

Lincolnshire Apartments, Inc.
Lincolnshire North Apartments, Inc.

Board of Directors' Meeting

MINUTES

March 16, 2009

A concurrent meeting of the Boards of Directors of Lincolnshire Apartments, Inc./Lincolnshire North Apartments, Inc. was held on Monday, March 16, 2009 at 11:55 a.m. in the Board Room at Audubon Area Community Services, Inc.

Board Members Present:

Ms. Carrie Blackham #
Hon. Reid Haire **

Deputy Sheriff Jeff Jones #
Ms. Cathy Lamar*

Ms. Melody Lanham *
Mr. Mike Morton*

** Chair, Both Boards

* Lincolnshire Board

Lincolnshire North Board

Staff Present:

Ms. Sheila Boling, Housing Director
Ms. Cheryl Calloway, Housing Manager
Ms. Denise Marcum, Executive Assistant
Ms. Byron Mayes, Chief Financial Officer

Others Present:

Mr. Charles Kamuf, II, Attorney

Hon. Reid Haire stated that Mr. Logsdon had asked him to chair the Lincolnshires' Board meetings. Mr. Logsdon was not able to attend this meeting due to another meeting, he said. Judge Haire thanked everyone for being in attendance.

Judge Haire asked Ms. Boling how many times the Lincolnshire Boards meet and if today was the annual board meeting. Ms. Boling stated the Lincolnshire Boards meet twice a year; September is the usual meeting time for the boards' annual meeting.

Prior Meeting Minutes. The previous meeting minutes were passed out for everyone to look over. Judge Haire asked if there were any questions or comments. There were none.

Officer Jones made a motion to accept the October 15, 2008 Lincolnshire Boards' minutes. Mr. Morton seconded the motion. Motion carried.

NEW BUSINESS

Election of Officers, President, Vice-President, Secretary/Treasurer. Judge Haire asked Ms. Boling who the remaining officers were. Ms. Boling stated that prior AACS, Inc. Board Chair Rev. Jerry Manning had previously served as the President, but she didn't remember these boards ever having a Vice-President and Secretary/Treasurer, but AACS Board counsel Jesse Mountjoy has suggested that the Lincolnshires' boards needed to have such additional officers. Judge Haire suggested that the Vice-President and Secretary duties are minimal. Judge Haire asked if the Secretary position consists of their name being on the signature card and do any check signing. Mr. Mayes stated that he was not aware of anyone outside the organization that would be signing checks for Lincolnshire. Judge Haire asked Ms. Boling to research of what the duties would be for Vice-President and Secretary/Treasurer and suggested

she talk with AACCS' attorney, Mr. Jesse Mountjoy, and be advised of what needs to be done. The Lincolnshires' By-Laws also need to be looked at pertaining to the three positions.

FY2008 Lincolnshire Apartments/Lincolnshire North Apartments Audit Reviews. Mr. Mayes distributed copies of the FY2008 audit reports of the Lincolnshire Apartments and Lincolnshire North Apartments. Mr. Mayes advised the Board to look at page 28 of the Audit statements, both of which note a significant deficiency that was previously and normally not reported on a year-to-year basis with these audits. There have been some audit-standard changes for non-profit audits and the auditing agency is now required to report such significant material facts as noted.

Judge Haire asked if Alexander and Company did the audits and if they found some significant deficiencies. Mr. Mayes said yes and they found some entries pertaining to depreciation expenses. There were some other adjustments made to the books. We have prepared a response, which is included in the notes, to refine the closing process. A response was submitted to the HUD project manager for their records. Mr. Mayes asked everyone to review the audit statements at their own leisure.

Judge Haire asked that when there are significant deficiencies, what steps were put in place for adequate controls. Mr. Mayes stated his department is currently in the process of establishing a 15-day closing process. What we're looking at is writing up accrual entries from accounts payable and accounts receivable. As with the agency's accounting system, *Logos*, there is considerable setup work and training that needs to be done in it. Mr. Mayes said that one of the biggest goals with *Logos* is to get the depreciable assets into the system where he is able to post depreciable assets. The financial statements reviewed by Alexander and Company, though, they want prepared in Microsoft Excel.

Judge Haire asked if AACCS does all of the financial accounting, when do bills come up with accounts payable, rent checks, and whether they flowed through AACCS or was deposited independently. Mr. Mayes said all of this flows through AACCS' accounting system. His department is looking into a process that if there are bills that haven't been timely paid that he is trying to keep these things on a timely schedule. If there are gaps in the entries, those will be addressed, he said. Judge Haire asked who does the monthly analysis. Mr. Mayes stated it is a team effort but he is the final reviewer in that process.

Judge Haire asked if the audit would be completed for 2008-2009 (FY2009) on Lincolnshire. Mr. Mayes said it should be close, but he can't be for sure. Judge Haire suggested the next Lincolnshire board meeting should be held right after the FY2009 audit, probably in October 2009. Judge Haire also asked if Mr. Mayes was asking approval for the Lincolnshire audits. Mr. Mayes replied no, he just wanted to share the reports with everyone.

New Policy Changes from HUD. Ms. Boling stated that she and Ms. Calloway attended a training conference about the changes from HUD.

System Secure and the "EIV" Income Verification System. One of the changes is HUD now has a system called "System Secure". An authorized person can log in and check your contracts and to see if you have the right amount of units, how much the property claims. Another new thing is the "EIV", that is, the *income verification system*. This system is to be able to get the income of any tenant living in Lincolnshire. It is suppose to tell you if there is fraud going on, i.e, if a tenant has a job, is on K-TAP or social security and has not turned it into the office.

System Access. The problem, though, Ms. Boling said, is that she has been trying to gain access to the EIV system since December 2008, but says she only gets put on hold. She said she then remains on hold for twenty minutes, then the system disconnects her. Ms. Boling stated she has e-mailed HUD, REAC, KHC and everyone else there is to e-mail. What the system has done is take out the user password, but the User ID is still there. Ms. Boling also stated she can get into everything else

but the income verification and she is still working on this. Ms. Boling stated she had contact with them on Saturday. HUD tells her to call REAC and REAC tells her to call HUD.

Judge Haire asked if the challenge pertained to any privacy issues or if it was just the bureaucracy of the system. Ms. Boling said it was the bureaucracy. She can not pull up anyone applicants' income, only those tenants who are already living in Lincolnshire Apartments. The tenants have to be in the system in order to have access to their file. Judge Haire asked if there was some way to initially notify HUD or if Ms. Boling has notified them by letter of the challenges. Judge Haire expressed his concern of not wanting an investigation due to Lincolnshire not having access to the system.

Mr. Kamuf stated the tenants sign a release of information form once they become a resident and their income has to be verified. Judge Haire stated that Lincolnshire needs to monitor that and to make sure Lincolnshire is in compliance. Could Lincolnshire be held accountable in the future for failing to do that? Ms. Boling said we possibly could, but there are paper trails that she has of who she has talked to, when and etc. Judge Haire suggested that Ms. Boling notify HUD in writing and to be sure and have every kind of proof that Lincolnshire is in compliance with and do it in writing.

Judge Haire suggested that Ms. Boling gather the needed information for his signature or for Mr. Logsdon's signature being unable to get into their system and for Lincolnshire to follow the requirements needed. Lincolnshire needs to show documentation that we have attempted getting into HUD's system.

Every HUD Property and Unit Accounting. Ms. Calloway stated that HUD has required every property to go to that system. Lincolnshire has been required to change the way staff submit their requests for the tenant information and the monthly housing assistance information. It was called "TRACS" and it is now "IMAX". There cannot be less than 90% error rate at this point. (It had started out at 50% and has progressed upward through the years.) The deadline to have the software updated to where it can be used through the wireless Internet was March 1, she said. Lincolnshire, though, had to wait on its late receipt the software. The software has now been installed and now Lincolnshire's on-site management submit off of IMAX to get their monthly reporting and billing information sent to KHC and subsequently to HUD. Once that report is done, IMAX then sends the report/request to HUD. Ms. Calloway stated that the information being sent is the tenants' change in income and so forth.

Ms. Calloway stated that Lincolnshire has a HUD-designated Market Rent rate for each apartment unit. Each month, Ms. Calloway performs Yearly Annual Certifications for each respective tenant scheduled for renewal that month. Tenants come in yearly to re-certify to submit documentation, sign-off, verifying through EIV or through their bank accounts. Tenants are required to turn in anything that affects their lease. Using the new system, this is much faster, she said. Ms. Calloway said that she is awaiting on a password to get into the new system so that she can be more efficient in her work.

Separate and Secure Files. Ms. Calloway said that Lincolnshire is now required to have separate tenant files in a secure location. The staff is now required to shred certain tenants' documents so they are not to be lying around where confidential information might be seen by unauthorized persons. Only Ms. Calloway and Ms. Boling will have access to the new system, she said. Judge Haire asked where the material is kept and whether it was better to have the material on site or not. Ms. Calloway stated that she doesn't have the material yet and she knows of a place to keep the material. Ms. Boling stated it would be better to have the material onsite so that the auditors would have access to it.

Ms. Calloway informed the Board members that there would be a need to keep in a separate secure location files pertaining to the Violence against Women Act, which was passed in 2005 and has now worked itself down to the project-based housing. This is to ensure that nobody is denied assistance or

terminating residence because of violence, so clients are now able to appeal. There are certain things that are now taken into account. The staff has had separate files to a degree to ensure that somebody can not come in with a release of information form. Another update pertains to a requirement that tenants present a social security number. The staff now also has to verify if a tenant is a citizen or non-citizen. Judge Haire asked if there were any issues like that at Lincolnshire. Ms. Calloway said no, not to date. There have been certain instances where this has come up. The staff does have a contact through KHC. There used to be a deduction where if a tenant had a child, the staff had to input each child's date of birth, and there would be a deduction right off the bat. Now, this is no longer acceptable and the staff has to wait on receipt of the actual social security card. If staff should receive the card six months later, they have to change the tenant's rent retroactively. That is not being done yet, and Ms. Calloway stated she is not looking forward to it.

Affirmative Fair Housing Plan. Staff will also have to implement the new Affirmative Fair Housing Plan into the Lincolnshires' Fair Housing Plan. That plan will have staff to include all of the previous items in the resident selection plan and to spell out exactly of what is required of the tenants. Most of these things need to be done by March 30, 2009. It is almost done, except for getting approved by Ms. Boling. Judge Haire asked if there were any questions. There were none.

Replacement of Lincolnshires' Roofs. Ms. Boling told the members that Lincolnshire had accepted bids for replacing the roofs at Lincolnshire Apartments. There was only one bid from this local area. The low bid has come from ICS (Innovative Construction Services) of Greenwood, Indiana, at \$192,000. The highest bid received was \$325,000. The ICS company was supposed to start today but they were unable to get shingles, so they should now start next week.

Residual Receipts Funding. Judge Haire asked if Lincolnshire Board approves those selections for bids. Ms. Boling stated these dollars are coming out of residual receipts funds that Phares Company holds for Lincolnshire. It is "excess cash" that is left over from the end of the year, after the audits show it. This is not coming out of projects' budgets. This will not come out of Lincolnshire's annual budget. Phares Company is holding money that can only be used for the properties' capital improvements.

Judge Haire asked what a Phares account was. Mr. Mayes noted that the Phares Company handles the properties' mortgage payments, which includes escrow accounts with the Lincolnshires' mortgage accounts.

Ms. Boling added that Lincolnshire had never yet done anything of the magnitude of the entire re-roofing, but this was necessary. There are three layers of roofing on the buildings. Judge Haire expressed his surprise and concern that there has not been any major capital improvements made since AACCS purchased Lincolnshire Apartments in 1995. Ms. Boling said there previously was insufficient cash flow to do so.

Reserve for Replacement. Both properties do also have a Reserve for Replacement account which can be used for major capital improvements, with HUD approval. A certain amount from each property is deposited into each account, but HUD has to approve anything that you use out of those accounts. Ms. Boling also said that if she needs to spend \$5,000 to replace a heating/cooling system, a reserve replacement account form has to be sent into HUD, so it can be approved.

Judge Haire asked when the roofing work will be done. Ms. Boling stated ICS is supposed to start next week. He also asked how many buildings there were at Lincolnshire. Ms. Boling said there were twenty-four (24) buildings on the property. She also noted that the price of shingles increased 40% as of March 1, 2009. So, luckily, the bids were put in before that date, she said.

Loss of Off-duty Police Officers as Security Officers. Ms. Boling informed the Board members that she received a notice from the City of Owensboro that as of mid-March the use of patrolling of off-duty Owensboro Police Department officers through Lincolnshire would increase from \$39 to \$43 per hour. The Lincolnshire properties were using three (3) officers working about thirty (30) hours a week prior to the City's increased charge of \$39 per hour. Earlier on, five officers were used at the Lincolnshire properties. After the increase to \$39 per hour, the utilization of uniformed off-duty officers was cut back to three (3) officers approximately eighteen (18) hours per week.. After the cost went up to \$43 an hour, Lincolnshire had to end the use of the officers, she said.

Judge Haire asked if Ms. Boling receives reports from the City regarding crime incidences. Ms. Boling said, once a year. Judge Haire asked if this was judged on the amount of officers that were needed. Ms. Boling stated it was based on what her office saw on a daily basis and the residents would like to see the officers. The officers that were patrolling were in uniform.

Judge Haire asked if there was another alternative that Ms. Boling has looked into. Ms. Boling stated she has not contacted any security firms, but that she has talked to a constable, Mr. Paul Westerfield.

Judge Haire noted to the members that the Sheriff's Office has a lot of interaction with the constables. You could sit down with the Owensboro Police Department and the sheriff's office. A lot of them are good guys, but they lack the training. Mr. Jones stated the police are going to be armed. There are liability issues. Having a security agency to come in and monitor would be less than what you were incurring before. Constables could be at \$25/hour, but going with a security agency, it might cost about \$10- \$15 per hour.

Judge Haire stated that it would not be a good idea to have untrained folks that are armed. Mr. Jones explained that most security agencies are not going to have armed security officers. There will be a presence of the uniform, but they can't react to the situation; that was a huge benefit. A police officer can act immediately and the city has an excellent response time. Security officers would have to call in to the Owensboro Police Department.

Ms. Lanham asked when the police officers were pulled. Ms. Boling said mid February. Then Ms. Lanham asked if Ms. Boling has experienced more activity going on at Lincolnshire. Ms. Boling stated there are about two police reports a day.

Vacancy Report on Lincolnshire and Lincolnshire North. Ms. Calloway informed the members that there were five (5) vacancies at Lincolnshire North; two (2) 1-bedroom apartments and three (3) 2-bedroom apartments, but those are not yet ready for re-leasing. In Lincolnshire, there are six (6) vacancies: three (3) 1-bedroom apartments and one is ready, three (3) 2-bedroom apartments, and one of them is ready for occupancy.

Lincolnshire Application Process. Judge Haire asked of how many applicants, and on average, Lincolnshire receives applications a day. Ms. Calloway stated it is varied and the office takes applications every day but the average is about one per day.

Judge Haire asked what the screening process was, was there a 60% "decline" (ineligibility) rate, or what was the general norm. Ms. Calloway said there would just be a few things that a person would be in-eligible. For example, if a person owed money to another subsidized housing complex, drugs or criminal behavior. Judge Haire asked if there were any instances of a person/couple's income being too high. Ms. Calloway said rarely. She also said there have been an increase in applicants that have been laid off and an increase in couples applying. Officer Jones asked how long do the applicants stay in the system after being verified. Ms. Calloway said it takes two weeks to receive a state criminal record on an applicant. There are applicants that have been on the waiting list since

November and December 2008 for a 1- bedroom apartment, but these people will have to get verified again due to not having that many 1-bedroom apartments open.

Reasons for Vacancies. Judge Haire asked about the reasoning for vacancies occurring. Ms. Calloway stated it is for non- payment of rent. There have been a few tenants where they have had someone staying in their apartment that hasn't been unauthorized to stay. Sometimes this becomes an issue.

Judge Haire asked if there were any questions. There were none.

On-site Property Manager's Report. Ms. Calloway stated that Lincolnshire "survived" the ice storm back in January. The Lincolnshire office checked on everyone who had health issues. Ms. Calloway also stated she had gone to the Salvation Army in order to help feed the tenants due to the ice storm.

Questions and Comments. Judge Haire asked if there were any questions or comments. Mr. Morton stated this was his last meeting because of moving out of Lincolnshire apartments because of financial matters and that he would be moving to a place on Carter Road.

Lincolnshire Boards' By-Laws. Officer Jones asked if the By-Laws could be made available so that everyone would know the roles of a Board member. Judge Haire asked Ms. Boling if she would make copies and get them out to each Lincolnshire Board member.

ADJOURNMENT

There being no further business,

The meeting was adjourned at 12:55 p.m.

Hon. Reid Haire
Chairperson