



Date: July 3, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Greenbriar Housing, LLC (Partnership Village Phase II)

The Internal Audit Division has completed our annual review of Partnership Village Phase II in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2004-2005 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



City of Greensboro

Date: December 18, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Greenbriar Housing II, LLC (Partnership Village II) 2004-2005

The Internal Audit Division has performed our compliance review of the year ended December 31, 2005 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 \$150,000. 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 Harris Brown Management, Incorporated.

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 External Audit and Management Letter for fiscal year ended December 31, 2005 were due to the City within 90 days of the fiscal year end or by March 30, 2006. We did not receive these documents until November 28, 2006.

RECOMMENDATION:

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

FINDING:

A principal payment toward the City Loan for year ended December 31, 2005 is currently due at this time in the amount of \$320.

RECOMMENDATION:

The entity should pay the City of Greensboro a principal payment of \$320 as per paragraph 2.1 of the loan agreement.

We request a written and signed response from the Department of Housing & Community Development and Greenbriar Housing II, LLC by January 1, 2007.

We would like to thank Ms. Gary Berg, Senior Regional Property Manager; Mr. Harry Lee, Site Manager and the staff of Harris Brown 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
Bob Kelly, President of Partnership Homes, Incorporated



Date: December 12, 2006
To: Greenbriar Housing, LLC
From: Michael Blair, City of Greensboro HCD
RE: *FY06/07 Partnership Village I and II*

Project Information:

The two properties are located at 131 – 133 Greenbriar Road and 139 Greenbriar Road respectively in Greensboro, NC. They are currently managed by Harris Brown Management.

Partnership Village I was constructed with \$289,000 in local funds combined with \$1,211,000 in private funding as well as North Carolina Affordable Housing Tax Credits.

Partnership Village II was constructed with \$150,000 in local funding along with \$1,764,760 in North Carolina Affordable Housing Tax Credits and private sources.

Both are two year Transitional Housing properties 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 any city loan agreement requirements. Affordability was to be for 18 years.

Partnership Village I consists of 32 units (Studio) at 131 – 133 Greenbriar Road. Partnership Village II consists of 24 units (3 BR) at 139 Greenbriar Road.

Affordability Compliance:

Partnership Village I agreement requirement of the maximum gross rent being affordable to families with income (adjusted) at or less than 45% Median income adjusted for family size (studio units) has been met with tenant rents of all at or below \$385/month (plus utilities \$76/m). 2 units showed incomes over 45% at recertification which is allowable.

- * HCD staff inspected five tenant files and one, 133-P, did not appear on the RCRS.

Partnership Village II has an agreement for affordability and maximum income of 12 of the units at 30% of the income of a household whose gross income does not exceed 50% of adjusted Median Income (H); The other 12 units at 30% of the income of a household whose gross income does not exceed 35% of adjusted Median Income (L). Rent is \$355/month (plus utilities of \$96/m) which meets this requirement.

- * One unit, 137-D, appears to be over 50% on the RCRS with income of \$36,258 but the tenant file for that same unit shows a lower income of \$26,258. The RCRS and HCD inspection of the tenant file should either match or be relatively close. This does not mean that the unit is "out of compliance" it is simply an observation/comment.

It should be noted that Greensboro Urban Ministry provides \$100/m in rental assistance to PVI tenants and \$128-\$153/m to PVII tenants.

Tenants listed on the Harris Brown reports meet NCHFA/LIHTC income requirements for both Partnership I and II.

Incomes of residents are certified annually per the RCRS and HCD review of tenant files.

Greenbriar Housing/Harris Brown has a fair marketing plan that meets the City Affirmative Marketing Requirements. The Tenant Selection Policy is clear and understandable.

Contractual affordability and income requirements are satisfactory.

Financial Review:

No serious financial concerns for either PVI or PVII. A payment of \$320 is due on Partnership Village II per Internal Audit.

Condition:

As of the date of this report the physical inspection of the properties was not available. Once available please forward any repairs associated with the inspection report to Internal Audit.

Occupancy:

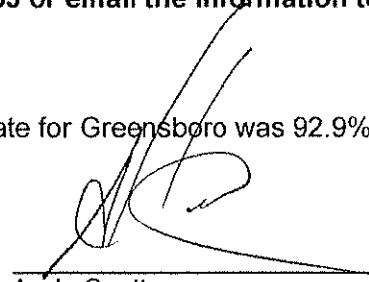
HCD has not received the cumulative occupancy from January 2006 to November 2006 for either Partnership Village I or II. The November PVI occupancy is reported to be 97% and the November PVII occupancy was 100%.

- * **Please fax a copy of the cumulative occupancy from January 2006 for both properties to Michael Blair at 373.2153 or email the information to michael.blair@greensboro-nc.gov**

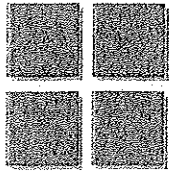
The October 2006 Carolina Real Data occupancy rate for Greensboro was 92.9%.



Michael Blair
Specialist Grants Compliance




Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

 **Date:** January 8, 2007
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: FY06/07 HCD Review of Partnership Village II Audit Report

HCD has reviewed the Draft December 4, 2006 Internal Audit report on Partnership Village II. The audit is for 2004-2005. HCD submits the following:

IA Finding 1:

The External Audit and Management Letter for fiscal year ended December 31, 2005 were due to the City within 90 days of the fiscal year end or by March 30, 2006. We did not receive these documents until November 28, 2006.

IA Recommendation 1:

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

HCD Reply to Finding and 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.

IA Finding 2:

A principal payment toward the City Loan for year ended December 31, 2005 is currently due at this time in the amount of \$320.

IA Recommendation 2:

The entity should pay the City of Greensboro a principal payment of \$320 as per paragraph 2.1 of the loan agreement.

HCD Reply to Finding and Recommendation 2: Concur.

Summary: HCD generally concurs with the Internal Audit report.



Date: January 8, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Partnership Village II 2004-2005

Thank you for your reply of January 8, 2007. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated December 18, 2006 that the financials per the contract were due within 180 days, however, the contract should have read within 90 days. The City received the required payment of \$320 from the borrower on December 20, 2006.

Handwritten signature of Mickey Kerans in black ink.

Mickey Kerans
Internal Auditor

Handwritten signature of Len Lucas in black ink.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

Fax to

R-2/16/07

Mickey Kerans-336-373-2138

Part. VIIA II

City of Greensboro

Mickey,

Your previous correspondence did not request a response from Greenbriar Housing or Partnership Homes so I did not prepare a response. I'm sorry for the oversight.

The audits of Greenbriar Housing LLC and Greenbriar Housing II, LLC are completed each year in February. We will see that a copy is supplied to Internal Audit as soon as possible or a receipt of the report from McElhenny. You certainly should have the reports (audit & management) before the end of March.

Not a m.B. 2/13/07 I was under the impression that you had received the emergency information from Harris Brown Management. Please advise if that is not the case.

I note that the City of Greensboro payment of \$ 320 was received in December

Kindest Regards,
Bob Kellen
Bob Kellen

Partnership Homes, Inc, Manager (Greenbriar Housing, LLC)
(Greenbriar Housing II, LLC)

City of Greensboro
North Carolina

February 27, 2007

Mr. Robert G. Kelley
President
Habitat for Humanity of Greater Greensboro
P. O. Box 3402
Greensboro, NC 27402

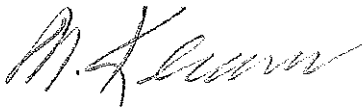
Re: Partnership Village I & II-2004 to 2005

Dear Mr. Kelley:

We are in receipt of your hand written letter received February 16, 2007 reference the City's Internal Audit report letters dated December 18, 2006 for the 2004 to 2005 Year.

We have reviewed your letter and we agree with your responses except that Michael Blair in the Department of Housing & Community Development did not receive the occupancy information he requested from Harris Brown Management on Partnership Village I & II.

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