

Internal Audit Division
City of Greensboro



April 5, 2013

TO: Mary Vigue, Assistant to the City Manager

FROM: Internal Audit Division

SUBJECT: New Garden Associates Limited Partnership 2010-2011
(No Response Required)

The Internal Audit Division has completed our annual review of The New Garden Associates Limited Partnership along with a Programmatic Review by the Planning & Community Development Department for the 2010-2011 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.



Len Lucas
Internal Audit Director

Cc: Andy Scott, Assistant City Manager for Economic Development (via email)
Sue Schwartz, Director of Planning & Community Development



January 9, 2013

TO: Sue Schwartz, Director of Planning and Community Development
FROM: Internal Audit Division
SUBJECT: New Garden Associates Limited Partnership 2010-2011
(Written Response Required by January 23, 2013)

The Internal Audit Division has performed our compliance review of the year ended December 31, 2011 of the New Garden Associates Limited Partnership, which consists of 76 units for low-income individuals or families located at 1622 McPherson Street. This Partnership received a loan in December 1992 for \$1,299,220 from the City of Greensboro to help in the rehabilitation of the apartment units. These units provide housing for qualified individuals and families in the Greensboro area. These units are called the New Garden Place Apartments and are managed by Wynnefield Properties, Incorporated.

Principal payments were to begin September 1, 1994 at 75% of gross receipts after deducting all normal and reasonable operating and capital expenses actually incurred and payments into the Capital Replacement Reserve Account (limited to \$175,000). The City's principal balance as of December 31, 2011 was \$1,297,124. There was no principal payment due to the City as a result of the Partnership's cash flow at year end. The Capital Replacement Reserve Account balance was \$81,411 for the year ended December 31, 2011. The City loan is due in full November 1, 2022.

In the Partnership's financial statements for fiscal year ended December 31, 2012, a first mortgage with Wachovia Bank (Wells Fargo) for \$622,929 was reported in the current liabilities; due and payable in full in April, 2012. This resulted in the Partnership having a negative working capital of (\$619,636) with current assets of \$25,753 minus current liabilities of \$645,389. It appears the Partnership received a loan extension with the balance maturing on December 1, 2012. The principal balance on the loan at October 31, 2012 was \$605,735. We ask that the Partnership keep the City informed of additional changes to the term of the loan, if any.

Ms. Von Patrick, Neighborhood Outreach Specialist for the Department of Planning and Community Development ("PCD"), inspected approximately 16 percent of the units and some minor repairs were noted. Overall the exterior of the units inspected appear to be well maintained.

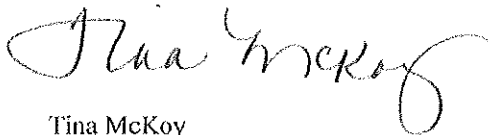
We examined selected program documentation maintained by the partnership for compliance with the loan agreement. Based on our review, it appears that the terms of the loan agreement have been met with the following exception:

FINDING: At fiscal year ended December 31, 2011, the Partnership reported a deficit in net assets of (\$587,280); which increased (\$106,605) from the (\$480,675) reported at fiscal year ended December 31, 2010. Also, the current ratio was .04 to 1 (current liabilities were 25 times greater than current assets) as a result of the first mortgage with Wachovia Bank (Wells Fargo) becoming due and payable in 2012.

RECOMMENDATION: The Partnership should explain to the City how they plan to improve its financial position.

We request a written and signed response from the Department of Planning and Community Development and Wynnefield Properties by January 23, 2013 and mailed to City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Joanie Duley, Corporate Management; Ms, Miah Strader, Regional Property Manager; 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 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Mary Vigue, Assistant to the City Manager
Norwood Stone, President of Wynnefield Properties, Incorporated.
George Carr, President of Beacon Management



January 4, 2013

New Garden Place Apartments
Norwood Stone, Wynnefield Properties
PO Box 395
Jamestown, NC 27282

Re: New Garden Place Apartments
Loan Agreement - Dated December 30, 1992
December 31, 2011 Loan Balance: \$1,297,124
December 31 2011 Capital Replacement Reserve Acc. Balance: \$81,411

City of Greensboro staff conducted an on-site monitoring visit of New Garden Place Apartments on July 9, 2012 of 16 percent of the units and some minor repairs were noted for the property. 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.

Certification of Tenant Incomes: The files were in good condition and included all documents.

Lead Based Paint: The property is not subject to lead-based paint requirements.

Residential Lease: All leases are for one year.

Rents: Seventy-Six units (all HOME units) were created with an affordability period of thirty (30) years. Rents would not exceed 42% of the adjusted income of tenants at 42% of Median Income.

Property Standards: The units were in average to fair condition with some minor repairs noted. The exterior was also in overall average to fair condition.

Contractual Compliance: The purpose of the agreement dated December 30, 1992 is to regulate and restrict occupancy, rents, operation, ownership and management of the property. No findings or concerns.

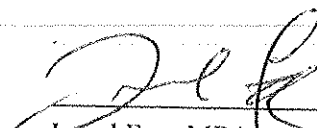
Occupancy: is good at 88.23%


Summary: Overall the property is being maintained and generally provides decent housing to qualified residents.

There was no reply to PCD required by this report. The Internal Audit report had several finding. At fiscal year ended December 31, 2011, the Partnership reported a deficit in net assets of (\$587,280); which increased (\$106,605) from the (\$480,675) reported at fiscal year ended December 31, 2010. Also, the current ratio was .04 to 1 (current liabilities were 25 times greater than current assets) as a result of the first mortgage with Wachovia Bank (Wells Fargo) becoming due and payable in 2012.

The Partnership should explain to the City how they plan to improve its financial position.

PCD staff appreciates the assistance and documentation that the staff of New Garden Place Apartments provided during the monitoring visit.


Jamal Fox, MPA
Admin Support


Sue Schwartz, FAICP
Director, Planning & Community Development



MEMO

Date: December 31, 2012
To: Len Lucas, Internal Audit Director
From: Jamal Fox, MPA
RE: 2010-11 PCD Review of New Garden Associates

PCD concurs with the Internal Audit FY2010-11 review.

Internal Audit Division
Executive Department
City of Greensboro



January 9, 2013

TO: Sue Schwartz, Director of Planning & Community Development
FROM: Internal Audit Division
SUBJECT: New Garden Associates Limited Partnership 2010-2011

Thank you for your reply dated December 31, 2012. Internal Audit agrees with the Department of Planning & Community Development's response to Internal Audit's subject report dated January 9, 2013.

A handwritten signature in cursive script, appearing to read "Tina McKoy".

Tina McKoy
Internal Auditor

A handwritten signature in cursive script, appearing to read "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Mary Vigue, Assistant to the City Manager

Attachment



February 28, 2013

Mr. Norwood Stone, President
Wynnefield Properties, Inc.
P O Box 395
Jamestown, NC 27282

RE: New Garden Associates Limited Partnership (Loan #511533)

Dear Mr. Stone:

We are still awaiting your response to our report letter for New Garden Place Apartments dated January 9, 2013. Please forward your response to City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27403-3136 as soon as possible.

Thank you.

Sincerely,

A handwritten signature in cursive script that reads "Tina McKoy".

Tina McKoy
Internal Auditor

A handwritten signature in cursive script that reads "Len Lucas".

Len Lucas
Internal Audit Director

Cc: Jim Westmoreland, Deputy City Manager
Mary Vigue, Assistant to the City Manager
Sue Schwartz, Director of Planning & Community Development
George Carr, President of Beacon Management

Attachment

Internal Audit Division
City of Greensboro



January 9, 2013

TO: Sue Schwartz, Director of Planning and Community Development
FROM: Internal Audit Division
SUBJECT: New Garden Associates Limited Partnership 2010-2011
(Written Response Required by January 23, 2013)

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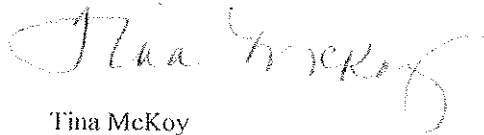
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Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Mary Vigue, Assistant to the City Manager
Norwood Stone, President of Wynnefield Properties, Incorporated.
George Carr, President of Beacon Management

Wynnefield Properties

March 15, 2013

To: City Of Greensboro-Internal Audit Division
Tina McCoy, Internal Auditor/Len Lucas-Internal Audit Director
Sue Schwartz, Interim Director of Planning & Community Development
Mary Vigue, Assistant to the City Manager
400 West Washington Street
Greensboro, NC 27402

RE: New Garden Limited Partnership, 2010-2011

Dear Tina,

I am receipt of your letter dated January 9, 2012, and wish to express my appreciation to you for your cooperation regarding the delay of your findings regarding the recent audit at New Garden Homes.

Response for Finding --Mortgage- Post two extensions with Wells Fargo-we are anticipating the final on the refinancing of the loan for New Garden. We have been informed that the interest rate will be 4.250%, vs. the prior rate of LIBOR plus 2.5%, adjusted monthly-not to exceed 9.12 %, which will result in a savings to the property. Regional Property Manager-Justin Wood is utilizing all marketing efforts by outreach to Section 8, attending local church meetings to attract prospective residents and sending out direct mail flyers to local zip codes. Our Maintenance crew has been working diligently on units at New Garden for occupancy, as the properties age does present an issue. The units are priced at a very reasonable rate for LIHTC prospects, which is very competitive for the northeast Greensboro area.

Please feel to contact me if you need any further assistance.

Respectfully Submitted,



Bill Cashatt, CFO
Wynnefield Properties, 336-454-6134, x1.23
cc: Norwood Stone, COO
Craig Stone, President
Mr. George Carr
Joanie Duley



Internal Audit Division
City of Greensboro

April 1, 2013

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

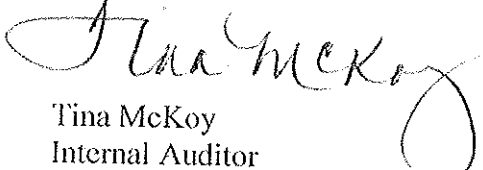
Re: New Garden Limited Partnership

Dear Mr. Cashatt:

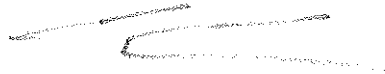
We are in receipt of Wynnefield's letter dated March 15, 2013 (received March 27, 2013) in response to our report dated January 9, 2013. We appreciate and concur with your response to our finding.

As always, it is a pleasure working with you.

Sincerely,



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Jim Westmoreland, Deputy City Manager
Mary Vigue, Assistant to the City Manager
Sue Schwartz, Director of Planning & Community Development
George Carr, President of Beacon Management