



**Date:** February 9, 2007  
**To:** Mitchell Johnson, City Manager  
**From:** Internal Audit Division  
**Subject:** Windhill I Development, L.L.C.

The Internal Audit Division has completed our annual review of the Windhill I Development in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2004-2005 fiscal 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:** December 27, 2006

**To:** Andy Scott, Director of Housing & Community Development

**From:** Internal Audit Division

**Subject:** Windhill I Development, L. L. C. 2004-2005

The Internal Audit Division has performed our compliance review of the year ended December 31, 2005 of Windhill I Development, L. L. C., which received a loan from the City of Greensboro in the amount of \$379,877. This loan helped support the construction of 60 apartment units for families in the Greensboro area. These units located at 201 Windhill Court are called Windhill Apartments and are managed by Affordable Housing Management, Incorporated.

This loan repayment to the City is based upon the cash flows of the property, is non-interest bearing and is due each May in an amount not to exceed \$1,000. A payment due for year ended December 31, 2005 in the amount of \$1,000 was received by the City in May, 2006. The current balance after the payment and at November 28, 2006 owed on the loan is \$377,877.

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. These issues were given to the Property Director after the 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 findings described below:

**FINDING:**

The external audit and Management Letter of the Partnership was due to the City on March 30, 2006 for fiscal year ended December 31, 2005 per the agreement was not received until May 4, 2006.

**RECOMMENDATION:**

As per the loan agreement with the City, the external audit and Management Letter are due to the City within 90 days of the fiscal year end.

**FINDING:**

The Partnership's working capital at year end December 31, 2005 was a negative (\$17,525); and their current ratio was less than one at .771.

**RECOMMENDATION:**

Management should advise the City how it plans to improve its working capital and current ratio.

We request a written signed response from Affordable Housing Management Incorporated and the Department of Housing & Community Development by January 10, 2007.

We would like to thank Ms. Kimberly Miller, Property Manager and Ms. Millie Mullins, Regional Manager of Affordable Housing Management 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.

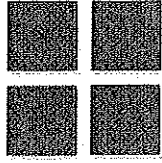


Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

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



# HCD

Department of Housing & Community Development

**Date:** December 21, 2006  
**To:** David Levy, Affordable Housing Management  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY06/07 Windhill I Programmatic Evaluation*

### **Project Information:**

The Windhill Apartments property is located at 210 Windhill Court in Greensboro, NC. It is managed by Affordable Housing Management, Inc.

The December 2000 construction agreement created 60 units with a HOME Program affordability period of 20 Years. Rents would not exceed 30% of the adjusted income of a 3 person household for two bedroom units and a 4.5 person household for 3 bedroom units, whose gross income is 50% of Area Median Family Adjusted Income. Ten units are reserved for GHA residents displaced by the HOPE VI project or other eligible residents.

Financing for the project was as follows:

City of Greensboro HOME Program -	\$379,877
Bank of America Const. Loan -	\$837,586
CAHEC -	\$2,620,768
Greensboro Housing Authority -	\$500,000
<hr/>	
Total -	\$4,338,249

### **HOME Program Compliance:**

Low and High HOME units may be dispersed throughout the buildings.

Low HOME Two Bedroom	\$635
High HOME Two Bedroom	\$678
Low HOME Three Bedroom	\$733
High HOME Three Bedroom	\$859

In calculating HOME Program compliance HCD (the Participating Jurisdiction) has determined that the utility allowance provided by Duke Energy will serve as the utility cost per unit.

Unit housing costs are as follows:

60 TOTAL Units	Tenant Rent	Utilities	Total (Rent + Util.)
40 2/BR Units	\$502	\$82	\$584
5 2/BR GHA Units	\$368	\$82	\$450
10 3/BR Units	\$555	\$98	\$653
5 3/BR GHA Units	\$368	\$98	\$466

Rental affordability has been met with 100% of the units meeting Low HOME requirements.

Nine (9) units and tenant files were inspected by city staff. The files were easy to review and well organized. Two (2) units have tenants who have exceeded 140% of the move-in maximum income (on recertification) per the NCHFA report. This is an observation not a "finding" or a statement on non-compliance for either the HOME Rules or the LIHTC rules. HCD is confident that incomes of residents are certified annually.

Section 8 tenants are accepted and occupy approximately 24 units.

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

The leases do not contain any of the HOME prohibited provisions. A waiting list is maintained with 12 applicants in 2006.

Contractual affordability and income requirements are satisfactory.

#### **Financial Review:**

The Internal Audit report dated 12.15.06 included comments on working capital and the current ratio. No payments are due to the city.

#### **Supportive Services:**

A VISTA volunteer was conducting supportive service activities at Windhill and Southwoods. However since leaving in August 2006 no events/services were reported to have been provided at Windhill.

\* HCD requests from AHM what supportive services they plan to offer at Windhill.

**Condition:**

The overall curb appeal of the property is good. The landscaping looks excellent and the inspection notes single out the clean building siding. Some minor issues were noted. Please see the inspection notes dated 11.28.06 for details.

**Occupancy:**

From January 2006, through November 2006, Windhill has a reported occupancy rate of 97%, or a vacancy rate of 3%, which is excellent in the current market.

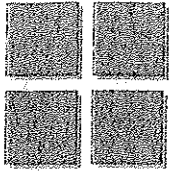
The October 2006 Carolina Real Data occupancy rate for all of Greensboro was 93% and the vacancy rate was 7%.



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 Windhill Audit Report

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HCD has reviewed the Draft December 15, 2006 Internal Audit report on Windhill Apartments/Affordable Housing Management (AHM). The audit is for 2004-2005. HCD submits the following:

### IA Finding 1:

The external audit and Management Letter of the Partnership was due to the City on March 30, 2006 for fiscal year ended December 31, 2005 per the agreement was not received until May 4, 2006.

### IA Recommendation 1:

As per the loan agreement with the City, the external audit and Management Letter are due to the City within 90 days of the fiscal year end.

#### HCD Reply to Finding and Recommendation 1: Concur.

Note: The December 2000 agreement is set at 120 days from fiscal-year-end not 90 days. This would have made it due April 30, 2006 which is still prior to May 4, 2006.

### IA Finding 2:

The Partnership's working capital at year end December 31, 2005 was a negative (\$17,525); and their current ratio was less than one at .771.

### IA Recommendation 2:

Management should advise the City how it plans to improve its working capital and current ratio.

#### 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-Windhill I Audit 2004-2005

Thank you for your reply of January 8, 2007. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated December 27, 2006:

A handwritten signature in cursive script, appearing to read 'M. Kerans'.

Mickey Kerans  
Internal Auditor

A handwritten signature in cursive script, 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 E-mail: [dosborne@ahmi.org](mailto:dosborne@ahmi.org)

January 16, 2007

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

Re: Windhill Development  
12-31-05 Audit

Dear Mr. Kerans,

In response to your letter of 12/27/06 I offer the following information:

Finding 1) The audit and management letter were not received until  
May 4<sup>th</sup>, 2006.

We have addressed this issue with our auditors and will make every attempt  
to submit this on time in the future. We must get final approval from the  
partnership/syndicator and we have incurred some delays from this in the past.

Finding 2) The working capital at year end was less than 1.

The year ending 12/31/05 was a very good year for Windhill. Our working capital  
increased from .51 at 12/31/04 to .771. We believe this trend will continue.

If you have any further questions, please do not hesitate to contact me.

Sincerely,

Debora Osborne  
Finance Director

City of Greensboro  
North Carolina

January 29, 2007

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

Re: Windhill I Apartments-2004 to 2005

Dear Debora:

We are in receipt of your letter dated January 16, 2007 reference the City's Internal Audit report letter dated January 27, 2006 for the 2004 to 2005 Year. Thank you for your prompt and concise response. 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