



DATE: August 25, 2021

TO: Cyndi Blue, Interim Director of Neighborhood Development

FROM: Internal Audit Division

SUBJECT: Peacehaven Farm (Susan's View) - FY 2017-2018
(No Response Required)

The Internal Audit Division has performed a compliance review on October 21, 2019 of Peacehaven Farm. Incorporated ("Agency" or "Borrower") for the year ended December 31, 2018, which received a loan dated October 28, 2013 from the City of Greensboro ("City" or "Lender") in the amount of \$375,000. This loan was made to help finance the construction of six (6) studio apartment units and a caretakers unit. These units are known as Susan's View Housing and are located at 1458 NC Highway 61, Whitsett, North Carolina.

On March 28, 2012, the Lender entered into an Administrative Agreement with Guilford County which gave the Lender the authority to administer federal HOME Investment Partnership ("HOME") funds as directed by Guilford County. The Lender agreed to make a loan of \$375,000 of Guilford County HOME funds provided the Borrower complies with each term and provision of the loan agreement and with each term and provision of other loan documents incorporated by reference. Three (3) units would be designated as floating HOME assisted units.

The loan was given on a non-recourse basis for a term commencing on the closing date and terminating on September 1, 2034 and shall bear no interest. Any remaining balance shall be payable in full, if not sooner paid, upon maturity provided forgiveness of principal shall be made prior to maturity. On the first day of September 2015 and continuing on each September 1 thereafter, the loan shall be forgiven on a pro rata basis over a 20 year term as per the following schedule:

Forgiveness Date	Amount	Forgiveness Date	Amount
September 1, 2015	\$18,750	September 1, 2025	\$18,750
September 1, 2016	\$18,750	September 1, 2026	\$18,750
September 1, 2017	\$18,750	September 1, 2027	\$18,750
September 1, 2018	\$18,750	September 1, 2028	\$18,750
September 1, 2019	\$18,750	September 1, 2029	\$18,750
September 1, 2020	\$18,750	September 1, 2030	\$18,750
September 1, 2021	\$18,750	September 1, 2031	\$18,750
September 1, 2022	\$18,750	September 1, 2032	\$18,750
September 1, 2023	\$18,750	September 1, 2033	\$18,750
September 1, 2024	\$18,750	September 1, 2034	\$18,750

At December 31, 2018, the outstanding loan balance on the audited financial statements was \$300,000.

On January 28, 2020, Ms. Von Patrick, Neighborhood Outreach Specialist of the Planning Development inspected Susan's View. The interior and exterior building and the grounds were noted to be in excellent condition. A copy of the report was provided to property management.

Article I Section 1.14 of the loan agreement entitled "Reserve Accounts" states in regards to the Replacement Reserve Account: "The initial annual payments into said account shall be \$2,500.00, payable in equal monthly installments, prorated from date of establishment through December 31 of the year. The level of funding shall be increased annually in January by four (4%) over the level for the prior year."

A deposit of \$3,042 was made to establish the account on April 5, 2019. In reviewing the monthly bank statement, we noted there has been no further deposits made to the account to date. We would like to remind the Borrower that monthly deposits should be made in order to bring the balance to the level of funding in accordance with the loan agreement.

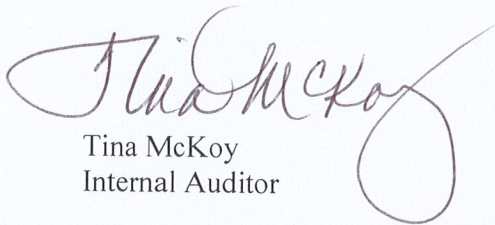
We examined selected program documentation maintained by the Borrower for compliance with the loan agreement. Based on our review, it appears that the terms of the loan agreement have been met with exception to the following:

FINDINGS:

1. In Exhibit E of the loan agreement entitled "City of Greensboro Policy for Awarding Funds and for Monitoring Agencies Receiving City Funds," it states: "...Preparation and submission of the independent audit should be completed within three (3) months of the date of the agency's annual accounting year end." Therefore, the Agency's year ended December 31, 2018 audit was due to the City by March 31, 2019. The audit was completed on October 23, 2019; and the final copy was submitted to the City's Internal Audit on December 4, 2019.
2. In the Agency's Management Letter dated October 23, 2019, the external auditors stated the following deficiency in the Agency's internal control in regards to pledge receivables: "We noted that there was a lack of supporting documentation for pledges received and recorded during the year. Pledges should not be recognized without sufficient supporting evidence of the agreement with the donor. Recording pledges without proper documentation can potentially overstate revenue and pledge receivables at the end of the year. We recommend utilizing pledge cards for each donation pledged during the year, including recurring online donations. This will help ensure an accurate balance in pledge receivables and contributions at the end of the year."

These findings were addressed by the Agency in a response letter dated February 24, 2020. There are no further responses required regarding this matter.

We would like to thank Mr. Buck Cochran, Chief Executive Officer; Ms. Jeni Kirk, Chief Operating Officer; and the staff of Peacehaven Farm, 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 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Chris Wilson, Interim City Manager
Larry Davis, Assistant City Manager
Caitlin Bowers, Community Development Analyst, Neighborhood Development
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development
Buck Cochran, Chief Executive Officer, Peacehaven Farm, Incorporated
Jeni Kirk, Chief Operating Officer, Peacehaven Farm, Incorporated



NEIGHBORHOOD DEVELOPMENT

August 20, 2021

Buck Cochran
Peacehaven Farm
1458 NC Highway 61
Whitsett, NC 27377

Dear Mr. Cochran:

The City of Greensboro's Neighborhood Development Department is issuing this report based upon the monitoring function for the loan agreement between the City of Greensboro and Peacehaven Farm, Inc. for a loan to help finance the construction of six studio apartments units and a caretaker unit located at 1458 NC Highway 61. The scope of the compliance monitoring addresses a desk review of administrative files for rent, occupancy, and tenant eligibility requirements.

The purpose of this monitoring is to determine compliance with HOME and agreement requirements, rules, and regulations during fiscal year 2017-2018. On August 20, the desk review of Peacehaven Farm was completed. Enclosed you will find the City of Greensboro's Fiscal Year 2017-2018 compliance monitoring review which documents the details of the review. There were no findings or concerns resulting from this monitoring review, therefore an official response is not required. If Peacehaven Farm, Inc. would like to submit a response, the response should be submitted in writing to Charla Gaskins within 14 days of this letter.

Neighborhood Development staff appreciates the assistance and documentation that Jeni Kirk, Chief Operating Officer, provided during this desk review. As a reminder, all project files are to be maintained for a period of seven years from the final payment under this agreement.

Sincerely,

Charla Gaskins
Federal Compliance Coordinator
Attachments

Cynthia Blue
Interim Director

cc: Chris Wilson, Interim City Manager
Larry Davis, Assistant City Manager
Caitlin Bowers, Community Development Analyst, Neighborhood Development
Tina McKoy, Internal Auditor, Executive
Jeni Kirk, Chief Operating Officer, Peacehaven Farm

**City of Greensboro
Neighborhood Development
COMPLIANCE DESK MONITORING REVIEW**



**Project Name: Peacehaven Farm
Reviewer: Charla Gaskins**

**Compliance for FY: 2017-2018
Desk Monitoring Completion Date: 8/20/21**

QUESTIONS	YES	NO	N/A	NOTES
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A. RENT REQUIREMENTS					
1.	Did the project use proper utility allowances to calculate maximum rent levels? 24 CFR 92.252(d)(2)			X	Utilities are included in the rent.
2.	Was the total tenant rent charged for units below the HOME maximum rent? 24 CFR 92.252(a)	X			
3.	Is the total tenant rent charged for units at or below the rent listed in the loan agreement or below an approved rent increase? 24 CFR 92.252(b)	X			Rents for HOME units may not exceed 75% FMR for zero bedroom. A rent increases request was approved for a rate of \$400 effective January 1, 2017.
4.	If any in-place tenants had incomes above 80 percent of the area median income, were they charged 30 percent of their adjusted monthly income for rent and utilities? 24 CFR 92.252(i)(2)	X			Disclosed incomes were below 80% AMI. This measure could not be evaluated for all tenants because income documentation was not maintained for each tenant. Due to the nature of the eligibility criteria for core members, management presumed that incomes were below 80% AMI.
5.	Do the rents listed for HOME assisted units in the RCRS Project Compliance Report demonstrate that the maximum gross rent for 3 studio units did not exceed 75% FMR for a zero-bedroom unit?	X			All rents are within the HOME limits.
6.	Did the property meet the unit restrictions within each building?			X	Property consists of one building.

QUESTIONS	YES	NO	N/A	NOTES
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B. OCCUPANCY REQUIREMENTS				
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1.	Did existing tenants have incomes below 80 percent AMI?	X			This measure could not be fully evaluated for each tenant because income documentation was not maintained for each tenant. Due to the nature of the eligibility criteria for core members, management presumed that incomes were below 80% AMI. Staff has been notified of income verification requirements and has taken action to collect data in the future.
2.	In projects where the HOME-assisted units float:				
	a. When a tenant vacated a HOME unit, was the next available unit made available to a HOME-eligible tenant? 24 CFR 92.252(j)			X	Management presumed that at least three HOME units were occupied.
	b. When a tenant's income rose above 80 percent of AMI, was the next available comparable unit rented to a HOME-eligible tenant? 24 CFR 92.252(j)			X	Due to the nature of the eligibility criteria for core members, management presumed that incomes were below 80% AMI.
3.	Did the property maintain a physical occupancy of 85% or greater?		X		The physical occupancy during FY 17-18 was approximately 84.1%. Staff has been notified that accurate move in and move out dates need to be maintained for all core members and caregivers. Staff has begun tracking these dates for future monitorings.
4.	Was the average vacant unit offline time for the property less than 45 days?				The average vacant unit offline time was approximately 101.25 days during FY 17-18. Staff should seek ways to improve this indicator.

C. TENANT ELIGIBILITY				
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1.	Did incoming tenants have incomes below 60 percent AMI?	-	-	-	This measure could not be evaluated for incoming tenants because income documentation was not maintained. All incoming tenants were caregivers; staff has been notified that income for caregivers should be maintained.
2.	Was a waitlist maintained?		X		
3.	Were incoming tenants listed on the waitlist?			X	

QUESTIONS	YES	NO	N/A	NOTES
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D. TENANT FILES					
1.	Did the RCRS Report support that project documentation submitted to the City was accurate?	X			A comparable spreadsheet was submitted to the City. The City recommends updating this spreadsheet as tenants move in, move out, and are recertified.

E. PROPERTY STANDARDS					
1.	Did the property pass the City's physical inspection for decent, safe, and sanitary housing?			X	This desk review did not entail a review of the physical property. Inspections were halted due to the COVID pandemic. The City will resume inspections in the current 2021-2022 fiscal year.
2.	Was insurance maintained on the property?	X			
3.	Was the City of Greensboro named as the insured on the property?	X			
4.	Did the property adhere to the affirmative marketing policy? 24 CFR 92.351(a)			X	This property contains less than five HOME units.

Summary of Results and Conclusions

Peacehaven Farm staff has been informed of income verification at move in, yearly income certifications, and occupancy tracking requirements and is actively working to meet these requirements. The City worked with staff to obtain data for this FY 2017-2018 monitoring as well as future data needs. The previous FY 2016-2017 monitoring review resulted in a finding for lack of income documentation. The City is aware of previous changes in personnel which rendered some data unattainable for future monitorings; therefore, no further findings have been issued. The City was also notified that the care model changed in June 2018. Caregivers no longer reside at the property full time; instead, they work three days on and three days off. While they are assigned a room as their personal private living space during their work shifts, they are not technically a resident; therefore, income verification will not be required of caregivers under this new model.