

City of Greensboro

Date: October 10, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Trinity Building Corporation

The Internal Audit Division has completed our annual review of Trinity Building Corporation in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2005-2006 grant year. Attached you will find our review report; the programmatic 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: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



Date: August 31, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Trinity Building Corporation 2005-2006

The Internal Audit Division has performed our compliance review of the year ended December 31, 2006 of Trinity Building Corporation. This property received a non-interest bearing loan in the amount of \$70,000 provided by the City of Greensboro to help in the rehabilitation of 152 apartments located at Carrieland Drive, Fairbrother Street and Tillman Avenue. Professional Realty and Management Company manages this property. These units are called Trinity Garden Apartments and are rented to families or individuals based upon their ability to pay.

We accompanied Mr. Doug Booth and Mr. Michael Blair, of the Department of Housing & Community Development, as they inspected the exterior buildings and grounds of Trinity Garden Apartments and some repairs were noted for the property. A copy of these issues were given to the Property Manager to address before they escalate into costly problems.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Repayment of the loan is based upon a percentage of cash flows and any unpaid balance is due in full October 1, 2018. As of December 31, 2006, there was no payment due and a current loan balance due of \$65,003.

Based on our review, it appears that the funds have been spent according to the terms of the loan agreement except for the findings described below:

FINDING:

In reference to the Trinity Garden Apartments audited financials for fiscal year ended December 31, 2006 and 2005, below are the following finding:

- a. The entity's working capital (excluding Accrued Interest Payable) as of December 31, 2006 increased negatively to (\$86,862) from a deficit of (\$57,824) in 2005.
- b. The current ratio at 2006 was .153 to 1 and for 2005 was .260 to 1. The current ratio is a measure of the entity's ability to pay its current liabilities in a timely manner. With the current ratio less than 1 (one), then Trinity Gardens would have difficulty paying its current liabilities.

RECOMMENDATION:

Trinity Building Corporation should continue to work to decrease the negative working capital and improve its ratio of current assets to current liabilities.

We request a written signed response from Professional Realty and Management Company which should be received by September 13, 2007 with a copy to the Department of Housing & Community Development (HCD) and the Internal Audit Department.

We also request a written signed response from HCD on this review which should be received on or before September 13, 2007.

We would like to thank the staff of Professional Realty and Management Company; Ms. Michelle Thomas, Property Manager; and Ms. Tracy Rogers, Administrative Assistant of Trinity Gardens Apartments 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.



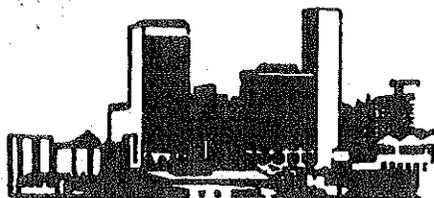
Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
W. G. Nelson, President of Professional Realty and Management Company

R-9/13/07



Professional Realty and Management Co.

5501 Executive Center Drive Suite 201
P.O. Box 25762
Charlotte, North Carolina 28229-5762
704/537-0609 FAX 704/567-2666

September 12, 2007

Mickey Kerans
City of Greensboro
P O Box 3136
Greensboro, NC 27402-3136

RE: Trinity Gardens Apartments
Greensboro, NC

Mr. Kerans:

We have reviewed the August 31, 2007 report which reflects an increase in working capital deficit for FY-2006 from FY- 2005.

This is to advise your office that management will reinforce its effort to reduce the negative working capital deficit for this property.

Should you have questions, please contact this office.

Sincerely,


W. G. Nelson

CC: Willard Wiley



City of Greensboro
North Carolina

September 14, 2007

Mr. W. G. Nelson
Professional Realty & Management LLC
P. O. Box 25762
Charlotte, NC 28229

Re: Trinity Garden Apartments-2004 to 2005

Dear Mr. Nelson:

We are in receipt of your letter dated September 12, 2007 reference the City's Internal Audit report letter dated August 31, 2007 for the 2005 to 2006 Year. Your timely response to our report is appreciated. We have reviewed your letter and agree with your responses and corrective measures.

Sincerely,

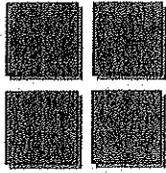


Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



HCD

Department of Housing & Community Development

RLW

MEMO

Date: September 10, 2007
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Trinity Gardens Audit Report

After review of the draft August 27, 2007 Internal Audit report of the Trinity Building Corporation, for 2005-2006, HCD submits the following:

IA FINDING 1:

- a. The entity's working capital (excluding Accrued Interest Payable) as of December 31, 2006 increased negatively to (\$86,862) from a deficit of (\$57,824) in 2005.
- b. The current ratio at 2006 was .153 to 1 and for 2005 was .260 to 1. The current ratio is a measure of the entity's ability to pay its current liabilities in a timely manner. With the current ratio less than 1 (one), then Trinity Gardens would have difficulty paying its current liabilities.
- c. Cash-Operations decreased to \$8,182 in 2006 from \$27,748 in 2005.

IA RECOMMENDATION 1:

Trinity Building Corporation should continue to work to decrease the negative working capital and improve its ratio of current assets to current liabilities and increase its Cash-Operations balance.

- **HCD reply to Recommendation 1:** Concur.

On the recommendations HCD concurs with the Internal Audit report.



City of Greensboro

Date: October 5, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Trinity Gardens 2005-2006

Thank you for your reply of September 10, 2007 which was delivered to Internal Audit on October 3, 2007. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated October 31, 2007.

Mickey Kerans
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development