



Date: December 14, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Jericho House, Incorporated

The Internal Audit Division has completed our annual review of Jericho House, Incorporated 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



City of Greensboro

Date: November 20, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Jericho House, Incorporated. 2005-2006

The Internal Audit Division has performed our compliance review of the year ended December 31, 2006 of Jericho House, Incorporated (Agency) which received a loan from the City of Greensboro (City) in the amount of \$62,000 in March of 2002. This loan helped in the purchase of the Jericho House for men in the Greensboro area. This house is located at 2824 Liberty Road.

This loan is non-interest bearing and repayment is not required as long as the house remains available as transitional housing for men. These men are provided room and board; transportation to jobs and/or interviews; budget planning and support to re-enter the workforce. The loan repayment will be deferred for five years. Beginning the sixth anniversary of the date of execution of the loan agreement the loan amount will be reduced by ten (10%) per cent per year. Final repayment is due March 14, 2017.

Mr. Jim Teele, Housing Rehabilitation Specialist of the Department of Housing & Community Development (HCD) inspected this residence and some repairs were noted for the property. A copy of these issues were mailed to Mr. Jack Alford, Treasurer of the Jericho House after our inspection to address before they escalate into costly problems.

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 finding described below:

FINDING:

The external audit and management letter for fiscal year ended December 31, 2006 was due to us by June 29, 2007 however we did not receive these reports until July 3, 2007.

RECOMMENDATION:

The Agency should deliver the external audit and management letter as per the loan agreement within 180 days of their fiscal year end.

We request a written signed response from the Agency which should be received by December 4, 2007 with a copy to 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 December 4, 2007.

We would like to thank Mr. Jack Alford, Treasurer of Jericho House, Incorporated for his 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.

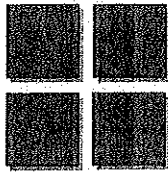


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
David Williams, President of Jericho House, Incorporated



HCD

Department of Housing & Community Development

Date: November 16, 2007
To: Jack Alford, Board of Directors, Jericho House
From: Michael Blair, City of Greensboro HCD
RE: FY07/08 Jericho House (Loan) Programmatic Evaluation

On October 19, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Jericho House. The property is located at 2824 Liberty Road in Greensboro, NC. Jericho House, Inc. manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for CDBG and contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable CDBG and contractual requirements. The period under review, along with current conditions, was from July 1, 2006 to June 30, 2007.

The March 2002 acquisition project created 6 transitional housing units. City of Greensboro financing for Jericho House was \$62,000 in federal CDBG dollars. Additional funding was provided by the North Carolina Housing Finance Agency (SHDP funding).

The rooms would be affordable to tenants at or below 50% (per the NCHFA funding) of adjusted local median income for one person household.

Total allowable housing cost: $\$19,750 / 12 = \$1,879 \times .30 = \$494/m$

This requirement has been met and exceeded with a total housing cost of \$400/m (rent plus room and board) or 30% of earnings whichever is less.

Move-In incomes of residents should be, by virtue of the nature of the program, \$0. Since the program does not exceed 12 months which is mutually agreed upon by the participant and agency annual re-certifications are not possible. However the NCHFA has requested initial income certifications using their methodology. The letter dated August 29, 2007 lists five (5) forms to be completed:

Tenant Income Certification; Under \$5,000 Asset Certification; Employment Verification; SHDP Participant Eligibility Certification; Zero Income Affidavit

HCD recommends that Jericho House comply with the NCHFA request. If tenants are, or become, employed this can be verified, per HUD, by telephone by management.

From the HUD website:

Although written requests and responses are generally preferred, conversations with third parties are also acceptable if they are documented through a memorandum to the file. This memorandum should record the: contact person, information conveyed, and date of the conversation.

Please check if the NCHFA will accept this income verification practice.

The Tenant Selection Policy is clear and understandable.

HCD staff inspected Jericho House on October 17, 2007 and did not report any interior deficiencies. The overall exterior condition was found to be in decent condition however certain items need to be cleaned up. Please refer to the inspection report for details.

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 1 – Audit

City of Greensboro Internal Audit staff reports that the independent external audit was submitted on July 3, 2007. The audit is due per the agreement §5.4 within 180 days of the fiscal year end (FYE), delivery was 183 days from FYE.

Requested Action

Management should submit to the City the external audit within 180 days of fiscal year end per the loan agreement unless an annual grant agreement uses 90 days from fiscal year end.

Concern 1 – Low Occupancy

The occupancy was calculated from information given to HCD staff. Using the arrival/departure worksheet occupancy of 72.5% was calculated for 2007.

Requested Action

For management to confirm or correct the HCD calculated occupancy from January 1, 2007 through October 17, 2007. Regardless of the correct occupancy calculation it is very low for a transitional housing property which is the cause of the concern.

HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated October 29, 2007.

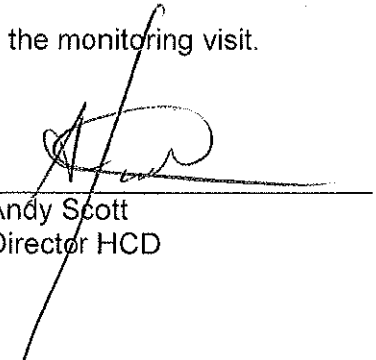
The finding and concern in this review, in our view, do not reflect negatively on management and their work ensuring continued affordability compliance. The intent of the finding is to ensure future contractual compliance regarding submittal of the independent external audit. The intent of the concern is to encourage correcting of the low occupancy condition.

It is HCD staff opinion that Jericho House is contractually compliant concerning affordability requirements. The property itself is in good condition and remains a decent housing option for qualified individuals.

HCD staff appreciates the assistance provided during the monitoring visit.



Michael Blair
Specialist Grant Compliance



Andy Scott
Director HCD



"... I was a stranger, and ye took me in; ... I was in prison, and ye came unto me."

Jericho House

"an aftercare ministry for ex-offenders"

David Williams, Founder

2824 Liberty Road
Greensboro, NC 27406

Mailing Address: P.O. Box 425, Greensboro, NC 27402

November 28, 2007

To: Mickey Kerans
Internal Audit Division
City of Greensboro

Reference: FY07/08 Jericho House (Loan) Programmatic Evaluation

You have requested that the management of Jericho House respond back to you regarding two specific issues. This letter is intended to address that request.

The first issue you classified as a "Finding" and had to do with our audit. The problem had to do with the fact that the City received our 2006 audit three days later than allowed for by our contractual agreement. Our reality is that Jericho House receives a very attractive price from our CPA for our annual audit. Consequently, we try to be as flexible as possible with them in terms of our demands. However, Jericho House management commits to the following in order to ensure that our audit is available to the City in a more timely fashion, and certainly available within the time allowed for in our contractual agreement.

- (a) Jericho House financial records will be in the hands of our auditor within three weeks of our fiscal yearend.
- (b) Jericho House management will be more diligent and persistent in pushing our CPA to complete our audit more quickly.


The second issue was classified as a "Concern", and had to do with a lower occupancy rate (72.5% for last year) at Jericho House than the City would expect or desire for a transitional housing operation. We understand the City's position and will strive to improve in this area. However, we would like the City to realize that we have a few constraints that make maintaining a high occupancy rate very

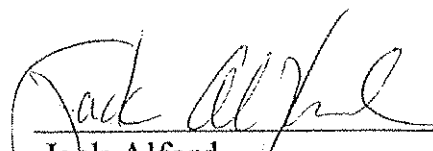
difficult. Specifically, since our mission is to take men coming directly out of prison, our planning and scheduling for occupancy becomes complex. Let us explain. We normally receive applications from men in prison three to six months before their release. Once we confirm back to an applicant that he is accepted into our program, then we are of course obliged to take that person upon their release. And that's a bed that is allocated and that can't be offered to another applicant. Now, let's say that a man freshly arrives in our program, and then a week or two after arriving decides that he is going to leave (e.g., he doesn't like our rules or having a curfew, or he wants to move in with a girlfriend, or he can't stay away from drugs --- all of which have happened). Then we are going to have an empty bed until another applicant is selected plus then released from prison.

Having said all of the above, the management at Jericho House accepts that we can and should improve our occupancy rate. Our goal for the 2007/2008 fiscal year will be 80%.

Please note -- your letter to us plus our response will be reviewed at our next scheduled Board Meeting.

We appreciate all the support we have received from the City and its staff, and thank you for your insights and suggestions.


David Williams
Chairman


Jack Alford
Treasurer

City of Greensboro
North Carolina

December 3, 2007

Mr. Jack Alford
Jericho House
P.O. Box 425
Greensboro, NC 27402

Re: Jericho House-2005 to 2006

Dear Jack:

We are in receipt of your letter dated November 28, 2007 reference the City's Internal Audit report letter dated November 20, 2007 for the 2005 to 2006 Year. Your timely response to our report is appreciated. We have reviewed your letter and agree with your responses and corrective measures except in your second paragraph, subparagraph (a) change three weeks to three months.

Sincerely,

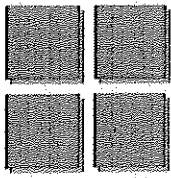


Mickey Kerans
Internal Auditor



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: December 5, 2007
To: Len Lucas, Internal Audit Director
From:  Michael Blair, Specialist Grants Compliance
RE: 2007 HCD Review of Jericho House Audit Report

After review of the draft October 29, 2007 Internal Audit report of Jericho House, for 2005-2006, HCD submits the following comments. The HCD "Reply" is a response to the Internal Audit "Recommendation" and not the specifics of the "Finding" unless otherwise noted:

IA FINDING 1:

The external audit and management letter for fiscal year ended December 31, 2006 was due to us by March 30, 2007 however we did not receive these reports until July 3, 2007.

IA RECOMMENDATION 1:

The Agency should deliver the external audit and management letter as per the loan agreement by March 30th each year.

- **HCD reply to Recommendation 1:** Concur

Summary: HCD generally concurs with the Internal Audit report recommendation.



City of Greensboro

December 10, 2007

Date: Andy Scott, Director of Housing & Community Development
To: Internal Audit Division
From: HCD Reply to IA Report-Jericho House 2005-2006
Subject: Thank you for your reply of December 5, 2007. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated November 20, 2007.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development