



**Date:** April 23, 2007  
**To:** Andy Scott, Director of Housing & Community Development  
Susan Crotts, Contracts Manager & Reports Specialist  
**From:** Internal Audit Division  
**Subject:** Risk Assessments for Request for Proposals

In our review of the proposals received for funding requests for City of Greensboro Funding, there have been questions that have arisen as to our rankings of High, Medium and Low Risks for outside agencies. These recommendations are totally subjective and based upon our professional opinion based on the financial statements we receive from the external auditors of the outside agencies.

We are not saying that any agency does a poor job in carrying out their programs or providing services to their clients. We are recommending that based on the financial statements that we receive improvements may be warranted in their financial position.

For instance, working capital is the ability to pay current liabilities from current assets in a timely manner. Net Assets is the total of all assets less all liabilities (current and long term). If either one of these, working capital and/or net assets is negative or very low, this could potentially be a problem for the agency or business to continue in operation.

Hypothetically, if an agency's budget for one year of operations is \$75,000 and their net assets are \$100,000, they only have a \$25,000 cushion to allow for any unforeseen circumstances and contingencies. So in essence, if a contingency incurs \$30,000 in funds, the agency would be \$5,000 short in carrying out their program and services for the year. This in our opinion is an example of a high risk.

In our recommendations to you, The Community Resource Board and City Council our recommendations are based on our professional judgment, which we totally understand may be different from other individuals.

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