



Date: April 3, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Seager Place Limited Partnership

The Internal Audit Division has completed our annual review of The Seager Place Limited Partnership 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: October 30, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Seager Place Limited Partnership 2004-2005

The Internal Audit Division has performed our initial compliance review of the year ended December 31, 2005 of Seager Place Limited Partnership, which consists of 42 units for low-income individuals located at 1402 Fleming Road.

This Limited Partnership received a loan in June, 2003 for \$390,000 from the City of Greensboro to help in the initial building of the apartment units. This is a ½ of 1% interest bearing loan with final payment due December 1, 2034. As per Note D of the Seager Place audited financials for year ended December 31, 2005, the partnership owes the City a mortgage payment in the amount of \$9,650. These units are called Seager Place Apartments and are managed by Beacon Management Corporation.

We accompanied Mr. Doug Booth, Housing Construction Manager of Housing & Community Development, as he inspected approximately 15 percent of the units and some minor repairs were noted. Overall the units inspected appear to be well maintained.

We examined selected financial transactions and program documentation 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 Rent up reserve had a balance at December 31, 2004 of \$15,000. When occupancy reached 100%, then the Partnership could transfer the amount to the Operating Reserve which the Partnership did. However, only \$5,002 was transferred to the Operating Reserve. We do not see where the remaining \$9,998 (\$15,000-\$5,002) was allocated.

RECOMMENDATION:

The Partnership should provide documentation as to where the \$9,998 was allocated. Also, any withdrawals more than \$2,000 should have been approved by the Department of Housing & Community Development.

FINDING:

As per paragraph 2.1 and sub-paragraph 3. (page 4) of the agreement in reference to mortgage payments to the City, it states that cash flow should be "divide by 50%." All parties to the agreement agree that the wordage should read "multiply by 50%."

RECOMMENDATION:

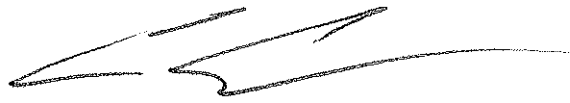
The department of Housing and Community Development should draw up an amendment to the original agreement to change "divide" to "multiply" and have all parties to the agreement execute it.

We request a written and signed response from the Department of Housing & Community Development and Beacon Management Corporation by November 13, 2006.

We would like to thank Ms. Donna White On-Site Property Manager; Mr. Tony Jones, Regional Manager and the staff of Beacon Management Corporation 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.

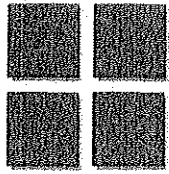


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
George Carr, President of Beacon Management Corporation



HCD

Department of Housing & Community Development

Date: October 30, 2006
To: George Carr, Beacon Management
From: Michael Blair, City of Greensboro HCD
RE: *FY06/07 Seager Place Programmatic Evaluation*

Project Information:

The Seager Place Apartment property is located at 1400-1408 Fleming Road in Greensboro, NC. It is managed by Beacon Management, Inc.

The June 2003 construction agreement included allocations of \$385,000 in Federal HOME dollars, \$5,000 of Local Nussbaum dollars, and \$269,329 in housing tax credits with a total development cost of \$3,601,708.

42 units were created for Elderly residents with 20 one-bedroom and 5 two-bedroom floating HOME Units. The HOME Program affordability period is 20 Years. 4 one-bedroom units and 1 two-bedroom unit will be at Low HOME rents (Or LIHTC) which are affordable to tenants with 50% of adjusted local median income. 16 one-bedroom units and 4 two-bedroom units will be at High HOME rents (Or LIHTC) which are affordable to tenants with 60% of adjusted local median income.

HOME Program Compliance:

There are five basic goals of maintaining HOME Program compliance:

1. Ensure continuing affordability.
2. Determine that units are occupied by qualified families.
3. Enforce property standards.
4. Assess the effectiveness of affirmative marketing plans.
5. Ensure lease terms are allowable under the HOME rule.

There are 23 units that fall below the "Low HOME rent (Tenant Rent plus Utilities & Subsidy's)" of \$528/month for a 1 bedroom unit. They are all at \$474/m (Rent plus Utilities) or \$476/m. It also appears, from the NCHFA Rental Compliance Reporting System (RCRS) report from 08.03.2006, that there are 6 two-bedroom units that fall below \$635/month. The property also meets the HOME Program 90% Rule.

HOME Rents:	Required	Actual
LOW HOME 1/BR \$528/m	4	23
LOW HOME 2/BR \$635/m	1	6
HIGH HOME 1/BR \$608/m	16	N/A
HIGH HOME 2/BR \$678/m	4	N/A

Incomes of residents are certified annually according to the NCFHA report dated from 01.01.06. 6 units and tenant files were inspected by HCD staff. The files were all well maintained and contained income and lease information. They also matched the rent roll report.

Section 8 tenants are accepted and occupy 24 units.

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

Beacon Management maintains an updated waiting list with 11 new applicants in 2006.

The leases do not contain any of the HOME prohibited provisions and leases are greater than or equal to 12 months in length and not on a transient basis.

Contractual affordability and income requirements are satisfactory.

Supportive Services Review:

The NCFHA reviewed the supportive services Seager Place on 11.25.05 and gave them an "Excellent" overall rating. Activities included were bingo every Thursday and Friday, Bible study, breakfast socials, covered dish dinners, monthly birthday recognition and dinners, ice cream socials, speakers, Thanksgiving dinner, Christmas dinner, cookouts, lunch specials and healthcare speakers.

Financial Review:

A loan payment of \$9,650 for FY2005 is due to HCD. Please refer to the Internal Audit report for details.

Condition:

Seager Place is a pleasant living environment and in very good condition. There were some minor installation issues including a roughed in emergency/tenant safety system that has not been finished. Please refer to the inspection report dated 08.03.06 for details and forward any repairs to the City of Greensboro Internal Audit department.

Occupancy:

The occupancy rate during the site visit was 95% which is excellent compared to the April/2006 NW Sub-market occupancy rate of 92%.

It is understood that the occupancy at Seager Place is typically high however HCD staff does not have the long term monthly occupancy/vacancy numbers for Seager Place, from January 01, 2006, and requests that Beacon Management forward that information as soon as possible.

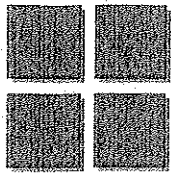
The April 2006 Real Data-Apartment Index vacancy rate for all of Greensboro was 10.02%.



Michael Blair
Specialist Grant Compliance



Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: November 3, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Seager Place Audit Report

After review of the October 30, 2006 Internal Audit report of Seager Place Limited Partnership/Beacon Management, for 2004-2005, HCD submits the following:

IA FINDING 1:

The Rent up reserve had a balance at December 31, 2004 of \$15,000. When occupancy reached 100%, then the Partnership could transfer the amount to the Operating Reserve which the Partnership did. However, only \$5,002 was transferred to the Operating Reserve. We do not see where the remaining \$9,998 (\$15,000-\$5,002) was allocated.

IA RECOMMENDATION 1:

The Partnership should provide documentation as to where the \$9,998 was allocated. Also, any withdrawals more that \$2,000 should have been approved by the Department of Housing & Community Development.

HCD reply to Recommendation 1: HCD concurs that documentation is needed for the Rent-Up remainder of \$9,998. In regard to the 2nd sentence the transfer of remaining Rent-Up Reserve funds to the Operating Reserve account does not require HCD approval as it is already approved in the agreement.

IA FINDING 2:

As per paragraph 2.1 and sub-paragraph 3. (page 4) of the agreement in reference to mortgage payments to the City, it states that cash flow should be "divide by 50%." All parties to the agreement agree that the wordage should read "multiply by 50%."

IA RECOMMENDATION 2:

The department of Housing and Community Development should draw up an amendment to the original agreement to change "divide" to "multiply" and have all parties to the agreement execute it.

HCD reply to Recommendation 2: Concur.

On recommendations one (1) and two (2) HCD generally concurs with the Internal Audit report.



Date: November 6, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Seager Place Apartments 2004-2005

Thank you for your reply of November 3, 2006. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated October 30, 2006.

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

Mickey Kerans
Internal Auditor

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

City of Greensboro
North Carolina

October 23, 2006

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Mr. George E. Carr III
President
Beacon Management Corporation
408 Battleground Avenue
Greensboro, NC 27401

Re: Seager Place Apartments-2004 to 2005

Dear George:

In order to finalize and issue our report on Seager Place for this year, we need to have an understanding on how the City Mortgage Payment is calculated by Beacon Management. We asked Doug a specific question on his calculation via our e-mail dated October 3, 2006. (See copy attached). We received an e-mail from your office on the same day stating Beacon needed more time to investigate our inquiry. As of today, we have not received a response from you or Doug.

It is imperative that we receive your response.

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
Douglas Covington, Douglas Covington, CPA, PA

BEACON MANAGEMENT CORPORATION
408 BATTLEGROUND AVENUE
GREENSBORO, NORTH CAROLINA 27401

WWW.BEACON-NC.COM

OFFICE: (336) 545-9000
FAX: (336) 545-9004

October 27, 2006

Mickey Kerans, Internal Auditor
Len Lucas, Internal Audit Director
City of Greensboro
Internal Audit Department
P. O. Box 3136
Greensboro, NC 27402-3136

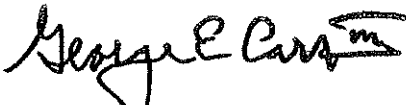
RE: Seager Place Apartments – 2004-2005
October 23, 2006 Letter

Dear Mickey:

We have had an opportunity to review the computation as to how the replacement reserve was funded. It appears that your computations are correct and we are in agreement.

We decided to over fund the replacement reserve because of a delayed rent-up which caused the monthly payment to begin later than we had hoped. We don't believe it is in the best interest of the property to take money out of the account to make a loan payment to the city. However, we realize this is not your decision and we will take this and other issues up with the city when we meet with them. As you know, this is proposal week and I will attempt to get together with Cindy Blue and Andy Scott next week on this matter.

Cordially,



George E. Carr III

cc: GEC file
Seager Place file
Doug Covington
Andy Scott, Director of Housing & Community Development
Ben Brown, Assistant City Manager for Economic Development

MAILING ADDRESS:
P.O. Box 29229
GREENSBORO, NORTH CAROLINA 27429-9229

BEACON MANAGEMENT CORPORATION
408 BATTLEGROUND AVENUE
GREENSBORO, NORTH CAROLINA 27401

WWW.BEACON-NC.COM

OFFICE: (336) 545-9000
FAX: (336) 545-9004

November 14, 2006

Andy Scott, Director of Housing and Community Development
City of Greensboro
P. O. Box 3136
Greensboro, NC 27402

RE: Seager Place Limited Partnership 2004-2005
Internal Audit Division's October 30, 2006 Memo

Dear Andy:

We are in receipt of the Internal Audit Division's October 30, 2006 memorandum to you concerning a recent review of Seager Place Limited Partnership during the years 2004 – 2005. There were two findings and I would like to respond to each.

Finding #1 – Rent-up Reserves

Response: This matter was discussed previously with Mickey Kerans, Doug Covington and myself on September 19, 2006 at Beacon's office. Basically, the Rent-up Reserve Account was originally funded at \$15,000 late in the year of 2004. It was not funded prior to that time because the vast majority of our syndication payments had not been received and to fund the rent-up reserve account from our construction loan would have incurred interest charges unnecessarily.

In the interest of saving monies, rent-up payrolls and related costs were funded directly from Seager's rental account to the extent that they could be. Shortages in that account were avoided because the ownership entity made a series of loans or advances to the rental account. During the relevant period some \$28,490 was loaned to the rental account to cover excess rent-up expenses. As we discussed with Mickey Kerans on September 19th, we reimbursed the development account \$9,998 of loan repayments and the balance of \$5,002 was placed in the Long Term Operating Reserve Account. For your records we are enclosing herewith a record of the loans made to the rental account along with a listing of the rent-up related operating expenses incurred before 100% occupancy was achieved.

MAILING ADDRESS:
P.O. Box 29229
GREENSBORO, NORTH CAROLINA 27429-9229

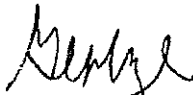
Andy Scott
November 14, 2006
Page Two

Finding #2 – Amendments to City Loan Agreement and related mortgage note

Response: We fully agree with your recommendation and we would love to work with the city officials in making corrections to these loan documents. The City's loan documents can be radically improved to achieve the correct intent of the parties. We look forward to working with you on these loan document changes.

Kindly let us know if you should have any further questions on this matter.

Cordially,



George E. Carr III

cc: GEO file
SP file
Mickey Kerans
Len Lucas
Tony Jones
Barbara George
Doug Covington



City of Greensboro
North Carolina

November 16, 2006

Mr. George E. Carr III
President
Beacon Management Corporation
408 Battleground Avenue
Greensboro, NC 27401

Re: Seager Place Limited Partnership Year-2004 to 2005

Dear Mr. Carr:

We are in receipt of your letter dated November 15, 2006 reference the City's Internal Audit report letter dated October 30, 2006 for the 2004 to 2005 Year. Your timely and concise response to our report is appreciated. We have reviewed your letter and our response is as follows:

Finding # 1-Rent-up-Reserve:

You stated that the \$9,998 was used to reimburse loans made to the Operating Account. The loan agreement also states "...the Rent up Reserve funds can only be used for operating expenses." You did this but indirectly through the loans and not directly through the operating account. Please try to follow the loan agreement as much as possible.

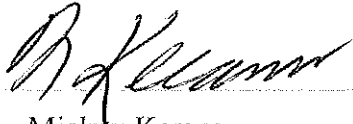
Finding # 2-Amendments to City Loan Agreement and related mortgage note:

We agree with you that the loan agreement needs to be amended. Please keep us advised when the amendment is executed.

City Mortgage payment of \$9,650 due:

We agree that the payment is due the City per your letter to us dated October 27, 2006. You stated you were going to talk to Andy Scott and Cyndi Blue concerning this payment. As of this letter we have not been advised that the payment is not due. Therefore, please send us your payment.

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

Kerans, Mickey

From: Kerans, Mickey
Sent: Wednesday, December 20, 2006 11:50 AM
To: Troxler, Vera
Cc: Lucas, Len
Subject: RE: Multi-family Checks

Vera:

I believe the \$9,650 check went to Andy Scott first. You might alert him the check should come to you first rather than sent to Collections. The loan agreement for Seager doesn't say how the payments are to be applied. However, on a copy of Seager (loan# 550370) voucher they posted \$1,950 to interest and \$7,700.00 to principal.

On the check for Partnership Village II (loan# 524049) for \$320 the loan agreement likewise doesn't state how the payment should be applied. However, I think it should be applied first to interest. Let me know if you disagree.

Mickey Kerans
City of Greensboro
P. O. Box 3136
Greensboro, NC 27401
Ph: 336-373-2821
Fx: 336-373-2138

-----Original Message-----

From: Troxler, Vera
Sent: Wednesday, December 20, 2006 11:25 AM
To: Kerans, Mickey
Subject: Multi-family Checks

Mickey, since I am new at this can you give me a little more information on how to apply these checks. I received one for Seager Place, for \$9,650. It was posted in unapplied funds from Collections. I need to move it out of unapplied to reflect payment received against the loan. The other one was received today for \$320 for Partnership Village II. Since there is no monthly payments required on these two loans am I to apply these payments against the principal balance of both loans.
Thanks!

*Vera H. Troxler
Financial Specialist
City of Greensboro - HCD
(336) 412-5725
Email: vera.troxler@greensboro-nc.gov*

BEACON MANAGEMENT CORPORATION
408 BATTLEGROUND AVENUE
GREENSBORO, NORTH CAROLINA 27401

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OFFICE: (336) 545-9000
FAX: (336) 545-9004

November 28, 2006

Andy Scott, Director
Housing & Community Development
City of Greensboro
P. O. Box 3136
Greensboro, NC 27402-3136

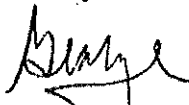
RE: Seager Place Limited Partnership
Greensboro, NC
City Loan Payment

Dear Andy:

I believe at long last that we have reconciled the 2005 operating results for Seager Place. Accordingly, I am enclosing a \$9,650 payment on the city/county loans. Andy, I would strongly recommend that we meet soon so that we can finally make the necessary corrections to the city's note payable.

If you should have any questions on this loan payment, please do not hesitate to call me (282-6000) or Doug Covington (272-5618).

Cordially,



George E. Carr III

cc: GEC file
SP file
Mickey Kearns
Tony Jones
Barbara George

MAILING ADDRESS:
P.O. Box 29229
GREENSBORO, NORTH CAROLINA 27429-9229

Seagar Place

Check Date: November 27, 2006

Check No. 1766

Ref #	Allocation	Amt.	Description	Inv. Date	Inv. #	Inv. Amt.
2132	ACC INTEREST-SECOND MORTGAGE	\$1,950.00				
2312	CITY LOAN PAYABLE-GREENSBORO	\$7,700.00	CITY MORTGAGE PAYMENT	11/16/2006	11162006	\$9,650.00
Check Total						\$9,650.00

Check #: 1766 Account #: 1120 Vendor ID#: CITY01 Purpose: CITY MORTGAGE PAYMENT Tax ID: No Tax ID

ORIGINAL DOCUMENT PRINTED ON CHEMICAL REACTIVE PAPER WITH MICROPRINTED BORDER

Seagar Place

Rental Agency Trust Account
1404 Fleming Road
Greensboro, NC 27410
336-294-1111

Date
November 27, 2006

Check No.
1766

66-112/531

BB&T
GREENSBORO, NC 27408

PAY

****\$9,650.00

***Nine Thousand Six Hundred Fifty Dollars
and 00 Cents *****

TO THE ORDER OF
CITY OF GREENSBORO
P. O. BOX 1170
GREENSBORO, NC 27402-1170

VOID AFTER 60 DAYS

George E. Carr

THIS DOCUMENT CONTAINS HEAT SENSITIVE INK. TOUCH OR PRESS HERE. RED IMAGE DISAPPEARS WITH HEAT.
⑈001766⑈ ⑆053101121⑆ 5290403288⑈

SECURED
SECURE
SECURED
SECURE

Kerans, Mickey

From: Sara Jones [sjones@beacon-nc.com]
Sent: Tuesday, November 28, 2006 9:37 AM
To: Kerans, Mickey
Cc: Doug Covington
Subject: Seager Place, Greensboro, NC



DOC112806.pdf
(120 KB)

Mickey:

FYI

Sara Jones
Assistant to George E. Carr III
Beacon Management Corporation
408 Battleground Avenue
Greensboro, NC 27401-2104
(336) 545-9000, ext. 10
(336) 545-9004 (fax)
sjones@beacon-nc.com (email)

-----Original Message-----

From: Beacon Management Corporation [mailto:sjones@beacon-nc.com]
Sent: Tuesday, November 28, 2006 9:30 AM
To: Sara Jones
Subject: Scanned from toshiba452 11/28/2006 10:30

Scanned from toshiba452.
Date: 11/28/2006 10:30
Pages:2
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