



*Date:* October 17, 2007  
*To:* Mitchell Johnson, City Manager  
*From:* Internal Audit Division  
*Subject:* The Servant Center, Incorporated

The Internal Audit Division has completed our annual review of The Servant Center, Incorporated in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2005-2006 grant year. Attached you will find our review report; the programmatic 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', with a long horizontal stroke extending to the right.

Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development  
Andy Scott, Director of Housing & Community Development



**Date:** September 24, 2007  
**To:** Andy Scott, Director of Housing & Community Development  
**From:** Internal Audit Division  
**Subject:** The Servant Center, Incorporated -Servant House & Glenwood Housing 2005-2006

The Internal Audit Division has performed our compliance review of the year ended June 30, 2006 of The Servant Center, Incorporated.

The Servant House received a Grant in December 1998 of \$186,544 from the City of Greensboro to help in the rehabilitation of the Servant House located at 1305 Glenwood Avenue and 1312 Lexington Avenue. The Servant House provides housing accommodations for up to 25 individuals. These clients are usually homeless men that are disabled veterans. In addition to housing, these men are provided assistance for social services; job placement; veteran's benefits; and medical and dental care on a pro bono basis. Currently there are 17 residents at this facility. The current balance is \$186,544 and will be forgiven beginning in year 6 (December 15, 2005) at the rate of 20 percent per year, as long as the property is maintained as transitional housing for a period of 10 years. The department of Housing and Community Development will not reduce the loan by 20% each year but reduce the entire amount at the end of the tenth operating year in 2009.

The agency also received a loan dated November 24, 2004 for \$167,081 for eight studio apartment units located at 1205 Lexington Avenue which are called Glenwood Housing. The term of this loan is June 25, 2003 to December 1, 2045 at 0.0% interest. This housing is the next step to independent living for the disabled veterans that went through the services at The Servant House. The current balance of this loan is \$167,081. Payments are scheduled to begin on May 1, 2025 and continue each May 1 thereafter with final payment due December 1, 2045. These payments will be based upon a percentage of cash flows.

We accompanied Mr. Jim Teele, Housing Rehabilitation Specialist of the Housing & Community Development Department, as he inspected approximately 15 percent of the units of the Glenwood Housing and the interior and exterior of the Servant House. Some repairs were noted for both locations.

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 except for the findings described below:

**FINDING:**

The Servant Center is combining the Servant House and Glenwood Housing income and expenses into one amount in their audited financial statements. As per the loan agreement with Glenwood Housing, the repayment of the loan will begin May 1, 2025 and the payment will be based on 50% net of the gross receipts and expenses.

**RECOMMENDATION:**

*In order for the Agency and the City to calculate the mortgage payment it is necessary for Glenwood Housing's income and expenses to be segregated from The Servant House's income and expenses.*

We request a written signed response from The Servant Center, Inc. which should be received by October 8, 2007 with a copy to the Department of Housing & Community Development (HCD) and the Internal Audit Division.

We also request a written signed response from HCD on this review which should be received on or before October 8, 2007.

We would like to thank Ms. Gail Haworth, Executive Director; and the staff of The Servant Center, 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.

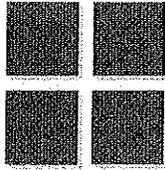


Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development  
Gail Haworth, Executive Director of The Servant Center, Incorporated



# HCD

Department of Housing & Community Development

**Date:** September 7, 2007  
**To:** Gail Haworth, Servant Center  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY07/08 Glenwood Housing Programmatic Evaluation*

On August 8, 2007 HCD inspection staff and Internal Audit (IA) staff conducted an on-site monitoring visit of Glenwood Housing. The property is located at 1205 Lexington Avenue in Greensboro, NC. Servant Center, Inc. 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 program and contractual requirements. In this monitoring review attention was paid to contract 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, 2006 to June 30, 2007. 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. Roxana Brand, Case Manager, Ms. Shanna Reese, Deputy Director, and Ms. Gail Haworth, Executive Director, Servant Center.

The property was substantially rehabilitated in 2005 with a combination of funding sources; \$167,081 (\$105,796 in Federal HOME Program dollars, \$61,285 in Housing Partnership/Nussbaum Fund dollars) from the City of Greensboro; \$365,796 in North Carolina Housing Finance Agency (NCHFA) funds (Also HOME funding); and a HUD Continuum grant of \$215,000. Since Greensboro Consortium HOME Program funds were expended on this property HOME Rules will be the primary guidance for this review.

None of the tenant incomes reviewed appears to have exceeded maximum eligible income limits. Resident incomes are initially certified according to HCD file review. The tenant files reviewed were greatly improved from last years monitoring inspection with only minor deficiencies remaining.

During this programmatic review tenant/management documents were reviewed for HOME compliance and a tenant lease related issue was discovered. It was found that the "Lease Addendum for Supportive Services" makes tenancy at Glenwood Housing conditional on participation in a supportive services program. This also makes tenancy conditional on those who have a specific disability that requires those services. The Fair Housing Division of the Human Relations Department informed HCD staff that occupancy cannot be conditioned on something related to the person being in a protected class. Therefore the lease addendum is likely to constitute disability-specific housing. HCD staff presented this to Servant Center management and will work together to ensure compliance with Fair Housing requirements.

Section 8 housing vouchers are accepted and all of the current residents receive this assistance.

The reported occupancy was 80% from January 2007 through August 2007. This is an improvement since the last review. It is understood that the small number of units exaggerates the occupancy swings however HCD wishes to see a higher occupancy report in FY08/09.

HCD staff inspected the units on August 8, 2007 and reported certain minor deficiencies that need attention. The exterior is in very good condition as are the individual units. Please refer to the inspection report for details.

As a result of this review HCD staff is making one (1) finding and one (1) concern. 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.

Finding Number 1 – Annual Income Certification

It is HCD understanding that while initial, or move-in, income certifications are being completed annual recertifications are not. The September 27, 2006 programmatic review stated in the first paragraph second page: "Incomes of residents must be certified annually by the managing agency according to the City agreement and HOME Program Rules." Annual recertifications can be also be found in *Building HOME*: p. 6-17

Requested Action

Recertify all tenant incomes annually.

Concern Number 1 – Income Certification

The tenant files reviewed did not have signed income certifications.

Requested Action

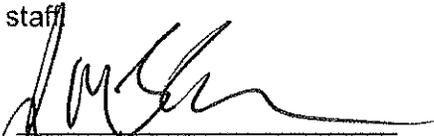
Management should have both the tenant and management sign income certifications. Currently there is no place for signatures to certify the form.

HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated August 6, 2007.

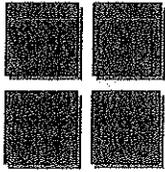
The finding and concern in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued HOME Program compliance. The intent of the finding is to get immediate action regarding annual income certification compliance. The concern expressed in this case is to heighten management awareness.

It is HCD staff opinion that Glenwood Housing is generally contractually, and HOME Program, compliant. The property appears to be in very good condition and continues to be a decent housing option for qualified individuals.

HCD staff appreciates the assistance provided during the monitoring visit by Servant Center staff

  
Michael Blair  
Specialist Grants Compliance

  
Andy Scott  
Director HCD



# HCD

Department of Housing & Community Development

## MEMO

**Date:** October 5, 2007  
**To:** Len Lucas, Internal Audit Director  
**From:** Michael Blair, Specialist Grants Compliance  
**RE:** 2007 HCD Review of Servant House/Glenwood Housing Audit Report

---

After review of the August 8, 2007 Internal Audit report of The Servant Center, Inc, for 2005-2006, HCD submits the following:

### IA FINDING 1:

The Servant Center is combining the Servant House and Glenwood Housing income and expenses into one amount in their audited financial statements. As per the loan agreement with Glenwood Housing, the repayment of the loan will begin May 1, 2025 and the payment will be based on 50% net of the gross receipts and expenses.

### IA RECOMMENDATION 1:

In order for the Agency and the City to calculate the mortgage payment it is necessary for Glenwood Housing's income and expenses to be segregated from The Servant House's income and expenses.

- **HCD reply to Finding/Recommendation 1:** Concur. This is the second consecutive year that this finding has been made.

On the above recommendation HCD concurs with the Internal Audit report.



# City of Greensboro

Date: October 5, 2007  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: HCD Reply to IA Report-Servant Center/Glenwood Housing 2005-2006

Thank you for your reply of October 5, 2007. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated September 24, 2007.

Mickey Kerans  
Internal Auditor

Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

# The SERVANT CENTER, Inc.

Hope and Healing for the Homeless

Servant House  
Glenwood Housing

1312 Lexington Avenue, Greensboro, NC 27403  
Phone (336) 275-8585 Fax (336) 370-1540  
[theservantcenter@tricad.rr.com](mailto:theservantcenter@tricad.rr.com)

The Servant Center  
Board of Director

. October 10, 2007

Susan L. Lowe  
Chair

Mike Moye  
Vice-Chair

Mac Stroupe  
Secretary

Christ Ratte  
Treasurer

Timothy Lane, M.D.  
Ex-Officio

TO: Mr. Len Lucas, Internal Audit Director  
Mr. Mickey Kerans, Internal Audit

FROM: Gail C. Haworth, Executive Director

RE: Internal Audit Letter dated September 24, 2007

Elizabeth H. Alspaugh

Henry J. Carrison, III

Rowland Chidomere

Rev. Hilton J. Cochran  
Board Chaplain

Mark O. Costley  
(Chapel Hill/Durham)

David Craft

Fred Darby

Amelia Deaton

Danny Hall

Don Damell

W. Franklin Minton, Jr.

David Newman, M.D.

Rev. Paula Rachal  
Staff/Resident Chaplain

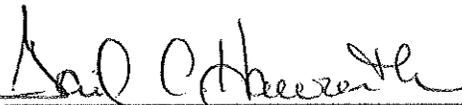
Fred Smith

Brenda Yarish

I am in receipt of your above-mentioned letter regarding Servant House & Glenwood Housing FY 2005-2006. You requested a written signed response from The Servant Center, Inc., by October 8, 2007, and because that was the date of our quarterly Board of Directors meeting, I delayed the response until today.

Please note, as to the finding that The Servant Center is combining the program income and expenses of Servant House and Glenwood Housing, into one amount in The Servant Center audited financial statements, the following: The Center did note to the auditing firm of Costello Hill & Company, L.L.P., the recommendation from the City that Glenwood Housing and Servant House's income and expenses be segregated from each other in the audited statement. Please note on pages 8 and 9 of your copy of the 2006/2007 audited financial statements, that Restriction on Net Assets and Notes Payable, have been set forth and if additional action needs to be taken, it will be addressed in the 2007/2008 financial statements.

Thank you for your courtesy and assistance to The Servant Center.

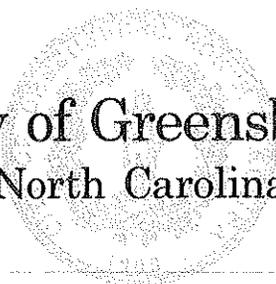


Gail C. Haworth

Executive Director

Gail C. Haworth

Cc: Ben Brown, Assistance City Manager for Economic Development  
Andrew Scott, Director of Housing & Community Development  
Greg Ashley, Costello Hill & Company, L.L.P.



City of Greensboro  
North Carolina

October 12, 2007

Ms. Gail C. Haworth  
Executive Director  
The Servant Center  
1312 Lexington Avenue  
Greensboro, NC 27403

Re: The Servant Center/Glenwood Housing-2005 to 2006

Dear Gail:

We are in receipt of your letter dated October 10, 2007 reference the City's Internal Audit report letter dated September 24, 2007 for the 2005 to 2006 Year. Your timely response to our report is appreciated. We have reviewed your letter and thank you for contacting Costello Hill & Company, L.L.P. to change the format of The Servant Center's financial statements to show the Servant House and Glenwood Housing as two separate operating units.

Sincerely,



Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development  
Andy Scott, Director of Housing & Community Development