



Date: January 26, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Rankin School Place Limited Partnership

The Internal Audit Division has completed our annual review of the Rankin School 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: January 8, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Rankin School Place Limited Partnership 2004-2005

The Internal Audit Division has performed our initial compliance review of the year ended December 31, 2005 of Rankin School Place Limited Partnership, which consists of 56 units for low-income elderly individuals located at 1603 Spry Street.

This Limited Partnership received a loan in March, 2005 for \$378,010 from the City of Greensboro to help in the initial building of the apartment units. This is a ½ of 1% (0.5) interest bearing loan with final payment due December 9, 2034. Mortgage payments to the City based on Gross Receipts and expenses are not due to begin until May, 2015. These units are called Rankin School 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. These issues have been forwarded to the Regional Manager to address before they escalate into costly problems.

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, 2005 of \$15,000. As per the City Loan agreement the account should have been set up with an amount of \$28,000 at the time of the Certificate of Occupancy which was dated January 26, 2005.

RECOMMENDATION:

The Partnership should provide documentation as to why the Rent-Up reserve is under funded by \$13,000 at December 31, 2005. Also, as per the loan agreement any withdrawals more that \$2,000 should have been approved by the Department of Housing & Community Development.

FINDING:

The external audit of the Partnership per the contract should have been delivered to the City within 120 of their fiscal year end or by April 29, 2006. However, the City did not receive the audit until December, 7, 2006.

RECOMMENDATION:

Even though the loan agreement states the Partnership should supply the City their external audits within the 120 days the City is now requiring the external audit report be delivered with 90 days or March 30th of each year.

We request a written and signed response from the Department of Housing & Community Development and Beacon Management Corporation by January 22, 2007.

We would like to thank Ms. Hattie Gerringer, 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



Department of Housing & Community Development

Date: January 4, 2007
To: George Carr, Beacon Management
From: Michael Blair, City of Greensboro HCD
RE: *FY06/07 Rankin School Place Programmatic Evaluation*

Project Information:

The Rankin School Place Apartment property is located at 1603 Spry Street in Greensboro, NC. It is managed by Beacon Management, Inc. The March 2005 project created 48 one-bedroom, and 8 two-bedroom, units for Elderly residents with 22 one-bedroom and 4 two-bedroom floating HOME Units.

Local government financing for Rankin School Place was \$378,010 which included \$317,000 from the City of Greensboro HOME Program and \$61,010 from the Guilford County HOME Program. Additional funding was provided by a Carolina Bank Construction Loan CICNC and a Syndicator Capital Contribution.

The HOME Program affordability period is 20 Years. 5 one-bedroom units and 1 two-bedroom unit will be at Low HOME rents which are affordable to tenants with 50% of adjusted local median income. 17 one-bedroom units and 3 two-bedroom units will be at High HOME rents which are affordable to tenants with 65% of adjusted local median income.

HOME Program Compliance:

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

Low HOME	One Bedroom \$528 - \$43 (utilities) = \$485 (rent)
High HOME	One Bedroom \$608 - \$43 (utilities) = \$565 (rent)
Low HOME	Two Bedroom \$635 - \$70 (utilities) = \$565 (rent)
High HOME	Two Bedroom \$678 - \$70 (utilities) = \$608 (rent)

The HOME units are to be located as follows:

	HOME units	Actual HOME units
Building 1607:	5 one-bedroom units	5 Low HOME units
Building 1609:	5 one-bedroom units	5 Low HOME units
Building 1603:	3 one-bedroom units	3 Low HOME units
	1 two-bedroom unit	1 High HOME unit
Building 1605:	3 one-bedroom units	5 Low HOME units
	1 two-bedroom unit	2 Low HOME units
Building 1613:	3 one-bedroom units	4 Low HOME units
	1 two-bedroom unit	2 Low HOME units
Building 1615:	3 one-bedroom units	4 Low HOME units
	1 two-bedroom unit	1 High HOME unit

There are 26 units that fall below the Low HOME rent (Tenant Rent plus Utilities & Subsidy's) of \$528/m for a 1 bedroom unit. They are at \$433/m - \$470/m (\$43 Utilities) or \$476/m-\$523/m.

There are 4 units that fall below the Low HOME rent (Tenant Rent plus Utilities & Subsidy's) of \$635/m for a 2 bedroom unit. They are at \$498/m (\$70 Utilities) or \$568/m.

There is 1 unit that falls below the High HOME rent (Tenant Rent plus Utilities & Subsidy's) of \$678/m for a 2 bedroom unit. This is at \$575/m (\$70 Utilities) or \$645/m.

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 15 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.

The property meets HOME Program affordability requirements.

Contractual Affordability Compliance:

Contractual rents were to be \$433/m on the HOME 1-BR units. It appears that 15 units maintain that rent. However on a sample of 1-BR units with Section 8 vouchers the contract rent appears to have been increased to \$470/m. While the \$470/m units still meet Low HOME status this increase was not approved by HCD.

Contractual affordability and income requirements are satisfactory with the exception of the unapproved rent increase. This condition does not require mitigation however HCD will not accept any additional rent increases without prior approval from HCD staff.

Financial Review:

No significant financial issues were reported. Please refer to the Internal Audit report for specifics.

Condition:

Rankin School Place is a pleasant living environment and in generally good condition. Certain minor physical issues were identified. Please refer to the inspection report dated 12.07.06 for details and forward any repairs to the City of Greensboro Internal Audit department.


Occupancy:

The occupancy rate during the site visit was 100% which is excellent compared to the April/2006 NW Sub-market occupancy rate of 91.5%. Also from January 01, 2006 the cumulative occupancy has been 99% which is outstanding.

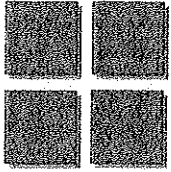
The October 2006 Carolina Real Data occupancy rate for all of Greensboro was 93% and the vacancy rate was 7%.



Michael Blair
Specialist Grant Compliance



Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: January 17, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Rankin School Place Audit Report

After review of the Draft December 20, 2006 Internal Audit report of Rankin School Place Limited Partnership, for 2004-2005, HCD submits the following comments. The HCD "Reply" is a response to the Internal Audit "Recommendation" and not the specifics of the "Finding" unless otherwise noted:

IA FINDING 1:

The Rent up reserve had a balance at December 31, 2005 of \$15,000. As per the City Loan agreement the account should have been set up with an amount of \$28,000 at the time of the Certificate of Occupancy which was dated January 26, 2005.

IA RECOMMENDATION 1:

The Partnership should provide documentation as to why the Rent-Up reserve is under funded by \$13,000 at December 31, 2005. Also, as per the loan agreement any withdrawals more that \$2,000 should have been approved by the Department of Housing & Community Development.

- HCD reply to Recommendation 1: *Concur.*

IA FINDING 2:

The external audit of the Partnership per the contract should have been delivered to the City within 120 of their fiscal year end or by April 29, 2006. However, the City did not receive the audit until December, 7, 2006.

IA RECOMMENDATION 2:

Even though the loan agreement states the Partnership should supply the City their external audits within the 120 days the City is now requiring the external audit report be delivered with 90 days or March 30th of each year.

- HCD reply to Recommendation 2: *No comment.*

Summary: HCD generally concurs with the Internal Audit report.



Date: January 18, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report- Rankin School Place 2004-2005

Thank you for your written reply of January 17, 2007. Internal Audit agrees with Housing & Community Development's responses to IA's subject report dated January 8, 2007.

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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

BEACON MANAGEMENT CORPORATION
408 BATTLEGROUND AVENUE (27401)
P.O. Box 29229
GREENSBORO, NORTH CAROLINA 27429-9229

WWW.BEACON-NC.COM

OFFICE: (336) 545-9000

FAX: (336) 545-9004

January 22, 2007

Mr. Mickey Kerans
Internal Audit Division
City of Greensboro
P. O. Box 3136
Greensboro, NC 27402-3136

Re: Rankin School Place LP 2004-2005

Dear Mr. Kerans:

Thank you for your letter of January 8, 2007. Following is our response to the findings.

Finding:

The Rent up reserve had a balance at December 31, 2005 of \$15,000. As per the City Loan agreement the account should have been set up with an amount of \$28,000 at the time of the Certificate of Occupancy which was dated January 26, 2005.

Response:

The Rent up reserve account was underfunded by some \$13,000 at year-end 2005 because rent up expenses in excess of \$13,000 had already occurred. In fact, \$10,878.59 in eligible rent up expenses had occurred before January 28, 2005 and some \$20,144.66 of eligible rent up expenses had occurred prior to the City loan closing in March 2005. Because all of these expenses were eligible withdrawals from the rent up reserve account, there was no need to pay in the total \$28,000 rent up reserve and thereafter immediately withdrawal the \$20,144.66 of eligible expense. With virtually all rent expenses having occurred before 12/31/05, the rent up account was overfunded at year end. Please find enclosed a list of the rent up related expenses that occurred during the months of January and February 2005.

Finding:

The external audit of the Partnership should have been delivered to the City within 120 days of their fiscal year end or by April 29, 2006. However, the City did not receive the audit until December 7, 2006.

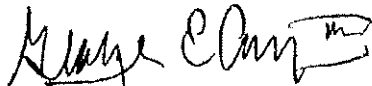
Mr. Mickey Kerans
January 22, 2007
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Response:

We are uncertain as to why you did not receive the external audit until December 7, 2006. The audit was completed on March 20, 2006. We will insure that in the future the City is mailed a copy of the audit at its completion.

If you have any questions regarding our response, please contact Tony Jones, Regional Asset Manager, at 545-5000 ext. 13.

Cordially,

A handwritten signature in black ink that reads "George E. Carr, III". The signature is written in a cursive style with a small box at the end of the name.

George E. Carr, III

cc: GEC file
RSP file
Doug Covington
Andy Scott
Len Lucas

City of Greensboro
North Carolina

January 23, 2007

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

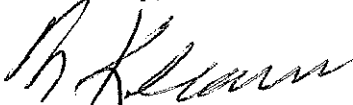
Re: Rankin Place Limited Partnership Year-2004 to 2005

Dear Mr. Carr:

We are in receipt of your letter dated January 22, 2007 reference the City's Internal Audit report letter dated January 8, 2007 for the 2004 to 2005 Year. Your timely and concise response to our report is appreciated. We have reviewed your letter and agree with your responses except for the following:

The Rent up Reserve as per the City loan agreement states a reserve of \$28,000 should be set up at the time of the Certificate of Occupancy dated January 26, 2005. Therefore, \$28,000 should have been put into the reserve on January 26, 2005 and any withdrawals after that date in excess of \$2,000 should have been approved by the Department of Housing and Community Development prior to the withdrawal. Please follow this procedure in the future.

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