



City of Greensboro

Date: September 30, 2004
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit
Subject: Berryman Square Limited Partnership 2002-2003

The Internal Audit Division has completed a program and compliance review of the current year's operations of the Berryman Square Limited Partnership, which received a loan in the amount of \$765,000 from the City of Greensboro to help in the rehabilitation of 44 apartments on 200-208 Berryman Street for low-income individuals or families. These units are called Berryman Square and are managed by Affordable Housing Management, Incorporated.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development as he inspected approximately 15% of the units and he noted a few repairs that were needed. Overall the property appears to be well maintained.

The City's loan bears interest at a rate of 2.50%. A portion of this interest, .50%, will be made in semi-annual payments of .25% on each December 31 and June 30. The remaining 2.00% will accrue. The repayment of the principal of \$765,000 will be based on 25% of the Net Operating Income less payments to the Reserve Accounts and Debt Service. The agency is meeting the .25 interest payment requirements. There has been no Net Operating Income that would require the 25% payment. The balance of the principal and accrued interest will be due in full January 1, 2010.

We examined selected financial transactions and program documentation maintained by the agency for compliance with the loan agreement. Based on our review, it appears that the funds have been used according to the terms of the loan agreement. We did note that the reserve account was not funded during the year per the terms of the contract. This appears to be due to the fact that repairs in excess of \$17,000 were completed at this property for sub flooring and tile; fencing around the property and signage to attract new tenants. This property has seven vacancies which translates to a 16% vacancy rate. Housing & Community Development Staff should continue to monitor this property.

We would like to thank Ms. Wanda Winchester, Property Site Manager; Ms. Debora Osborne, Finance Director and Ms. Carol Smith-Andrews, Director of Property Management for their courtesy and cooperation shown us during this compliance review. If there are any questions or comments concerning the details of this review, we can be reached at 373-2823.

Len Lucas
Internal Audit Director

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