005 to 2006

Dear Debbie:

We are in receipt of your letter dated October 17, 2007 reference the City's Internal Audit report letter dated October 3, 2007 for the 2005 to 2006 Year. Your timely response to our report is appreciated. We have reviewed your letter and thank you for contacting Ms. Vera Troxler of the Department of Housing and Community Development to try and reconcile the Accrued Interest on the Berryman Loan.

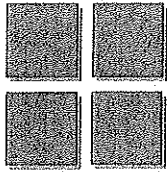
Please advise us when you come to a resolution.

Sincerely,


Mickey Kerans
Internal Auditor


Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



HCD

Department of Housing & Community Development

MEMO

Date: November 6, 2007

To: Len Lucas, Internal Audit Director

ML **From:** Michael Blair, Specialist Grants Compliance

RE: 2007 HCD Review of Berryman Square Audit Report

After review of the October 3, 2007 Internal Audit report for Berryman Square Apartments/Affordable Housing Management (AHM), for 2005-2006, HCD submits the following:

IA FINDING 1:

Concerning Accrued Interest Payable regarding the City Loan at December 31, 2006, there is a difference of \$7,885 between the Department of Housing & Community Development balance of \$198,073 and Berryman Square's balance of \$205,958.

IA RECOMMENDATION 1:

AHMI and HCD should check with each other to see why their balances are not the same.

- **HCD Reply to Finding/Recommendation 1:** This remains an ongoing technical problem with CLCS. HCD would appreciate annual assistance from Internal Audit to adjust CLCS to the correct balance.

Summary: HCD requests that the annual recurring CLCS technical failure be removed as a finding.



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-Berryman Square Audit 2005-2006

Thank you for your timely reply of November 6, 2007 concerning Berryman Square. In reference to IA' subject report dated November 22, 2006, we will provide assistance to the Department of Housing & Community Development (HCD) anyway we can in reconciling the loan balances both principal and interest with the borrower.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development