

Date: July 10, 2002
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: Raymond S. King Apartments Limited Partnership

The Internal Audit Division has performed a program and compliance audit of the Raymond S. King Apartments Limited Partnership for the years December 1996 through December 2000. The Partnership received a loan in the amount of \$742,444 from the City of Greensboro to help in the rehabilitation of 22 apartments located at 1004 through 1028 John Dimrey Drive. These apartments are designed as transitional housing for homeless individuals or families to achieve independent living within 24 months or within a longer period, determined by HUD, as necessary to facilitate the transition. Additional financing for this project came from Low Income Housing Tax Credits of \$454,604 and a Purchase Money Note from the Redevelopment Commission of Greensboro of \$24,000. These apartments are managed by Project Homestead, Incorporated.

The loan of \$742,444 included Seed Money of \$20,076 for a feasibility study for the apartments. This \$20,076 was paid back to the City on the closing statement of December 1, 1995. Also on the closing statement, the loan from the City of Greensboro was over-funded, in error, by \$35,802. These additional funds have not been approved by the City Council and there was no contract with Project Homestead. The Director of Housing & Community Development indicated that he had verbally approved that Project Homestead could retain the over-payment. The contract should be amended and be approved by City Council or the \$35,802 should be refunded to the City. H&CD has an amendment for Council to approve this \$35,802. The financial records in Housing & Community Development reflect a balance of \$722,368 and should be corrected to reflect the principal balance of \$758,170.

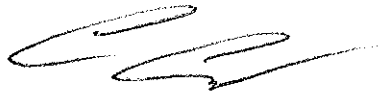
The City's loan is due to be repaid on an annual basis beginning on the first day of July 1997 and continuing on each July 1 thereafter. The payment would be 50% of gross receipts after deducting all normal and reasonable operating and capital expenses incurred by Raymond S. King Apartments. Their financial statements reflect that gross receipts exceed actual normal and reasonable operating and capital expenses actually incurred: 1996, \$0; 1997, \$0; 1998, \$3,796; 1999, \$0; and 2000, \$5,654. Payments of 50% should have been made to the City for: 1998, \$1,898 and 2000, \$2,827 for a total of \$4,725. The balance on the loan and the Purchase Money Note are due in full December 1, 2025.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development, who inspected 10% of the units and he noted that these units needed minor repairs. The Reserve Account requirements, based on the annual changes to the Consumer Price Index, are in compliance with the contract.

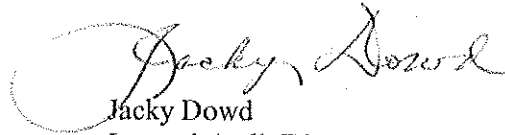
Below is a recap of our recommendations:

- The contract should be amended for the \$35,801.70 and the financial records in Housing & Community Development should be corrected to reflect the principal balance of \$758,169.50.
- A loan payment of \$4,725 from Raymond S. King Apartments should be made to the City.

We would like to thank Mr. John L. Underwood, Property Director and Ms. Crystal W. Nesbit, Site Manager of Raymond S. King Apartments 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
Rev. Michael King, President of Project Homestead, Incorporated
John L. Underwood, Property Director of Project Homestead, Incorporated