



City of Greensboro

Date: December 12, 2008
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Bingham / English Multi-Family Properties

The Internal Audit Division has completed our annual review of The Bingham / English multi-family properties in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2006-2007 year. Attached you will find our review 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: Bob Morgan, Deputy City Manager
Andy Scott, Director of Housing & Community Development



City of Greensboro

Date: November 24, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Bingham/English Multi-Family Properties 2006-2007

The Internal Audit Division has performed our compliance review of the year ended June 30, 2008 of Bingham/English Multi-Family Properties. This property was rehabilitated with a loan provided by the City of Greensboro and is designed for the benefit of low-income individuals or families in the Greensboro area. Affordable Housing Management, Incorporated manages these properties. Additional information on the property is as follows:

Bingham/English is located at 225 Bingham Street (5 units) and 316 English Street (6 units). It received a loan from the City in the amount of \$215,000 in March 1993. This loan is due to be repaid to the City annually starting on October 1, 2000 based upon a percentage of cash flow. There was a current principal payment in the amount of \$485.00 as of June 30, 2008 because of positive cash flow. The payment was received by the City on October 15, 2008 by the Department of Housing and Community Development. This loan is non-interest bearing, and the balance after the payment, currently is \$214,055 and is due in full on February 1, 2023.

At the time of our visit on October 15, 2008, Mr. Jim Teele, Housing Rehabilitation Specialist and Abby Feinstein, Specialist Community Services of the Department of Housing & Community Development (HCD), accompanied us and did an inspection of approximately 15 percent of the units (4 out of 11). A copy of Mr. Teele's and Ms. Feinstein's report was given to the Agency's management to address before they escalate into costly problems. Some repairs were noted for both locations.

We examined selected financial transactions maintained by the entity for compliance with the loan agreements. The 990 tax return for fiscal year ended June 30, 2008 was not completed at time of our review on October 15, 2008 so we requested a copy from the Borrower when it is completed. Based on our review, it appears that the funds have been spent according to the terms of the loan agreements except for the findings described below:

FINDING:

Based on the fiscal year ended June 30, 2008 audited financials, negative Working capital/Restricted cash in 2008 decreased to (\$32,744) from (\$24,686) in 2007.

RECOMMENDATION:

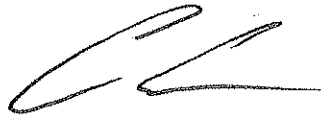
The Agency should explain to the City how they plan to improve the Bingham/English Apartments' Working Capital/Restricted assets' cash position.

We request a written signed response from Affordable Housing Management and HCD which should be received by December 8, 2008 and be mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27401.

We would like to thank Mr. Justin Brooks Manager of Tax Credit Properties; Ms. Debora Osborne, Finance Director; Ms. Joliene West, Property Manager 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: Bob Morgan, Deputy City Manager
Jim Westmoreland, Acting Assistant City Manager for Economic Development
David Levy, Executive Director of Affordable Housing Management, Incorporated



Date: November 21, 2008
To: David Levy, Affordable Housing Management Inc.
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 Bingham English Apartments Programmatic Evaluation*

On October 15, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Bingham English Apartments. Affordable Housing Management Inc. (AHM) manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for HOME Program and contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable HOME Program and contractual requirements. In this monitoring review attention was paid to HOME compliance along with financial management systems, a review of tenant files, and occupancy.

The period under review, along with current conditions, was from July 1, 2007 to June 30, 2008. In addition to examining various program materials, a physical inspection, and financial files, in the course of the review HCD and IA staff met with Ms. Debora Osborne, Finance Director, Mr Justin Brooks, Regional Property Manager, Ms. Joliene West, Property Manager and other on-site AHM staff.

The two locations are 225 Bingham and 316 English Street in Greensboro, NC. The properties were rehabilitated with \$148,500 in HOME Program funds and \$66,500 in local Housing Partnership dollars sustaining as affordable housing 11 total 2/BR units.

Rental Affordability

According to the December 5, 1997 amended agreement 100% of the units would be affordable to tenants at Low HOME rents (50% rents). The current 2008 Low HOME rent for a 2/BR unit is \$635/m.

Reported Rents:	Rent	Utility	Total Rent + UA
Bingham (5 units)	\$305	\$107	\$412
English (6 units)	\$320	\$140	\$460

Rent plus utilities do not exceed Low HOME limits on any of the 11 units according to file documentation and rent rolls.

The utility allowances are based on usage \$107 (Bingham) and \$140 (English) per the schedule dated July 17, 2007 provided to staff. This should be updated as soon as possible to reflect any changes in utility costs

Tenant Income Eligibility and File Review

Only one of the tenant incomes reviewed appear to have exceeded 50% of adjusted median income (AMI) but not 80% of AMI for a one person household. Resident incomes are certified annually according to the HCD file review. The tenant files reviewed were in very good condition and contained required back-up documentation.

Occupancy

The reported occupancy has been a low 88% from January 2008 through October 2008. This is 5% higher than the April 2008 area occupancy rate of around 83%. See concerns below.

Affirmative Marketing and Section 8

Section 8 housing vouchers are accepted and assist three (3) households.

Affordable Housing Management has a fair marketing plan that meets the City Affirmative Marketing Requirements. The Tenant Selection Policy is clear and understandable.

Physical Inspection

HCD staff inspected five (5) units on October 15, 2008 and reported certain minor deficiencies that need attention in two (2) of those units. The exterior is in average condition with several minor maintenance and repair conditions. Please refer to the inspection report for details.

Results of Review

As a result of this review HCD staff is making zero (0) findings, two (2) concerns and two (2) observations. A *finding* is defined by HCD as a project element that does not comply with a local, federal, or contractual, rule or regulation whereas a *concern* is either a potential finding or management weakness that should be improved to avoid future problems. An *observation* can be either a positive comment about the agency, a clarification of policy interpretation, or a suggestion that may improve a service or element of operations.

Concern 1 - Occupancy

The overall occupancy for the property has been approximately 88% from January 1, 2008 through October 15, 2008 and it was 72.3% at the time of the site visit.

Requested Action

To improve to and keep occupancy at 90% or better.

Concern 2 - Vacant Unit Turnover

Unit 316-F appears to have been vacant since April 18, 2008 or 177 days. 225-A and 316-D also had excessive vacancy periods of 71 and 90 days respectively. The average vacant unit turnover time from January 1, 2008 through October 15, 2008 was 77 days.

Requested Action

These are excessive off-line unit times that damage the property's financial well being. HCD recommends keeping the vacant unit turnover time at 30 days or less.

Observation 1 - Handrails

Handrails have been installed where needed at the English property. This was recommended by HCD last year and HCD staff appreciates the safety action.

Observation 2 - Smoke Detector


During the site visit it was reported that a unit was missing a smoke detector. It was replaced by management within a few hours. HCD appreciates the prompt replacement.

HCD staff requests that management review the Internal Audit report and reply to it as requested.


The concerns in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the first concern is to emphasize higher occupancy as a goal. The intent of the second concern is to make management aware of excessive turnover times which are related to the first concern. The two observations are intended to document positive actions by management.

It is HCD staff opinion that Bingham English Apartments are contractually compliant concerning affordability requirements.

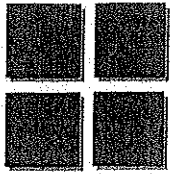
HCD staff appreciates the assistance provided during the monitoring visit by Affordable Housing Management staff.



Michael Blair
Specialist Grants Compliance




Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: November 25, 2008
To: Len Lucas, Internal Audit Director
From:  Michael Blair, Specialist Grants Compliance
RE: HCD Review of Bingham/English Internal Audit Report

After review of the Internal Audit report of the Bingham/English Apartments, managed by Affordable Housing Management Inc., for 2006-2007, HCD submits the following:

IA FINDING 1:

Based on the fiscal year ended June 30, 2008 audited financials, negative Working capital/Restricted cash in 2008 decreased to (\$32,744) from (\$24,686) in 2007.

IA RECOMMENDATION 1:

The Agency should explain to the City how they plan to improve the Bingham/English Apartments' Working Capital/Restricted assets' cash position.

- **HCD reply to Recommendation 1: Concur**



Date: December 2, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Bingham/English Audit 2006-2007

Thank you for your reply of November 25, 2008. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated November 24, 2008.

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: Bob Morgan, Deputy City Manager
Jim Westmoreland, Acting Assistant City Manager for Economic Development



AFFORDABLE HOUSING
MANAGEMENT, INC

Writer's Extension: 123
Writer's Email: dosborne@ahmi.org

December 4, 2008

Mr. Mickey Kerans
City of Greensboro
Internal Audit Division
P.O. Box 3136
Greensboro, N.C. 27401

Re: Bingham/English St. Apartments

Dear Mr. Kerans,

The board of directors for Affordable Housing Management, Inc. voted at the September, 2008 meeting to pay in full the mortgage held by Wachovia Bank on this property. We are also in the process of moving the property management office to a location that is closer to Bingham/English St. We believe this will reduce future vacancies and bad debts.

The combination of debt reduction and restructure of the management office should bring the property into a better working capital position. The property has kept vendors current. The majority of the current payables are deferred management fees due to Affordable Housing Management, Inc. and the board understands that it may take some time to get these paid.

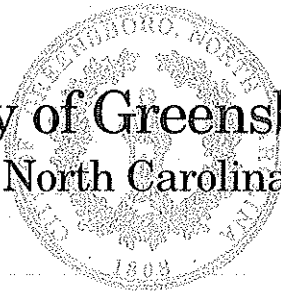
If you have any further, questions regarding this matter, please do not hesitate to contact me.

Sincerely,

Debora Osborne
Finance Director

Cc: Andy Scott
Michael Blair

City of Greensboro
North Carolina



December 8, 2008

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

Re: Bingham/English Apartments-2006 to 2007

Dear Debora:

We are in receipt of your letter dated December 4, 2008 reference the City's Internal Audit report letter dated November 24, 2008 for the 2006 to 2007 Year. Your timely response to our report is appreciated. We have reviewed your letter and agree with your responses and corrective measures.

Sincerely,

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Jim Westmoreland, Acting Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development