



Date: January 3, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Autumn Drive & Camel Street Properties

The Internal Audit Division has completed our annual review of the Autumn Drive & Camel Street Properties 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: November 6, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Autumn Drive and Camel Street Apartments 2004-2006

The Internal Audit Division has performed our compliance review of the year ended June 30, 2006 of Autumn Drive and Camel Street Apartments. These apartments are owned by the City of Greensboro.

These apartments are located at 1601, 1603 and 1605 Autumn Drive; and 315 West Camel Street which have 12 and 20 units respectively available for low-income families and individuals. These units are managed by Affordable Housing Management, Incorporated (AHMI).

We accompanied Mr. Jim Teele, of Housing & Community Development, as he inspected approximately 15 percent of the units and some repairs were noted for the property. These issues have been forwarded to the Property Director to address before they escalate into costly problems.

We examined selected financial transactions and program documentation maintained by the agency for compliance with the management agreement. Based on our review, it appears that the funds have been spent according to the terms of the management agreement except for the findings described below:

FINDING:

- a. The working capital for fiscal year ended June 30, 2006 decreased by (\$13,266) to (\$10,079).
- b. The current ratio for fiscal year ended June 30, 2006 decreased to .334 to 1 from 1.499 to 1 in 2005.
- c. The net loss for fiscal year ended June 30, 2006 was (\$11,104) compared to a net income of \$16,492 for 2005. The loss for 2006 was caused mainly by increases in Maintenance & Repairs, Bad Debts, Concessions and Miscellaneous Expenses which totaled in aggregate to approximately \$22,000.
- d. Vacancy at fiscal year ended June 30, 2006 was 12.8% but only 3.92% for 2005.

RECOMMENDATION:

Management should notify the City on its plans to improve this financial position.

We request a written signed response from the AHMI and the department of Housing & Community Development by November 20, 2006.

We would like to thank Ms. Millie Mullins, Regional Manager; 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.

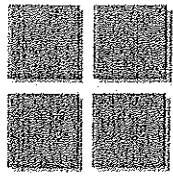


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

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



HCD

Department of Housing & Community Development

Date: November 2, 2006
To: David Levy, Affordable Housing Management, Inc.
From: Michael Blair, City of Greensboro HCD
RE: *FY06/07 Autumn/ Camel Apartments Programmatic Evaluation*

Project Information:

The Autumn Drive and Camel Street Apartments are located at 315 West Camel Street and 1601, 1603 and 1605 Autumn Drive in Greensboro, NC. The properties are owned by the City of Greensboro and have been managed by Affordable Housing Management, Inc since 2000.

The property was acquired and rehabilitated in the late 1980's with \$1,708,568 in local bond funds. No HOME Program funds were expended on this property however they will serve as HOME replacement units for another project from 2007 through 2010.

The properties consist of 20 two-bedroom units at Camel Street and 12 two-bedroom units at Autumn Drive and would be made available to households with incomes at or below 60% of the adjusted area Median Income.

Contract Compliance:

Tenant rents of all units are at \$325/month. The utility allowance (the amount that the tenant should expect to pay monthly) is \$62-\$66 at Autumn Drive and \$69 at Camel Street.

Total housing costs are \$387 & \$391 at Autumn Drive and \$394 at Camel Street. This means that Autumn/Camel tenant rents meet the Low HOME (50%) limit of \$627/month (Rent plus tenant paid utilities).

Incomes of residents are being certified annually which is an improvement from 2004. No tenants exceed 80% of median area income.

An updated waiting list is maintained for both properties.

The file for unit 315-B contained a current lease which was signed by AHM but not by the tenant. A 1999 lease was signed by both parties. HCD seeks to have all tenant files complete which includes signed leases.

Several examined files had income certification forms (Part VIII) marked as "Tax Credit". This is not correct as there have been no LIHTC funds expended on this property.

An Affordable Marketing Plan is displayed at the offices of AHM. AHM has a fair marketing plan that meets the City Affirmative Marketing Requirements. In August of 2006 AHM staff participated in Fair Housing training provided by the City Fair Housing Specialist.

The Tenant Selection Policy is clear and understandable.

Contractual affordability is satisfactory.

Financial Review:

City Internal Audit staff noted that the audited statements for year ending 06.30.2005 showed a decrease in working capital as well as a decrease in the current ratio from the previous fiscal year. The FY2005 losses seem to have originated from repairs, bad debts, concessions and other miscellaneous expenses.

It is suggested that management review the financial situation to see what solutions may exist.

Condition:

An inspection by HCD staff found the properties to be in good overall condition. There were some minor issues on the report that should be addressed. Please report any repairs to Internal Audit.

Occupancy January 2006 to September 2006:

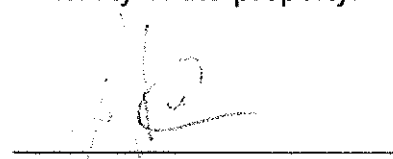
Autumn Drive	86%
Camel Street	98%
Combined Occupancy	94%

The agreement calls for a combined occupancy of 93% which is met. Currently Autumn Drive is at 91% occupancy and Camel Street is at 100%.

The April 2006 Carolina Real Data occupancy rate for the entire Greensboro/Winston Salem MSA was 89.9% and 89.6% in the general vicinity of the property.



Michael Blair
Specialist Grants Compliance



Andy Scott
Director HCD



AFFORDABLE HOUSING
MANAGEMENT, INC

Writer's Extension: 123

Writer's E-mail: dosborne@ahmi.org

November 18, 2006

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

Re: Autumn Drive & Camel Street Apartments

Dear Mr. Kerans,

In response to your letter of November 6 Th, I offer the following information:

Finding:

- a/b) Negative working capital/current ratio: During the fiscal year ending 6/30/06 this property experienced higher than normal turnover. This was due to site staff turnover. Vacancy for 2005 was \$4,838; vacancy for 2006 was \$15,944. This combined with the costs of turning the units, painting and cleaning, resulted in loss for these properties. At June 30, 2006 \$8,937 of the accounts payable was due Affordable Housing Management for payroll and management fees. We have seen vast improvement in occupancy and collections since we have made staffing changes at Camel Street. If this continues we believe the working capital will be in a positive position by 6/30/07.
- c) Net Loss of \$11,104: As noted above the vacancies increased \$11,106 during 6/30/06. Repairs and maintenance increased \$9,957 due to the cost involved with preparing the units the next resident.
- d) Vacancy at 6/30/06 12.8%. At September 30, 2006 our vacancy rate had dropped 4.4% to 8.4%. We anticipate this trend to continue. Last February we promoted one of our staff to the regional manager position. This employee had tremendous success in leasing. Since she has assumed responsibility we have seen vast improvement in occupancy of this property.

If you have any further questions, please don't hesitate to contact me.

Sincerely,

Debora Osborne
Finance Director



City of Greensboro
North Carolina

November 21, 2006

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

Re: Autumn Drive & Camel Street Apartments-2004 to 2005

Dear Debora:

We are in receipt of your letter dated November 18, 2006. This was in response to Internal Audit's review of Autumn Drive & Camel Street Apartments reference our letter dated November 6, 2006. We are in agreement with your comments and recommendations to improve the financial position of Autumn Drive and Camel Street Apartments. We also commend you on the improvements you have made this year and wish you continued success.

Sincerely,

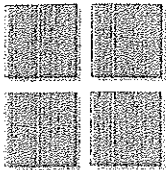


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



HCD

Department of Housing & Community Development

MEMO

HL

Date: November 29, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: 2006 HCD Review of Autumn Drive/Camel Street Audit Report

After review of the Draft October 17, 2006 Internal Audit report on Autumn Drive/Camel Street Apartments/Affordable Housing Management (AHM), for 2004-2006, HCD submits the following:

IA FINDINGS:

- a. The working capital for fiscal year ended June 30, 2006 decreased by (\$13,266) to (\$10,079).
- b. The current ratio for fiscal year ended June 30, 2006 decreased to .334 to 1 from 1.499 to 1 in 2005.
- c. The net loss for fiscal year ended June 30, 2006 was (\$11,104) compared to a net income of \$16,492 for 2005. The loss for 2006 was caused mainly by increases in Maintenance & Repairs, Bad Debts, Concessions and Miscellaneous Expenses which totaled in aggregate to approximately \$22,000.
- d. Vacancy at fiscal year ended June 30, 2006 was 12.8% but only 3.92% for 2005.

IA RECOMMENDATION 1:

Management should notify the City on its plans to improve this financial position.

- **HCD Reply to Recommendation 1:** HCD concurs with the IA recommendation. HCD wishes to clarify the occupancy at these units; Occupancy from January 2006 to September 2006 was 86% at Autumn Drive and 98% for Camel Street for a combined occupancy of 94%. The agreement calls for a combined occupancy of 93% which has been met.

Currently Autumn Drive is at 91% occupancy and Camel Street is at 100%.

Summary: HCD generally concurs with the IA report.



Date: November 30, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Autumn Drive and Camel Street Apartments 2004-2005

Thank you for your reply of November 29, 2006. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated November 6, 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