



# City of Greensboro

Date: March 12, 2009  
To: Bob Morgan, Interim City Manager  
From: Internal Audit Division  
Subject: Redwood Street Limited Partnership / Coley Jenkins Elderly Housing 2006-2007

The Internal Audit Division has completed our annual review of The Redwood Street Limited Partnership in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2006-2007 year. Attached you will find our review 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.

Len Lucas  
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development  
Dan Curry, Interim Director of Housing & Community Development



# City of Greensboro

Date: November 13, 2008  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit Division  
Subject: Redwood Street Limited Partnership/Coley Jenkins Elderly Housing 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 of Redwood Street Limited Partnership. This property received a loan provided by the City of Greensboro in the amount of \$556,000 and is non-interest bearing to help in the construction of 40 residential units located on Redwood Street. These units are called Coley Jenkins Independent Living Center. Senior Resources of Guilford is currently assisting in providing supportive services for residents.

The balance on the City's loan is due in full on December 1, 2027.

We accompanied Mr. Jim Teele, Housing Rehabilitation Specialist and Ms. Abby Feinstein, Specialist Community Services of the Department of Housing & Community Development (HCD), as they inspected approximately 15 percent of the units and some repairs were noted for the property. These issues have been forwarded to the Property Director to address before they escalate into costly problems.

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:**

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2007, their auditors, Dauby O'Connor & Zaleski, stated in their Independent Auditor's Report dated March 14, 2008 to the financial statements that "The Partnership currently has minimal cash balances, has unpaid operating expenses and property taxes, under funded reserves, and cash flow shortages are anticipated in 2008." "Those conditions raise substantial doubt about its ability to continue as a going concern." This comment was made by their auditor for year ended December 31, 2006, 2005, 2004 & 2003 as well.

The cash balance at December 31, 2007 was \$-0- and 2006 was \$258. The current assets plus restricted balances at December 31, 2007 was \$4,526 while the current liabilities balance were \$65,416 which makes a negative working capital of (\$60,890).

**RECOMMENDATION:**

The Partnership should advise the City of Greensboro how it plans to improve its financial position in regards to the City's loan of \$556,000.

We request a written signed response from the Wynnefield Properties Incorporated and HCD which should be received by November 26, 2008 and be mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27401.

We would like to thank Mr. Earnest Allen, Community Manager; Ms. Denise Lockhard, Regional Supervisor; Mr. Donald Friend, Maintenance Coordinator; Ms Joanie Duley, Corporate Management; and the staff of Wynnefield Properties 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: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager for Economic Development  
I. Norwood Stone, President of Wynnefield Properties, Incorporated



**Date:** November 12, 2008  
**To:** Norwood Stone, Wynnefield Properties  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** *FY08/09 Coley-Jenkins Programmatic Evaluation*

On October 8, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Coley-Jenkins Independent Living Center. Wynnefield Properties, 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 HOME Program and contractual requirements. In this monitoring review attention was paid to HOME 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, 2007 to June 30, 2008. 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. Joanie Duley, Corporate Management, Ms. Denise Lockhard, Regional Supervisor, Mr. Ernest Allen, Community Manager; Mr. Donald Friend, Maintenance Coordinator and Mr. Jim Blakely, Wynnefield Regional Property Manager..

The property is located at 2121 Redwood Dr. in Greensboro, NC. The January 1997 construction agreement included allocations of \$411,000 Federal HOME dollars and \$145,000 in local funds. Forty (40) 1BR HOME Assisted Units were created with an affordability of 30 Years. The 1<sup>st</sup> Amendment to the agreement allows for 16 units to be at or less than 50% rent limits (\$528/m) and 24 units at 51% to 60% rent limits (\$634/m).

40 TOTAL 1BR	Tenant Rent	Utilities	Total (Rent + Util.)
17 Units	\$380	\$41 or \$107	\$421 or \$487
23 Units	\$474	\$40- \$135 (\$107 RCRS)	\$514-\$609

Rent plus utilities do not exceed HOME limits.

None of the tenant incomes reviewed appears to have exceeded 140% of their maximum eligible income limit. Resident incomes are certified annually according to the NCFHA Rental Compliance Reporting System report but not by the HCD file review (See finding 1 below). The tenant files reviewed were not in good condition and while files that were updated recently contained most required back-up documentation others did not.

The occupancy at the time of the visit was 93%. The reported occupancy has remained around 96% from October 8, 2007 through October 8, 2008 which is good. This is 8% higher than the April 2008 area occupancy rate of around 88%. Section 8 housing vouchers are accepted and twenty-one (21) tenants receive this assistance.

HCD staff inspected six (6) units on October 8, 2008 and reported certain minor deficiencies that need attention in three (3) of those units. The exterior is in good condition with two (2) reported conditions. Please refer to the inspection report for details.

As a result of this review HCD staff is making three (3) findings 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. An *observation* can be either a positive comment about the agency, a clarification of policy interpretation, or a suggestion that may improve a service or element of operations.

### **Finding 1 – Cash Flow Deficit**

For five (5) consecutive years audit management letters have stated serious cash flow concerns. The CPA management letters have expressed doubt as to the likelihood of the property to remain a “going concern”.

#### **Requested Action**

Resolve this issue. Reply to the Internal Audit review which includes that as a finding.

### **Finding 2 – Failure to Recertify Tenant Income**

The tenant in unit 103 should have had an annual recertification in June of 2008. At the time of the visit, October 8, 2008, it had not been done. This is a violation of §92.203 “Income determinations” and §92.252(h) “Qualification as affordable housing: Rental housing” which makes it contractually non-compliant per §6.8 of the agreement dated January 27, 1997. The NCHFA RCRS shows this unit as having been recertified June 1, 2008. This is not accurate reporting.

#### **Requested Action**

Show evidence that the recertification process has been completed (or that the tenant eviction process has been initiated) within 10 days of receiving this report. This is a violation of Article VI - §6.8 (events of default) of the agreement dated January 27, 1997 and must be cured within the period specified under Article VI - Events of Default.

### **Finding 3 – Fair Housing Signage**

The fair housing logo was found on certain documents but there were no posters, signs or stickers, in public view that relayed management’s fair housing commitment. This is a violation of §4.6 of the agreement with the city and §92.351(a)(2)(ii) of the HOME Program.

Requested Action

Post the fair housing logo immediately in a visible location in the site office or entryway within 10 days of the receipt of this letter.

Concern 1 – Incomplete File

The file for unit 117 did not include a tenant income certification form at the time of the visit and the file was unorganized. This borders on a violation of §92.203 "Income determinations" and §92.252(h) "Qualification as affordable housing: Rental housing" which would make it contractually non-compliant per §6.8 of the agreement dated January 27, 1997. The NCHFA RCRS shows this unit as having been recertified August 1, 2008.

Requested Action


Provide evidence to HCD that the recertification process for this unit has been completed within the period specified under Article VI - Events of Default.


HCD staff requests that management review the Internal Audit report and reply to it as requested.

The intent of the first finding is to get immediate action regarding the serious financial issues facing the property. The intent of the second finding is to get immediate action regarding a failure to recertify a tenant's income. The intent of the third finding is to comply with Fair Housing, HOME Program and contractual, requirements. The concern expressed in this case is to heighten management awareness.

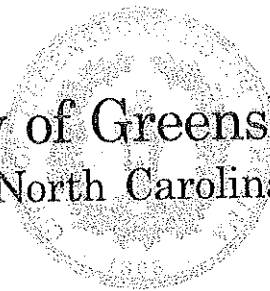
It is HCD staff opinion that the Coley-Jenkins Independent Living Center is out of compliance concerning listed contractual and HOME Program requirements. In addition the property continues to have serious financial problems which must be resolved. The property itself is in good condition and remains a decent housing option for qualified elderly households.

HCD staff appreciates the assistance provided during the monitoring visit by Wynnefield Properties staff.

  
Michael Blair  
Specialist Grants Compliance

  
Andy Scott  
Director HCD

City of Greensboro  
North Carolina



Len/Andy,  
As I understand  
City policy, we should  
send another letter to  
these folks telling that  
future allocations  
of funds from  
the City may  
be in jeopardy  
if they don't  
clean up this  
stuff now!  
— Ben  
10/23/07

RECEIVED  
OCT 23 2007  
City Manager's Office

October 18, 2007

CERTIFIED MAIL-Return Receipt Requested

Mr. I. Norwood Stone  
President  
Wynnefield Properties, Inc  
PO Box 395  
Jamestown, NC 27282

Re: Coley-Jenkins Elderly Housing

Dear Mr. Stone:

We are still due a response from Wynnefield Property Management for Coley-Jenkins review letter November 14, 2005 which was due to us by November 28, 2005; review letter dated November 28, 2006 which was due to us by December 12, 2006 and review letter dated August 13, 2007 which was due to us by August 27, 2007.

If you should have any questions, please let us know at telephone number 373-2821. We would like to have your responses to the reviews above as soon as possible so we can finalize these files.

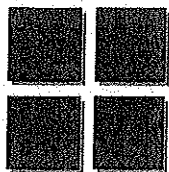
Sincerely,

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


Ben  
10/24/07  
Len/Andy



# HCD

Department of Housing & Community Development

## MEMO

**Date:** November 25, 2008  
**To:** Len Lucas, Internal Audit Director  
**From:**  Michael Blair, Specialist Grants Compliance  
**RE:** HCD Review of Coley Jenkins Internal Audit Report

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After review of the Internal Audit report on Coley Jenkins Limited Partnership/Wynnefield Properties, for 2006-2007, HCD submits the following:

### FINDING 1:

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2007, their auditors, Dauby O'Connor & Zaleski, stated in their Independent Auditor's Report dated March 14, 2008 to the financial statements that "The Partnership currently has minimal cash balances, has unpaid operating expenses and property taxes, under funded reserves, and cash flow shortages are anticipated in 2008." "Those conditions raise substantial doubt about its ability to continue as a going concern." This comment was made by their auditor for year ended December 31, 2006, 2005, 2004 & 2003 as well.

The cash balance at December 31, 2006 was \$-0-. The current asset plus restricted balances for the same period was \$4,526 while the current liabilities balance were \$65,416 which is a negative working capital of (\$60,890).

### RECOMMENDATION 1:

The Partnership should advise the City of Greensboro how it plans to improve its financial position in regards to the City's loan of \$556,000.

- **HCD Reply to Recommendation 1:** HCD shares concern with the financial condition of this property and has again addressed this in a programmatic review. This is a primary portfolio management concern.





*Date:* December 2, 2008  
*To:* Andy Scott, Director of Housing & Community Development  
*From:* Internal Audit Division  
*Subject:* HCD Reply to IA Report-Coley Jenkins Audit 2006-2007

Thank you for your reply of November 25, 2008. Internal Audit agrees with the Department of Housing & Community Development's response to IA's subject report dated November 13, 2008.

A handwritten signature in black ink, appearing to read 'M. Kerans'.

Mickey Kerans  
Internal Auditor

A handwritten signature in black ink, appearing to read 'Len Lucas'.

Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager  
Jim Westmoreland, Acting Assistant City Manager for Economic Development

**Wynnefield Properties**

5614 Riverdale Dr. Jamestown NC 27282 Phone: 336-454-6134 Fax: 336-454-6226

February 27, 2009

Mickey Kearns  
City of Greensboro  
300 Washington St.  
P.O. Box 3136  
Greensboro, NC 27402-3136

Dear Mickey:

In response to the City of Greensboro's Internal Audit Division letter dated November 13, 2008, concerning Coley Jenkins Independent Living Center, please find our response to the City's findings below.

- Wynnefield is continuing to seek to stabilize the property by various means. We are working to find better operating financial terms and conditions by re-negotiating the current loan agreement. We are seeking to secure a property tax reduction or elimination; by finding a qualified non profit to acquire the property and eliminate its tax obligation. We are also seeking to secure obligations laid out in the initial tax credit application for the benefit of Coley Jenkins Independent Living Center. We have met with the City of Greensboro staff, HCD staff, WNC, and CICNC staff to inform each party of the current financial conditions in an attempt to work in concert to find a long term viable solution.

Should you have further questions regarding our response concerning Coley Jenkins Apartments, please contact us at 454-6134.

Regards,

Craig Stone  
Wynnefield Properties

City of Greensboro  
North Carolina



March 9, 2009

Mr. Craig Stone  
Wynnefield Properties  
P. O. Box 395  
Jamestown, NC 27282

Re: Redwood Street Limited Partnership-2006 to 2007

Dear Craig:

We are in receipt of your letter dated February 27, 2009 via e-mail on March 6, 2009. Your letter was a reply to the City's Internal Audit report dated November 13, 2008 for the 2006 to 2007 Year End. We have reviewed your letter and agree with responses and corrective measures.

Sincerely,

A handwritten signature in black ink, appearing to read "M. Kerans".

Mickey Kerans  
Internal Auditor

A handwritten signature in black ink, appearing to read "Len Lucas".

Len Lucas  
Internal Audit Director

Cc: Bob Morgan, Interim City Manager  
Dan Curry, Acting Director of Housing & Community Development  
Andy Scott, Interim Assistant Manager of Economic Development