



DATE: December 8, 2021
TO: Michelle Kennedy, Director of Neighborhood Development
FROM: Internal Audit Division
SUBJECT: Ole Asheboro Neighborhood Association 2019-2020
(No Responses Required)

The Internal Audit Division performed our compliance review for the year ended December 31, 2020 of the Nettie Coad Apartments (“Project” or “Apartments”), which consists of 30 units for low-income individuals or families located in the buildings formerly known as David Caldwell School at 503 Martin Luther King Drive. These units are owned by the City of Greensboro (“City” or “Lessor”) and managed by the Ole Asheboro Street Neighborhood Association, Incorporated (“OASNA” or “Association” or “Lessee”).

On January 1, 2014, the City entered a new lease agreement with OASNA to lease and manage the Apartments. This agreement, subject to all requirements, rules and regulations governing the Federal HOME Investment Partnerships Program, designates all 30 units at Nettie Coad Apartments as HOME-assisted units. The agreement ended December 31, 2016. Each year thereafter, a lease addendum has been made.

The lease under review covers a one-year period beginning January 1, 2020 and ending on December 31, 2020.

A physical inspection of the Project has been delayed due to COVID-19 precautions. The last physical inspection was conducted on July 11, 2019. Ms. Von Patrick, Neighborhood Outreach Specialist for the Planning Department, inspected approximately 15 percent of the units, as well as the property’s multi-purpose room. There were no repairs suggested at the time. Also, the exterior building and grounds were noted to be in excellent condition.

In the Management Letter dated April 23, 2021 for the year ended December 31, 2020, the Association’s auditor noted the following operation deficiency which was considered to be a material weakness:

Failure to Maintain Documentation of Discussion and Approval of Quarterly Reports

Due to COVID, the meetings of the Board of Directors were suspended and no minutes were kept. The quarterly reports were mailed to the Directors, however, there was no record of any discussion or approval of the quarterly reports. Because of limited ability for separation of duties in the management

of the Apartments, review and approval of these reports by the Board of Directors provides an important oversight function and is a significant component of internal control.

In a separate communication addressed to OASNA's Board of Directors dated April 23, 2021, the auditor made the following comment:

Based on the lease agreement with the City of Greensboro, the Association is required to deposit 5% of the net monthly realized rents into a reserve for replacement account. The reserve account had been underfunded \$400 at December 31, 2020. Management should deposit \$400 to make up for the underfunding. In addition, due to the increase in the monthly rental rates, the monthly deposit should be increased to \$580 per month to reflect 5% of the increase in the monthly realized rents.

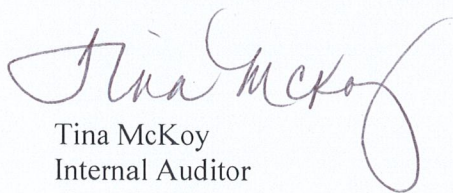
We examined selected program documentation maintained by the OASNA for compliance and found that the terms of the lease agreement were met with the following exception:

FINDING: As discussed above, the Association's auditor noted an operation deficiency considered to be a material weakness during the course of the audit for the year ended December 31, 2020. Also, it was noted that the reserve for replacement account was underfunded by \$400 at December 31, 2020.

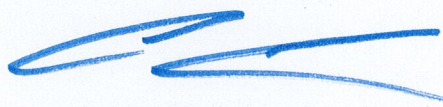
RECOMMENDATION: Please provide us your plan of corrective action for the material weakness, as well as proof that \$400 has been deposited to rectify the underfunding of the replacement reserve account at December 31, 2020.

In a response dated October 11, 2021, the Agency adequately addressed its plan of corrective action for the material weakness identified by their auditor; as well as provided proof of a \$400 deposit to reserve for replacement account for the underfunding noted by their auditor at year end. These matters are considered closed and there are no further responses required.

We would like to thank Ms. Nichica Melton, Property Manager of Nettie Coad Apartments for providing the documentation needed to complete this review. 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
Sue Schwartz, Director of Planning
Cyndi Blue, Manager of Housing Services, Neighborhood Development
Russ Clegg, Community Planning Manager, Planning Department

Caitlin Bowers, Community Development Analyst, Neighborhood Development
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development
Barbara Akins, President, Board of Ole Asheboro Street Neighborhood Association



NEIGHBORHOOD DEVELOPMENT

December 7, 2021

Nettie Coad Apartments
Barbara Akins, President, Ole Asheboro Street Neighborhood Association
503 Martin Luther King Jr. Drive
Greensboro, NC 27406-1675

Dear Barbara Akins:

The City of Greensboro's Neighborhood Development Department is issuing this report based upon the monitoring function for the lease extension agreement between the City of Greensboro and Ole Asheboro Neighborhood Street Association, Incorporated (OASNA) to lease and manage the City-owned Nettie Coad Apartments. 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 2019-2020. On December 7, the desk review of Nettie Coad was completed. Enclosed you will find the City of Greensboro's Fiscal Year 2019-2020 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 you would like to submit a response, the response should be submitted in writing to Charla Gaskins within 14 days of this letter. As a reminder, all project files are to be maintained for a period of seven years from the final payment under the agreement.

Neighborhood Development staff appreciates the assistance and documentation that Nichica Melton, Property Manager of Nettie Coad Apartments provided during the monitoring visit.

Sincerely,

Charla Gaskins
Federal Compliance Coordinator
Attachment

Michelle Kennedy
Director

cc: Chris Wilson, Interim City Manager
Larry Davis, Assistant City Manager
Cyndi Blue, Manager of Housing Services, Neighborhood Development
Caitlin Bowers, Community Development Analyst, Neighborhood Development
Tina McKoy, Internal Auditor, Executive
Nichica Melton, Property Manager, Nettie Coad Apartments

City of Greensboro
Neighborhood Development
COMPLIANCE DESK MONITORING REVIEW



Project Name: Nettie Coad Apartments
Reviewer: Charla Gaskins

Compliance for FY: 2019-2020
Date of Visit: 12/7/21

QUESTIONS		YES	NO	N/A	NOTES
A. RENT REQUIREMENTS					
1.	Did the project use proper utility allowances to calculate maximum rent levels?		X		The utility allowances listed in the RCRS report were lower than the limits on the allowance calculation sheet. The RCRS report should be updated to reflect correct utility allowances.
2.	Was the total tenant rent charged for units below the HOME maximum rent?	X			
3.	Is the total tenant rent charged for units at or below the rent listed in the lease agreement or below an approved rent increase?		X		Rents were below the approved rent limit; however, utility allowances used to calculate the total rent for the approved rent increase were lower than what was submitted on the allowance calculation sheet. Current utility allowance calculations should be submitted with each rent request. When correct allowances are used, total tenant rent is still below HOME limits. No findings or concerns.
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?			X	
5.	Do the rents listed for HOME assisted units in the RCRS Project Compliance Report demonstrate that the maximum gross rent for 5 one-bedroom units and 4 two-bedroom units did not exceed applicable Low HOME rents?	X			
6.	Do the rents listed for HOME assisted units in the RCRS Project Compliance Report demonstrate that the maximum gross rent for 15 one-bedroom units and 6 two-bedroom units did not exceed applicable High HOME rents?	X			
7.	Did the property meet the unit restrictions within each building?	X			100% of units are designated as HOME-assisted units at fixed addresses.

QUESTIONS		YES	NO	N/A	NOTES
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B. OCCUPANCY REQUIREMENTS					
1.	Did existing tenants have incomes below 80 percent AMI?	X			
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?			X	
	b. When a tenant's income rose above 80 percent of AMI, was the next available comparable unit rented to a HOME-eligible tenant?			X	
3.	Did the property maintain a physical occupancy of 93% or greater?	X			The physical occupancy during FY 19-20 was 98.6%. Note that this indicator is now aligned with the with the time period being monitored-- July 1, 2019 to June 30, 2020.
4.	Was the average vacant unit offline time for the property less than 45 days?		X		The average vacant unit offline time was 50.0 days during FY 19-20. Note that this indicator is now aligned with the with the time period being monitored--July 1, 2019 to June 30, 2020. Management should seek methods to reduce this time.

C. TENANT ELIGIBILITY					
1.	Did incoming tenants have incomes at or below 60 percent AMI?		X		
2.	Was a waitlist maintained?	X			
3.	Were incoming tenants listed on the waitlist?		X		

D 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?	X			