



Date: October 10, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Autumn Drive and Camel Street Apartments

The Internal Audit Division has completed our annual review of The Autumn Drive and Camel Street Apartments 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 flourish 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: September 11, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Autumn Drive and Camel Street Apartments 2005-2006

The Internal Audit Division has performed our compliance review of the year ended June 30, 2006 of Autumn Drive and Camel Street Apartments. These apartments are owned by the City of Greensboro.

These apartments are located at 1601, 1603 and 1605 Autumn Drive; and 315 West Camel Street which have 12 and 20 units respectively available for low-income families and individuals. These units are managed by Affordable Housing Management, Incorporated (AHMI). One of the units at Camel Street is used as a Property Manager's office for AHMI.

We accompanied Mr. Doug Booth, Supervisor Housing Rehabilitation of the Department of Housing & Community Development, as he inspected approximately 15 percent of the units and some repairs were noted for the property. These issues have been forwarded to the Property Director to address before they escalate into costly problems.

We examined selected financial transactions and program documentation maintained by the agency for compliance with the management agreement. Based on our review, it appears that the funds have been spent according to the terms of the management agreement except for the findings described below:

FINDING:

- a. The working capital for fiscal year ended June 30, 2006 decreased by (\$13,266) to (\$10,079).
- b. The current ratio for fiscal year ended June 30, 2006 decreased to .334 to 1 from 1.499 to 1 in 2005.
- c. The net loss for fiscal year ended June 30, 2006 was (\$11,104) compared to a net income of \$16,492 for 2005. The loss for 2006 was caused mainly by increases in Maintenance & Repairs, Bad Debts, Concessions and Miscellaneous Expenses which totaled in aggregate to approximately \$22,000.

RECOMMENDATION:

Management should notify the City on its plans to improve this financial position.

We request a written signed response from Affordable Housing Management, Inc. which should be received by September 25, 2007 with a copy to the Department of Housing & Community Development (HCD) and the Internal Audit Department.

We also request a written signed response from HCD on this review which should be received on or before September 25, 2007.

We would like to thank Ms. Millie Mullins and Ms. Joyce Satterfield, Regional Managers of Tax Credit Properties; Ms. Debora Osborne, Finance Director and the staff of Affordable Housing Management, Incorporated 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.

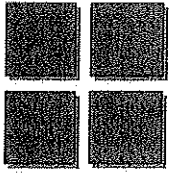


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

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



HCD

Department of Housing & Community Development

Date: September 7, 2007
To: David Levy, Affordable Housing Management Inc.
From:  Michael Blair, City of Greensboro HCD
RE: *FY07/08 Autumn Camel Apartments Programmatic Evaluation*

On August 29, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Autumn Camel Apartments.

The properties are located at 315 West Camel Street and 1601, 1603 and 1605 Autumn Drive in Greensboro, NC. The properties are owned by the City of Greensboro. Affordable Housing Management Inc. (AHM) manages the property (since 2000) and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for HOME Program and contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable HOME Program and contractual requirements. In this monitoring review attention was paid to HOME 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. Joyce Satterfield, Ms. Millie Mullins, Ms. Debora Osborne, and other on-site AHM staff.

The property was acquired and rehabilitated in the late 1980's with \$1,708,568 in local bond funds. No HOME Program funds were expended on this property however they are serving as HOME replacement units for another project from 2007 through 2010. Thirty-two (32) affordable 2/BR units were made available through this rehabilitation. The current 2007 Low HOME rent for a 2/BR unit is \$635/m.

The following table is generated from on-site tenant file review documentation:

Reported Rents:	Rent	Utility	Total Rent + UA
Autumn (12 units)	\$325	\$62	\$414
Camel (20 units)	\$325	\$106	\$430

Rent plus utilities do not exceed Low HOME limits on any of the units according to file documentation and rent rolls.

Resident incomes are certified annually according to the HCD file review. More than 20% of the tenant incomes have incomes at or below 50% of the AFMI. The tenant files reviewed were in good condition and contained required back-up documentation.

Section 8 housing vouchers are accepted however none of the current tenants receive this assistance.

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

HCD staff inspected seven (7) units on August 29, 2007 and reported deficiencies that need attention in all those units. The property is in overall average condition per-HCD inspection staff however there are several reported maintenance and repair conditions 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 two (2) 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 1 – Occupancy

The agreement calls for a combined occupancy of 93% which is not currently being met. As of the August 29th, 2007 site visit Autumn Drive is at 92% occupancy and Camel Street is at 89%. This is a combined occupancy of 90% (3 vacancies out of 31 units).

Requested Action

Per the agreement management has 60 days, from the date of this review, to bring occupancy above 93%. That would be 0-2 vacancies.

HCD wishes to note that the occupancy from January 1, 2007 to the end of August was 95% at Autumn Drive and 96% at Camel Street with a combined occupancy of 95% which is excellent in the current rental climate.

Concern 1 – Over Income Tenant

Unit 315-C has a tenant that is reported (this could be a typographical error) to have an income that exceeds 80% of the adjusted area median household income for one member which is \$31,550 in 2007.

Requested Action

The previous management agreement §3.4 and the tenant lease agreement §15(a) contain over-income (>80% adjusted median income) tenant provisions to vacate the property within 120 and 90 days respectively.

The new management agreement, and lease agreements, will use the following provisions for over-income tenants which should be the current policy:

"Manager shall be responsible for re-certifying tenant household incomes annually. If the income of a tenant exceeds 80% of median income as currently established at the time of re-certification, the rent shall be adjusted so that the household pays 30% of their adjusted income for rent and utilities."

Concern 2 – Roof and Downspouts

The roof at Camel Street has raised shingles near unit 315-F and is missing shingles over a unit entrance per the HCD inspection report. Downspouts have been collapsed near units 1603 and 1601 at Autumn Drive.

Requested Action


Management should repair roof and downspouts as needed to prevent further damage. Report all eventual repairs to Internal Audit.

HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated August 31, 2007.


The finding and concerns in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the finding is to ensure contractual compliance. The intent of the first concern is to make management aware of evolving HOME Program issues. The intent of the second concern is to make management aware of potential repair and maintenance issues.

It is HCD staff opinion that Autumn Camel Apartments are contractually compliant as well as HOME Program Compliant.

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



Michael Blair
Specialist Grants Compliance



Andy Scott
Director HCD



City of Greensboro
North Carolina

September 27, 2007

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

Re: Autumn Drive & Camel Street Apartments-2005 to 2006

Dear Debora:

We are in receipt of your letter dated September 25, 2007 reference the City's Internal Audit report letter dated September 11, 2007 for the 2005 to 2006 Year. Your timely and detailed 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: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



AFFORDABLE HOUSING
MANAGEMENT, INC

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

September 25, 2007

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

Re: Autumn Drive/Camel St.--

Dear Mr. Kerans,

In response to your letter of September 11, 2007 I offer the following information:

Finding:

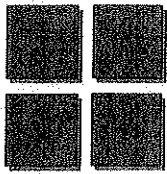
- a) Negative working capital: Over the past two years we have requested the City increase the rents on these properties. This request has been denied due to the conversion of units to HOME units. We have submitted a request for the 2007-08 year to defer reserve for replacement deposits until the properties are allowed to increase the rents.
- b) The current ratio decreased to .334 to 1 from 1.499. Due to the increase in vacancies and bad debt these properties have experienced this decrease. Affordable Housing Management, Inc. has deferred collection of our fees in order to assist the properties with this cash flow problem. HCD has communicated that they understand we are operating at a deficit and will seek funding to address the cash flow deficit.
- c) 6-30-06 reflected an \$11,104 net loss. \$4,157 in the increase in repair expenses reflects an increase in reserve for replacement expenditures over 2005. During this period the property experienced higher than normal turnover which impacts vacancies and repairs. We have new staff in place and are anticipating a turnaround in this for the 6-30-08 year.

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

Sincerely,

Debora Osborne
Finance Director

Cc: Ben Brown Asst. City Mgr.



HCD

Department of Housing & Community Development

MEMO

 **Date:** October 5, 2007
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: 2007 HCD Review of Autumn Drive/Camel Street Audit Report

After review of the Draft August 31, 2007 Internal Audit report on Autumn Drive/Camel Street Apartments/Affordable Housing Management (AHM), for 2005-2006, HCD submits the following:

IA FINDINGS:

- a. The working capital for fiscal year ended June 30, 2006 decreased by (\$13,266) to (\$10,079).
- b. The current ratio for fiscal year ended June 30, 2006 decreased to .334 to 1 from 1.499 to 1 in 2005.
- c. The net loss for fiscal year ended June 30, 2006 was (\$11,104) compared to a net income of \$16,492 for 2005. The loss for 2006 was caused mainly by increases in Maintenance & Repairs, Bad Debts, Concessions and Miscellaneous Expenses which totaled in aggregate to approximately \$22,000.
- d. Vacancy at fiscal year ended June 30, 2006 was 12.8% but only 3.92% for 2005. Occupancy was below the 93% minimum as required by the Management Agreement.

IA RECOMMENDATION:

Management should notify the City on its plans to improve this financial position. As per the Management Agreement AHMI has 60 days to increase the occupancy rate at or above 93%.

- **HCD Reply to Findings/Recommendation:** HCD concurs with the IA recommendation. HCD wishes to note that the occupancy from January 1, 2007 to the end of August was 95% at Autumn Drive and 96% at Camel Street with a combined occupancy of 95% which is excellent in the current rental climate. The HCD programmatic letter gave management 60 days from the date of that letter, September 7, 2007, to raise the current (site-visit) occupancy found in late August.

Summary: HCD concurs with the IA report.



City of Greensboro

Date: October 8, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Autumn Drive and Camel Street Apartments 2005-2006

Thank you for your reply of October 5, 2007. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated September 11, 2007.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development