



City of Greensboro

Date: November 11, 2002
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: St. James Homes II, Incorporated 2001-2002

The Internal Audit Division has performed a program and financial audit for the current year's operations of St. James Homes II, Incorporated which received a loan from the City of Greensboro in the amount of \$1,045,936 from the Home Investment Partnership Program and the Greensboro Housing Partnership Fund.

The St. James Homes II loan provided for the rehabilitation of 36 apartment units located at 1201-1215 South Eugene Street. This property is designed to provide housing for low-income individuals or families in the Greensboro area. The City's loan is due to be repaid on an annual basis beginning on the first day of March 1995, and continuing on each March 1 thereafter. The payment would be 50% of gross receipts after deducting all normal and reasonable operating and capital expenses incurred by St. James II. No payments are due because the agency is using all income from the property to sustain operations. Since last year's audit the property came under new management, Christian Counseling & Wellness Group, and they are overseeing a complete rehabilitation of the property. Currently two buildings are out of service and two buildings are in service. The two buildings that are habitable have a 50% vacancy rate.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development as he inspected 15% of the units and found these to need general repairs and cleaning before renting. The units inspected are in buildings available for service once the repairs are complete. The managing agency is currently working on these repairs.

We examined selected program documentation maintained by the agency for compliance with the loan agreement and noted there isn't a current reserve account. This is due to the fact that all income generated is used for current operations of the property as mentioned earlier. The reserve account is to be funded at the discretion of the agency. The yearly external audit of this property has been delayed and the financial statements will not be available until December because the agency hired a new audit firm. We recommend that H&CD Staff closely monitor the rehabilitation and operations of these apartments.

We would like to thank Ms. Sarah Graham, President and Mr. Donald Graham, Vice-President & Treasurer of the Christian Counseling & Wellness Group for their courtesy and cooperation shown us during this audit. If there are any questions or comments concerning the details of this audit, please contact us at 373-2821.

Len Lucas
Internal Auditor

Jacky Dowd
Internal Audit Director

Cc: Mitchell Johnson, Assistant City Manager
Linda Miles, City Attorney
Andy Scott, Director of Housing & Community Development
Sarah Graham, President of the Christian Counseling & Wellness Group, Incorporated