

Internal Audit Division
City of Greensboro



June 17, 2011

TO: Rashad Young, City Manager
FROM: Internal Audit Division
SUBJECT: Redwood Street Limited Partnership

The Internal Audit Division has completed our annual review of The Redwood Street Limited Partnership along with a Programmatic Review by the Planning & Community Development Department for the 2008-2009 grant 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.

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

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Sue Schwartz, Interim Director of Planning & Community Development

December 23, 2010

TO: Sue Schwartz, Interim Director of Planning and Community Development
FROM: Internal Audit Division
SUBJECT: Redwood Street Limited Partnership 2008-2009

The Internal Audit Division has performed our compliance review of the year ended December 31, 2009 of Redwood Street Limited Partnership (Borrower). 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 at 2121 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 of the Department of Planning and Community Development (PCD) on September 30, 2010 as he inspected approximately 15 percent of the units and some repairs were noted for the property. 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. 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:

The current assets at December 31, 2009 were \$18,301 while the current liabilities balance were \$49,854 which makes a negative working capital of (\$31,553). As a result of a \$80,000 grant for operational assistance received from the City of Greensboro in 2009, the Borrower was able to improve their working capital position of negative (\$75,255) in 2008 to a negative (\$31,553) in 2009.

RECOMMENDATION:

The Partnership should advise the City of Greensboro how it plans to improve its financial position.

FINDING:

The Borrower did not provide the City a Management Letter for fiscal year ending December 31, 2009 until September 29, 2010.

RECOMMENDATION:

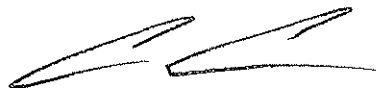
Per the Loan Agreement with the City, the Borrower is required to provide a Management Letter within 90 days of their fiscal year end.

We request a written signed response from the Wynnefield Properties Incorporated and the Department of PCD which should be received by January 6, 2011 and be mailed to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Brooke Hall, Property Manager; Ms. Miah Strader, Regional Property Manager; 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
I. Norwood Stone, President of Wynnefield Properties, Incorporated

December 21, 2010
Coley Jenkins Apartments
Norwood Stone, Wynnefield Properties
PO Box 395
Jamestown, NC 27282



Re: Coley Jenkins Limited Partnership Loan Agreement - Dated January 27, 1997
December 31, 2009 balance - \$556,000

Mr. Stone,

City of Greensboro staff conducted an on-site monitoring visit of Coley Jenkins Apartments on September 30, 2010. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other federal requirements were being met. This letter summarizes the results of the City's monitoring on the above date.

For clarification purposes a "finding" is defined 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 a comment about the property or a suggestion that may improve a service or element of operations.

Certification of Tenant Incomes: The onsite file review confirmed compliance with certification and recertification requirements. The individual files reviewed were: 107; 125; 140; 118; 131 and 141. The files were in good condition and included all required documents.

Rents: The property consists of forty (40) 1BR HOME Assisted Units with an affordability period of 30 Years. The 1st Amendment to the agreement allows for 16 units to be at or less than 50% rent limits (\$551/m) and 24 units at 51% to 60% rent limits (\$661/m).

Current Rents:

1/BR/50% - \$405; UA - \$101 = \$506 total housing cost (16 units)

1/BR/60% - \$499; UA - \$101 = \$600 total housing cost (24 units)

The unit rents are in compliance with the agreement.

Affirmative Marketing: No Findings or Concerns noted.

Property Standards: The units were in good condition except for items noted for repair in 4 of the 6 units. The exterior was also in overall good condition with the exception of two needed repairs or maintenance. Details can be found in the inspection dated September 30, 2010.

Required Corrective Action:

Please make all necessary repairs and send copies of the work orders to HCD for confirmation within 30 days of the date of this report to michael.blair@greensboro-nc.gov.

Lead Based Paint: The property is not subject to lead-based paint requirements having been constructed post 1978.

Residential Lease: All leases are for one year as required by the agreement. No findings or concerns noted.

Contractual Compliance: The purpose of the January 1997 construction agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property.

Finding # 1: The management letter for FYE2009 was not received until September 29, 2010.

Required Corrective Action: To adhere to the agreement §5.4 and submit both the audit and management letter within 90 days of the FYE.

Asset Management: No findings or concerns noted.

Rental Property Scoring Report: 64.5 (54.5 in 2009)

Observation # 1: A score of 64.5 (out of 100 possible points) places Coley Jenkins Apartments in the red rental scoring category. The prior year score was 54.5.

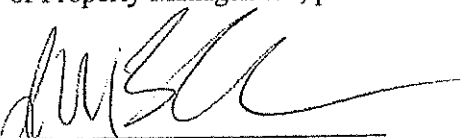
Required Corrective Action: Being in the red category may increase the level of monitoring by HCD and Internal Audit staff. The score was primarily lowered by low occupancy, late payment on 2009 property taxes, and extremely high vacant unit off-line time of 298 days.

| Indicator | Result | Deducted or added |
|---|---------------|-------------------|
| Physical Occupancy 9/09-9/10 | 84.4% | -10 |
| Difference between Physical Occupancy and Econ. Occupancy | >2% | 0 |
| Average Vacant Unit Off-line Time | 298 | -8 |
| Maintenance Response Time | around 2 days | 0 |
| Overall Physical Condition | "Good" | 0 |
| Per Unit Cash Flow | >180 | 0 |
| Hard Debt Service Coverage Ratio | 1.9 | 0 |
| Timely Delivery of External Audit | No (Late ML) | -1.5 |
| Adhering to HOME, PJ, Agreement and/or Note and Deed | No (Late ML) | -2.5 |
| Adhering to Reporting Standards | Yes | 0 |
| Cash Flow | positive | 0 |
| Resident Turnover Rate | 3% | 0 |
| Property Taxes Paid Ontime | No (12-16-10) | -10 |
| Reserve requirements met | N/A | 0 |
| Replacement reserve Minimum of \$1,000/unit | No | -2 |

Summary: Overall the property provides decent housing to qualified residents.

There is no need to respond to Finding #1 in this letter. The only reply to HCD that is required by this report are the work orders, in response to the physical inspection report, within 30 days of the date of this report. The Internal Audit report included 2 findings and requested a reply.


HCD staff appreciates the assistance and documentation that Ms. Joanie Duley, Corporate Management; Mr. Donald Friend, Maintenance Coordinator; Brook Hall, Property Manager; Ms. Miah Strader, Director of Property Management; provided during the monitoring visit.


Michael Blair, AICP
Analyst Grants Compliance


Sue Schwartz, FAICP
Interim Director
Planning & Community Development



MEMO

Date: March 7, 2011
To: Len Lucas, Internal Audit Director
From:  Michael Blair, PCD
RE: Coley Jenkins - Audit Report

HCD concurs with Internal Audit's CYE December 31, 2009 Internal Audit review.

Internal Audit Division
Executive Department
City of Greensboro



March 8, 2011

TO: Sue Schwartz, Interim Director of Planning & Community Development
FROM: Internal Audit Division
SUBJECT: Coley-Jenkins, 2008-2009

Thank you for your reply of March 7, 2011. Internal Audit agrees with the Department of Planning & Community Development's response to Internal Audit's subject report dated December 23, 2010.

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

March 31, 2011

Charles Kerans
Len Lucas
Mr. Michael Blair
City of Greensboro
200 Washington Street
P. O. Box 3136
Greensboro, North Carolina 27402

Re: Coley-Jenkins (Redwood Street Limited Partnership)

Dear Len,

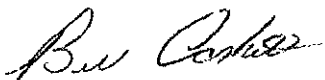
This letter is to address the City of Greensboro Internal Audit Division letter dated December 23, 2010 concerning Coley-Jenkins(Redwood Street). As we have previously stated the rental structure is hindering the financial status due to seniors receiving limited resources of income. With medical expenses, electricity, and cost of living, our seniors are on a "fixed" budget which does not allow for the rent structure of \$405 and \$499.00 per month. A recommendation is that the rents be reduced in order to take our rents to a financially affordable rent structure for seniors. At full occupancy, Coley is more financially stable with a reduced rental structure than experiencing vacancies.

Heavy marketing at Senior Centers in Greensboro will continue to be in effect, flyers at local churches, food banks, and involvement with the local Section 8 offices will continue.

Finding-- Management Letter-we have discussed the issue with our external auditors, and the Management Letters have been submitted (see attached) for 2010 reports. Management Letters are now completed at the time of the final audit reports.

Please feel free to contact me in regards to the rental reduction for the financial integrity of Coley-Jenkins.

Sincerely,



Bill Cashatt, CFO



Internal Audit Division
City of Greensboro

June 15, 2011

Mr. Bill Cashatt
Wynnefield Properties, Inc.
P. O. Box 395
Jamestown, NC 27282

Re: Coley-Jenkins Apartments-2008 to 2009

Dear Mr. Cashatt:

We are in receipt of your letter dated March 31, 2011 which we received on April 1, 2011. We appreciate Wynnefield's reply to our review report dated December 23, 2010, which we requested a response from Wynnefield on or before January 6, 2011. We are in agreement with Wynnefield's response for Partnership's improvement of its financial position; and the submission of the Management Letter dated March 1, 2011.

Sincerely,

Tina McKoy
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager
Sue Schwartz, Interim Director of Planning & Community Development