



# City of Greensboro

Date: September 20, 2007  
To: Mitchell Johnson, City Manager  
From: Internal Audit Division  
Subject: Everitt Square Multi-Family Properties

The Internal Audit Division has completed our annual review of the Everitt Square Multi-Family Properties 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: Ben Brown, Assistant City Manager for Economic Development  
Andy Scott, Director of Housing & Community Development



**Date:** August 31, 2007  
**To:** Andy Scott, Director of Housing & Community Development  
**From:** Internal Audit Division  
**Subject:** Everitt Square Multi-Family Properties 2005-2006

The Internal Audit Division has performed our compliance review of the year ended June 30, 2006 of Everitt Square Multi-Family Properties. This property was rehabilitated with a loan provided by the City of Greensboro and is designed for the benefit of low-income individuals or families in the Greensboro area. Affordable Housing Management, Incorporated manages this property. Additional information on the property is as follows:

**Everitt Square** is located at 2130 Everitt Street (16 Units). It received a loan from the City in the amount of \$90,000 in September 1994. This loan is due to be repaid to the City annually on June 30<sup>th</sup> beginning in 1998, based on a percentage of cash flow. Based on a positive cash flow at year ended June 30, 2006, there was a payment due to the City in the amount of \$2,290 which was received by the City in October, 2006. This loan is non-interest bearing, and the balance as of June 30, 2006 \$65,796 is due in full September 1, 2024.

We accompanied Mr. Jim Teele, of the Department of Housing & Community Development, as he inspected approximately 15 percent of the units and some repairs were noted for the property. As soon as we receive Mr. Teele's report, it will be forwarded to the Property Director 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 findings described below:

**FINDING:**

The Operating Reserve balance at June 30, 2006 was \$18,643 which was over \$2,443 of the maximum balance per the loan agreement of \$16,200.

**RECOMMENDATION:**

The Operating Reserve balance should be adjusted to the maximum balance as required per the loan agreement.

We request a written signed response from Affordable Housing Management, Inc. which should be received by September 13, 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 13, 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, Executive Director of Affordable Housing Management, Incorporated



**Date:** August 29, 2007  
**To:** David Levy, Affordable Housing Management Inc.  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY07/08 Everitt Square Apartments Programmatic Evaluation*

On August 14, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Everitt Square Apartments. The property is located at 2130 Everitt Street in Greensboro, NC. The property consists of 16 units. Affordable Housing Management Inc. (AHM) 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 contractual requirements. In this monitoring review attention was paid to 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. Millie Mullins and Ms. Joyce Satterfield, Regional Managers of Tax Credit Properties and Ms. Debora Osborne, Finance Director and other on-site AHM staff.

The property was acquired and rehabilitated with \$90,000 in local housing partnership funds (1994) combined with \$606,335 in NCHFA funding. The current balance is \$65,796. Greensboro Consortium HOME Program funds were not expended on this property therefore the lease agreement and NCHFA rules are the main guidance regarding occupancy and tenancy requirements for this review.

The units would be made affordable to, and occupied by, households whose gross incomes did not exceed 40% of the adjusted area median (at move-in).

The following table is generated from on-site tenant file review documentation and a project compliance report:

Reported Rents:	Rent	Utility (new)	Total Rent + UA
16 units	\$300	\$95	\$395

Rent plus utilities do not exceed 40% limits, \$508/m, on any of the 16 units according to file documentation and rent rolls.

None of the tenant incomes reviewed appears to have exceeded 80% of adjusted median income. Resident incomes appear to have been certified annually according to the HCD file review and project compliance report provided by AHM. The tenant files reviewed were in average condition and contained most required back-up documentation (see below).

The reported occupancy is a very good 100% from January 2007 through July 2007. The current August 2007 occupancy is 94% (1 vacancy). This continues improvement from 2005. It is also 4% higher than the April 2007 area occupancy rate of around 90%.

Section 8 housing vouchers are accepted and four (4) units, 25%, 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 three (3) units on August 14, 2007 and reported certain deficiencies that need attention in all of the units. The exterior has several reported conditions that need attention. Please refer to the inspection report for details. Forward all repairs made to conditions listed on the inspection report to Internal Audit.

As a result of this review HCD staff is making zero (0) findings 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.

#### Concern 1 – Income Certification

Unit 2130-Q had a complete tenant file with the exception of a management and tenant signature on the income certification document.

#### Requested Action

Signatures by both management and tenant should always be on every income verification form.

#### Concern 2 – Income Certification Documents

The file for Unit 2130-A did not contain any income certification verification documentation such as an employer signed form or a letter from the US Social Security Administration. The income certification was dated May 05, 2007.


#### Requested Action

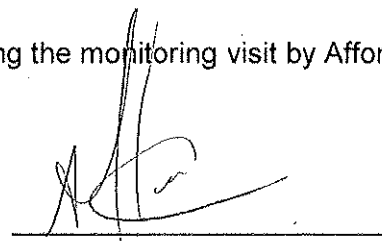
Complete the certification. Tenant files should contain appropriate income verification documentation.

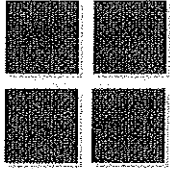
The concerns in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of both concerns is to ensure proper file maintenance.

It is HCD staff opinion that Everitt-Square Apartments are contractually compliant concerning affordability and contractual requirements.

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

  
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Michael Blair  
Specialist Grants Compliance

  
\_\_\_\_\_  
Andy Scott  
Director HCD



# HCD

Department of Housing & Community Development

## MEMO

**Date:** August 31, 2007  
**To:** Len Lucas, Internal Audit Director  
**From:** Michael Blair, Specialist Grants Compliance  
**RE:** HCD Review of Everitt Square Audit Report FY05/06

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After review of the draft August 21, 2007 Internal Audit report of the Everitt Square Multi-Family Properties, for 2005-2006, HCD submits the following:

### IA FINDING 1:

The Operating Reserve balance at June 30, 2006 was \$18,462 which was over \$2,642 of the maximum balance per the loan agreement of \$16,200.

### IA RECOMMENDATION 1:

The Operating Reserve balance should be adjusted to the maximum balance as required per the loan agreement.

- HCD reply to Recommendation 1: *Concur*



*Date:* August 31, 2007  
*To:* Andy Scott, Director of Housing & Community Development  
*From:* Internal Audit Division  
*Subject:* HCD Reply to IA Report-Everitt Square Apartments 2005-2006

Thank you for your reply of August 31, 2007 regarding IA's review report dated August 31, 2007. We agree with HCD response except in the report that was sent to Affordable Housing Management we changed the Operating Reserve amount from \$18,462 to \$18,643 and the amount over the maximum reserve from \$2,642 to \$2,443.

A handwritten signature in black ink, appearing to read 'M. Kerans'.

Mickey Kerans  
Internal Auditor

A handwritten signature in black ink, appearing to read 'L. Lucas'.

Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development



AFFORDABLE HOUSING  
MANAGEMENT, INC

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

September 5, 2007

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

Re: Everitt Square

Dear Mr. Kerans,

In response to your letter of August 31, 2007 I offer the following information:

Finding: The operating reserve balance at 6/30/07 of \$18,643 is in excess of the \$16,200 required by the loan documents. I am at a loss as to why this is a finding, in our opinion this is a positive and is not detrimental in any way. The only deposit into this account over the past seven years has been interest and it has never been an issue during those years. We have left all the interest in the account, as we thought the intent of the account was to cover operating shortfalls. All surplus cash calculations (75% of positive cash flow) for the amount due the City of Greensboro included the interest earned on this account. So the transfer of these funds would have no impact on the amount available to pay the City loan. Therefore we disagree with this finding and request that it be rescinded.

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





City of Greensboro  
North Carolina

September 14, 2007

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

Re: Everitt Square Apartments-2005 to 2006

Dear Debora:

We are in receipt of your letter dated September 5, 2007 reference the City's Internal Audit report letter dated August 31, 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. We have approval from the Department of Housing & Community Development for Everitt Square to go over the maximum amount for the Operating Reserve Account. Therefore, we delete this as a Finding on our report dated August 31, 2007.

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