



Date: October 30, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: Jericho House, Incorporated. 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Jericho House, Incorporated (Agency) which received a loan from the City of Greensboro (City) in the amount of \$62,000 in March of 2002. This loan helped in the purchase of the Jericho House for men in the Greensboro area. This house is located at 2824 Liberty Road.

This loan is non-interest bearing and repayment is not required as long as the house remains available as transitional housing for men. These men are provided room and board; transportation to jobs and/or interviews; budget planning and support to re-enter the workforce. The loan repayment will be deferred for five years. Beginning the sixth anniversary or March 9, 2008 from the date of execution of the loan agreement the loan amount will be reduced by ten (10%) per cent or \$6,200 per year. Final repayment is due March 14, 2017.

Mr. Dough Booth, Supervisor of Rehabilitation and Abby Feinstein, Specialist Community Services of the Department of Housing & Community Development inspected this residence and some repairs were noted for the property. A copy of these issues were given to Mr. Jack Alford, Treasurer of the Jericho House to address before the issues escalate into costly problems.

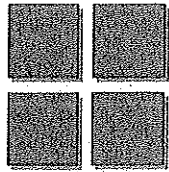
We examined selected financial transactions maintained by the entity for compliance with the loan agreements. Based on our review, it appears that the funds have been spent according to the terms of the loan agreements.

We would like to thank Mr. Jack Alford, Treasurer of Jericho House, Incorporated for his 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 of Economic Development  
David Williams, President of Jericho House, Incorporated



# HCD

Department of Housing & Community Development

**Date:** October 28, 2008  
**To:** Jack Alford, Board of Directors, Jericho House  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY08/09 Jericho House (Loan) Programmatic Evaluation*

On September 10, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Jericho House. Jericho House, Inc. manages the property and in this capacity is responsible to the City of Greensboro Department of Housing and Community Development for CDBG and contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable CDBG and contractual requirements. The period under review, along with current conditions, was from July 1, 2007 to June 30, 2008. For reference purposes beginning on the sixth anniversary or March 9, 2008 from the date of execution of the loan agreement the loan amount will be reduced by ten (10%) per cent or \$6,200 per year. Final repayment is due March 14, 2017.

The property is located at 2824 Liberty Road in Greensboro, NC. The March 2002 acquisition project created 6 transitional housing units. City of Greensboro financing for Jericho House was \$62,000 in federal CDBG dollars. Additional funding was provided by the North Carolina Housing Finance Agency (SHDP funding).

The rooms would be are affordable to tenants at or below 50% (per the NCHFA funding) of adjusted local median income for one person household.

*Total 2008 allowable housing cost:  $\$19,750 / 12 = \$1,879 \times .30 = \$494/m$*

This requirement has been met.

Move-In incomes of residents should be, by virtue of the nature of the program, \$0. Since the program does not exceed 12 months which is mutually agreed upon by the participant and agency annual re-certifications are not possible. However the NCHFA has requested initial income certifications using their methodology along with recertification every three (3) months.

HCD recommends that Jericho House comply with the NCHFA request. If tenants are, or become, employed this can be verified, per HUD, by telephone by management. If management has questions as to the type of forms and backup needed please request that information directly from the NCHFA. HCD staff will seek clarification if an impasse should arise.

The Participant Selection Policy is clear and understandable.

Using the arrival/departure worksheet given to HCD staff, and the HCD online reporting system, occupancy has stayed over 95% in 2008.

HCD staff inspected Jericho House on September 10, 2008 and reported several exterior and interior deficiencies (primarily painting and caulking). Please refer to the inspection report for details.

As a result of this review HCD staff is making zero (0) finding and zero (0) concerns. 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.

Observation 1 – Conflict of Interest and Grievance Policy

Both of these policies have been improved and should be a benefit to management tenant relations. HCD appreciates this management effort.

Observation 2 – Participant Removal


HCD recommends the incorporation of removal language to the signed "Letter of Intent" that acts as a program entrance and participation document. It should be made clear that disruptive and/or illegal activities can be cause for dismissal from the program and property.

HCD staff requests that management review the Internal Audit report.

It is HCD staff opinion that Jericho House is contractually compliant. The property itself remains in relatively good condition and remains a decent housing option for qualified individuals.

HCD staff appreciates the assistance provided during the monitoring visit.

  
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Michael Blair  
Specialist Grant Compliance

  
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Andy Scott  
Director HCD



# City of Greensboro

Date: October 29, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: Southwoods LLLP 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Southwoods LLLP (Property). This partnership received a loan provided by the City of Greensboro (City) in November, 1996 in the amount of \$550,000 to help in the financing of 59 studio apartments located at Columbus and Kirkman Streets for low-income individuals. This loan is non-interest bearing and the current balance is \$540,950 as of December 31, 2007. These units are called Southwoods Apartments and are managed by Affordable Housing Management, Incorporated (Management).

The repayment on this loan to the City is based upon a percentage of cash flow after deducting all operating expenses actually incurred; payment of debt service and funding of the reserve accounts. The calculated payment for year ended December 31, 2007 was zero dollars, therefore there is no payment due for 2007. The replacement reserves have been satisfactorily reconciled and the charges to the account appear to have been approved in advanced and repairs are reasonable.

The inspector from the Department of Housing & Community Development (HCD), did not attend the review on September 9, 2008 and therefore will call Affordable Housing Management to schedule an inspection at a later date.

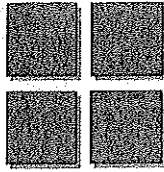
We examined selected financial transactions maintained by the entity for compliance with the loan agreements. Based on our review, it appears that the funds have been spent according to the terms of the loan agreements.

We would like to thank Ms. Donna Dungee, Community Manager of Southwoods Apartments; Mr. Justin Brooks, Regional 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 Manager of Economic Development  
Mr. David Levy, President of Affordable Housing Management, Incorporated



# HCD

Department of Housing & Community Development

**Date:** October 27, 2008  
**To:** David Levy, Affordable Housing Management, Inc.  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY08/09 Southwoods Programmatic Evaluation*

On September 9, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Southwoods Apartments. Affordable Housing Management, Inc. (AHMI) 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. Donna Dungee, Community Manager of Southwoods Apartments, Mr. Justin Brooks, Regional Property Manager and other helpful AHMI staff.

The property is located at 2307 Columbus Street in Greensboro, NC. The November 1996 acquisition and construction project created 59 studio HOME units. City of Greensboro financing for Southwoods was \$550,000 in federal HOME dollars. Additional funding was provided by a First Union (now Wachovia) construction loan and the North Carolina Housing Finance Agency (LIHTC).

Fifty-nine (59) studio units would be at Low HOME rents which are affordable to tenants at or below 50% of adjusted local median income for a two person household.

Total 2008 allowable housing cost:  $\$22,550 / 12 = \$1,879 \times .30 = \$564/m$

This requirement has been met and exceeded with a total housing cost of \$361/m (rent \$325/m and utilities \$36/m).

Eight (8) tenant files were inspected by HCD staff. The files were all well maintained and contained all required income and lease information. They generally matched the rent roll report. Incomes of residents are certified annually according to the NCFHA report dated from 09.09.08 and the reviewed tenant files.

According to the move-in move-out report provided to HCD staff the reported occupancy was approximately 92.2% from January 2008 through September 9, 2008. This is slightly higher than the April 2008 area occupancy rate of around 91.7% and acceptable but could be improved. The occupancy at the time of the site visit was 88.7% which is lower than HCD would recommend.

Section 8 tenants are accepted and occupy four (4) units.

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

Management maintains an updated waiting list with two (2) active applications at the time of the visit. This is a significant decline from the last review which had twenty (20) active applications.

The leases do not contain any of the HOME prohibited provisions and leases are greater than or equal to twelve months in length and not on a transient basis.

HCD staff inspected nine (9) units on September 9, 2008 and found only one minor deficiency in one unit that needed attention. The overall condition was found to be good and the site itself is an attractive living environment. Only some minor repainting, a missing light globe, and missing shingles were reported. Please refer to the inspection report for details.

As a result of this review HCD staff is making zero (0) findings and two (2) concerns. 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.

#### Concern 1 – Vacant Unit Turnover Time

Several of the units that were vacant between January 1, 2008 and September 9, 2008 remained vacant for over 100 days (three of thirteen) and the average time off-line was 64 days.

#### Requested Action

To shorten the time a unit remains off-line. This could have been cause by several possible conditions such as unit damage. Regardless of the reasons an average of 64 days is extremely high by almost any standard.

The City proposed to use a reallocated prior year unexpended/cancelled amount of \$156,337.73 to support the FY07/08 RFP request by Habitat for Humanity to develop the Flemingfield Road/Elsielee Road development site which was a prior County RFP award. The County agreed to allocate its prior year unexpended/cancelled HOME funding toward this RFP project and is not be required to provide Match for the amount. The City agreed to cover the County Match obligation.

A certain amount of the administration funding of \$58,811.15 will also be allocated to the Flemingfield Road/Elsielee Road site as project funding. The full amount cannot be used to administer the County scattered site rehabilitation program.


Recommendation

Going forward the City does not recommend allocating any additional County HOME funds to single family housing rehabilitation for the foreseeable future; Instead the City recommends using FY08/09 funding for a spring 2009 affordable housing RFP.

This allocation/reallocation plan will help both the City and the County support much needed affordable housing goals as well as meet HUD HOME Program commitment and expenditure statutory regulations.



Michael Blair  
Specialist Grant Compliance



Andy Scott  
Director HCD