



City of Greensboro

Date: March 31, 2004
To: Ed Kitchen, City Manager
From: Internal Audit
Subject: St. James Homes II, Incorporated 2002-2003

The Internal Audit Division has performed our annual program and financial monitoring visit 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 Nussbaum Housing Fund on October 4, 1993. Christian Counseling & Wellness Group, Incorporated has a twenty-five (25) year lease and manages this property.

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. Currently two buildings are out of service and two buildings are in service. The two buildings that are habitable have a 78% vacancy rate, with only four units occupied.

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.

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 income from operations for the years ended December 2002 and 2003 was approximately \$1,162 and \$1,976 respectively (unaudited). The reserve account is to be funded at the discretion of the agency. The yearly external audit of this property has been delayed for two years and the agency has a commitment letter from a CPA firm to begin their audit starting the middle of April. Additionally, the agency had commitments from several sources of funding in excess of \$650,000 to help in a complete rehabilitation, supportive services and operations of this property. However, due to unforeseen circumstances this rehabilitation has not moved forward. We are requesting a response from the managing agency and the Housing & Community Development Department on the status of the rehabilitation and occupancy shortfall of this property within 45 days.

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

A handwritten signature in black ink, appearing to read 'Len Lucas', with a long horizontal flourish extending to the right.

Len Lucas
Acting Internal Audit Director

Cc: Mitchell Johnson, Deputy City Manager
Ben Brown, Assistant City Manager for Economic Development
Bob Morgan, Assistant City Manager
Andy Scott, Director of Housing & Community Development
Sarah Graham, President of the Christian Counseling & Wellness Group, Incorporated