



DATE: January 22, 2016
TO: Jim Westmoreland, City Manager
FROM: Internal Audit Division
SUBJECT: Redwood Street Limited Partnership 2013-2014
(No Response Required)

The Internal Audit Division has completed our review of the Redwood Street Limited Partnership for the 2013-2014 fiscal year along with a Programmatic Review by the Neighborhood Development Department. Attached you will find our review report; 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 Chris Wilson, Assistant City Manager
Barbara Harris, Director of Neighborhood Development Department
Lamont Taylor, Administrative Services Manager for Neighborhood Development
Caitlin Warren Bowers, Grant Administrator for Neighborhood Development



DATE: December 3, 2015

TO: Barbara Harris, Director of Neighborhood Development

FROM: Internal Audit Division

SUBJECT: Redwood Street Limited Partnership 2013-2014
(Written Response Required by December 17, 2015)

The Internal Audit Division has performed our compliance review for the year ended December 31, 2014 of Redwood Street Limited Partnership ("Partnership"). The property, Coley Jenkins Independent Living Center ("Project"), received a non-interest bearing loan provided by the City of Greensboro ("City") in the amount of \$556,000 to help in the construction of 40 residential units located at 2121 Redwood Street. This property is managed by Wynnefield Properties, Incorporated. The balance on the loan is due in full on December 1, 2027.

Ms. Von Patrick, Neighborhood Outreach Specialist of the Planning Department, inspected approximately 15 percent of the units and no repairs were noted for the property at the time. Also, the exterior buildings and grounds were noted to be in excellent condition. A copy of the report was given to the Property Manager.

In regards to the Project's cash flow, Note 7 of the audited financial statements for the year ended December 31, 2014 states: "The Project has required the deferment of the collection of management fees and payroll costs by management, advances from affiliates, and suspension of deposits into the reserve for replacements in order to meet its financial obligations. It is likely that this deferral along with future advances will be required in the future for the Project to continue to meet its obligations."

The current assets of the Partnership at December 31, 2014 were \$4,079 while the current liabilities were \$57,886; resulting in a negative working capital of (\$53,807). However, \$20,614 of the \$57,886 (approximately 36%) in current liabilities is due to affiliates. As disclosed in Note 4 to the audited financial for fiscal year ended December 31, 2014, it states: "The Limited Partner advanced \$80,692 to the Partnership in prior years to fund payment of past due property taxes and insurance expenses. The \$80,692 advanced is still outstanding at December 31, 2014 and 2013. An affiliate of the Managing General Partner advanced \$14,142 to the Partnership in prior years to fund payment of past due property taxes. The \$14,142 advanced is still outstanding at December 31, 2014 and 2013. Collectively, as of December 31, 2014 and 2013, \$94,834 remained payable to the Partners and affiliates."

"Affiliates of the General Partner had deferred the reimbursement of operating expenses throughout the years ended December 31, 2014 and 2013. The amounts outstanding at December 31, 2014 and 2013 totaled \$20,614 and \$15,537, respectively."

The Partnership should continue to seek ways of improving its financial position.

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: We have not received the Partnership's Management Letter for fiscal year ended December 31, 2014.

RECOMMENDATION: Financial reporting should be submitted in accordance with the written loan agreement. Please submit the Partnership's Management Letter. If a Management Letter was not issued, please ask your auditors to provide us a letter stating such on the firm's letterhead (signed and dated) as soon as possible.

We request a written and signed response from the Neighborhood Development Department and Wynnefield Properties, Incorporated by December 17, 2015; 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 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: Jim Westmoreland, City Manager
Chris Wilson, Assistant City Manager
Caitlin Warren Bowers, Grant Administrator, Neighborhood Development
I. Norwood Stone, President of Wynnefield Properties, Incorporated



NEIGHBORHOOD DEVELOPMENT

November 30, 2015

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

Re: Coley Jenkins Limited Partnership Loan Agreement \$556,000 - Dated January 27, 1997
Loan Balance (\$556,000) Due in Full: December 1, 2027

Mr. Stone:

City of Greensboro staff conducted an on-site monitoring visit of Coley Jenkins Apartments on September 29, 2015. The property is located at 2121 Redwood Street. The purpose of the monitoring review was to determine whether the terms of the loan agreement and other requirements were being met. The property is a new construction funded with \$556,000 in HOME Program funds consisting of 40 residential units for the elderly. This letter summarizes the results of the City's monitoring on the above date.

- **Certification of Tenant Incomes:** The files were in good condition, in logical order, and included all necessary documents as well as proper income certification.
- **Lead Based Paint:** The property is not subject to lead-based paint requirements.
- **Residential Lease:** All leases are for one year as required by the agreement.
- **Rents:** The property consists of forty (40) one bedroom 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 and 24 units at 51% to 60% rent limits. The 2015 LIHTC rent plus utility limits are as follows:

	LIHTC (50%)	LIHTC (60%)
1 bedroom	\$551	\$662

Current rents with utilities at Coley Jenkins Apartments do not exceed \$572. The unit rents reviewed at the time of the audit are in compliance with the agreement.

- **Property Standards:** Approximately fifteen (15) percent of the units were inspected with no repairs noted. The exterior buildings and grounds were found to be in excellent condition. No findings or concerns.
- **Contractual Compliance:** The purpose of the January 1997 construction agreement is to regulate and restrict occupancy, rents, operation, ownership, and management of the property. No findings or concerns.

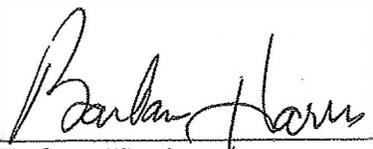
Property Base Indicators

Red Flag Indicators	Threshold	Property results	Red Flag
Physical Occupancy FY 14/15	>85%	93.0%	-
Average Vacant Unit Offline Time	<45 Days	102.8 Days	Yes
Adhering to HOME and/or Agreement	Achieved	Yes	-
Change in Revenue	Positive	No	Yes
Affirmative Marketing Policy	Adherence	Yes	-
Property Taxes Paid On Time	Achieved	Yes	-

Summary: There are two (2) red flag indicators regarding Average Vacant Unit Offline Time and negative Change in Revenue. Both of these indicators should be focused on by the management of Wynnefield Properties to show improvement in the next fiscal year. Overall, Coley Jenkins Apartments is well maintained, managed, and provides decent housing to qualified residents. Neighborhood Development does not require a reply at this time. The Internal Audit report had one (1) finding and requested a reply.

Neighborhood Development staff appreciates the assistance and documentation provided by Ms. Joanie Duley, Corporate Management and the staff of Wynnefield Properties during the monitoring visit.


Charla Gaskins
Federal Compliance Coordinator


Barbara Harris
Director, Neighborhood Development

Neighborhood Development
City of Greensboro



November 30, 2015

TO: Len Lucas, Internal Audit Director

FROM: Charla Gaskins, Federal Compliance Coordinator

SUBJECT: FY13-14 Neighborhood Development Review of Coley Jenkins Apartments Report

Neighborhood Development concurs with the information, findings, and recommendations of the Internal Audit FY 2013-14 review.

Thank you.

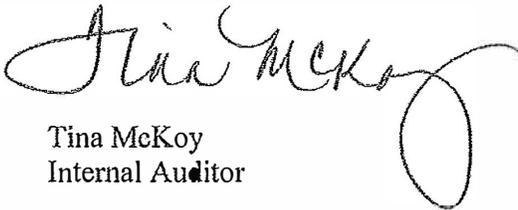
CG

Approved by: 
Barbara Harris, Director
Neighborhood Development

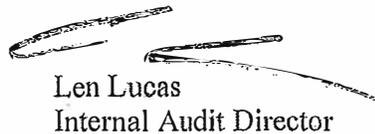


DATE: December 3, 2015
TO: Barbara Harris, Director of Neighborhood Development
FROM: Internal Audit Division
SUBJECT: Redwood Street Limited Partnership (Coley Jenkins) 2013-2014

Thank you for your reply dated November 30, 2015. Internal Audit agrees with the Neighborhood Development Department's response to Internal Audit's subject report dated December 3, 2015.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Jim Westmoreland, City Manager
Chris Wilson, Assistant City Manager
Caitlin Warren Bowers, Grant Administrator, Neighborhood Development

Attachment



January 8, 2016

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

RE: Redwood Street Limited Partnership (Loan #517183)

Dear Mr. Stone:

We are still awaiting your response to our report letter for Coley Jenkins Apartments dated December 3, 2015; for which a response to our finding and recommendation was requested by December 17, 2015. 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,

Tina McKoy
Internal Auditor

Len Lucas
Internal Audit Director

Cc: Jim Westmoreland, City Manager
Chris Wilson, Assistant City Manager
Barbara Harris, Director of Neighborhood Development
Lamont Taylor, Administrative Services Manager, Neighborhood Development
Caitlin Bowers, Grant Administrator, Neighborhood Development
Joanie Duley, Controller, Wynnefield Properties, Inc.

Attachment



DATE: December 3, 2015

TO: Barbara Harris, Director of Neighborhood Development

FROM: Internal Audit Division

SUBJECT: Redwood Street Limited Partnership 2013-2014
(Written Response Required by December 17, 2015)

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Ms. Von Patrick, Neighborhood Outreach Specialist of the Planning Department, inspected approximately 15 percent of the units and no repairs were noted for the property at the time. Also, the exterior buildings and grounds were noted to be in excellent condition. A copy of the report was given to the Property Manager.

In regards to the Project's cash flow, Note 7 of the audited financial statements for the year ended December 31, 2014 states: "The Project has required the deferment of the collection of management fees and payroll costs by management, advances from affiliates, and suspension of deposits into the reserve for replacements in order to meet its financial obligations. It is likely that this deferral along with future advances will be required in the future for the Project to continue to meet its obligations."

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The Partnership should continue to seek ways of improving its financial position.

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: We have not received the Partnership's Management Letter for fiscal year ended December 31, 2014.

RECOMMENDATION: Financial reporting should be submitted in accordance with the written loan agreement. Please submit the Partnership's Management Letter. If a Management Letter was not issued, please ask your auditors to provide us a letter stating such on the firm's letterhead (signed and dated) as soon as possible.

We request a written and signed response from the Neighborhood Development Department and Wynnefield Properties, Incorporated by December 17, 2015; 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 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: Jim Westmoreland, City Manager
Chris Wilson, Assistant City Manager
Caitlin Warren Bowers, Grant Administrator, Neighborhood Development
L. Norwood Stone, President of Wynnefield Properties, Incorporated

Wynnefield Properties

January 10, 2015

To: City Of Greensboro-Internal Audit Division
Tina McCoy, Internal Auditor/Len Lucas-Internal Audit Director
Caitlin Warren Bowers, Grant Administrator, Neighborhood Development
Jim Westmoreland, City Manager
Chris Wilson, Assistant City Manager
400 West Washington Street
Greensboro, NC 27402

RE: Redwood Street Limited Partnership 2013-2014 (Coley-Jenkins Independent Living)
City Loan # 517183

Dear Tina,

I am receipt of your letter dated December 3, 2015 concerning the recent audit at Redwood Street. First, we would wish to thank the City of Greensboro for the delay of this response. We are awaiting the response from our external auditors regarding the Management Letter submission. The external auditors have stated, and sent- the first page of the Audited Financial-per GAGS is the "Knowledge, Disclosure and Management Letter regarding the property." We have requested an email to state that they did not issue a Management Letter; hopefully, this will be the norm going forward. Please correspond back to me after receipt of this letter, if the email will suffice regarding the Management Letter.

Finding and Recommendation:

We have noted and we are continuing to work to deduce the deficit. As of January 1, 2016, Coley has implemented a \$10.00/per unit per month rental increase. At 100.00% occupancy this will yield an additional \$4,800.00 per year adjusted gross income to the property. However, please note this is a strain on limited income to the seniors, and we have informed our valued residents of the increase in taxes, insurance and utilities that has impacted increased expenses at Coley.

Currently, as the audit has noted, regarding the deferment of the Management fees is still in effect. Coley pays all the expenses and debt service before the payment of the Management fees. These are accrued monthly and are on the Aged Payables listing.

Coley is currently maintaining occupancy in the 90.00%+ range. As we have expressed in prior years, Coley residents are very diligent on the payment of their rents; we have had only 2 evictions in the past 5 years. Unfortunately as expected with senior properties, we lose residents only if they have to be admitted to full extended care facilities or death.

Coley-due to the deferment of the Management fees maintains an excellent payment history to all Vendors, the debt service, taxes and utilities at the property.

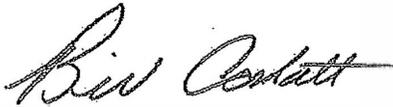
Coley additionally wants to thank the City of Greensboro, for the working relationship and financial assistance per the Operating Agreement for the funds that are used to pay taxes to Guilford County.

Wynnefield Properties

In closing, as stated above, please review the comment regarding the email from the external auditors, and we will have the communication sent to you to close the audit.

Please feel to contact me directly if any further questions should arise, and we continue to enjoy the working relationship with Ms. McKoy and staff at the City of Greensboro.

Respectfully Submitted,



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

McKoy, Tina W

From: Corey Stark [cstark@doz.net]
Sent: Tuesday, January 19, 2016 2:20 PM
To: McKoy, Tina W; Joanie Duley; Michael Turner
Subject: Coley Jenkins
Attachments: Coley Jenkins Letter to Those Charged with Governance.pdf

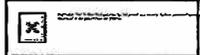
Hello Tina,

I have attached the Letter To Those Charged with Governance. This is the correspondence we send to ownership each year to summarize our audit results. We do not issue management letters as they are only required under limited circumstances when an issue must be raised to management but is not a reportable condition in the audit report.

Thank you,

--
Corey Stark
Audit Manager

cstark@doz.net
P: (317) 819-6239 | F: (317) 815-6140



DOZ | Dauby O'Connor & Zaleski, LLC
501 Congressional Blvd., Carmel, Indiana 46032
www.doz.net

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Thank you for your cooperation,
Dauby O'Connor & Zaleski, LLC



Dauby O'Connor & Zaleski, LLC
A Limited Liability Company
Certified Public Accountants

February 28, 2015

Craig Stone
Wynnefield Properties, Inc.
5614 Riverdale Rd.
Jamestown, NC 27282

RE: Redwood Street Limited Partnership

To The Partners of
Redwood Street Limited Partnership

We have audited the financial statements of Redwood Street Limited Partnership as of and for the year ended December 31, 2014, and have issued our report thereon dated February 28, 2015. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Redwood Street Limited Partnership's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of Redwood Street Limited Partnership solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

As part of the audit we considered the internal control of Redwood Street Limited Partnership. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. A summary of the significant accounting policies adopted by the entity is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the year ended December 31, 2014.

The significant accounting policies used by Redwood Street Limited Partnership are described in Note 1 to the financial statements. No new accounting policies were adopted, and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by Redwood Street Limited Partnership during the year for which there is a lack of authoritative guidance or consensus.

Significant Accounting Policies (continued)

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no significant sensitive estimates affecting the financial statements for the year ended December 31, 2014.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were) as follows: The disclosure of the Project's cash flow contingency in Note 7 to the financial statements describing the deferral of payroll expenses and owner advances.

The disclosure of the Project's cash flow contingency in Note 7 to the financial statements describing the deferral of payroll expenses and owner advances.

Other Information in Documents Containing Audited Financial Statements

Pursuant to professional standards, our responsibility as auditors for other information in documents containing Redwood Street Limited Partnership's audited financial statements does not extend beyond the financial information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

Our responsibility also includes communicating to you any information that we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the financial statements.

Management Representations

We have requested certain written representations from management that are included in the management representation letter dated February 28, 2015. A copy of that correspondence has been provided.

Material Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

We detected no material misstatements and did not propose any audit adjustments that, in our judgment, could have a significant effect, either individually or in the aggregate, on Redwood Street Limited Partnership's financial reporting process.

There were no uncorrected financial statement misstatements.

Disagreements with Management

For the purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to Redwood Street Limited Partnership's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Difficulties Encountered in Performing Audit

We encountered no serious difficulties in dealing with management relating to the performance of the audit.

Management Consultations with Other Accountants

To our knowledge and as management has informed us, there were no consultations with other accountants regarding auditing and accounting matters.

Other Audit Findings or Issues

We did not discuss any major issues with management regarding the application of accounting principles and auditing standards that resulted in a condition to our retention as Redwood Street Limited Partnership's auditors.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Redwood Street Limited Partnership's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The information in this letter is intended solely for the use of those charged with governance of Redwood Street Limited Partnership and is not intended to be, and should not be, used by anyone other than these specified parties.

We sincerely appreciate the opportunity to provide services to Redwood Street Limited Partnership and hope you find the information included in this correspondence useful and informative. If you have any questions or wish to discuss any of the items further, please let us know.

Dauby O'Connor & Zaleski, LLC

Dauby O'Connor & Zaleski, LLC
Certified Public Accountants



January 19, 2016

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

Re: Redwood Street Limited Partnership 2013-2014

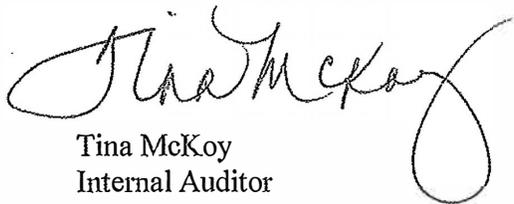
Dear Mr. Cashatt:

We are in receipt of Wynnefield's written response dated January 10, 2016 (received January 19, 2016) to our report dated December 3, 2015. We appreciate your response letter; and we concur with your reply to our finding regarding the Partnership's net asset deficit for the year ended December 31, 2014.

Also, we acknowledge the email your auditors, Dauby O'Connor & Zaleski, LLC, sent to address our finding regarding the Management Letter for the same year end. It will be noted that it is their protocol to issue a "Letter to Those Charged with Governance" following their audit; and a Management Letter will only be issued when an issue must be raised to management which is not a reportable condition in the audit report.

As always, it is a pleasure working with you; and we value the working relationship we have with Wynnefield's staff. If you have any questions or concerns, please call us at 336-373-4528.

Sincerely,



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Jim Westmoreland, City Manager
Chris Wilson, Assistant City Manager
Barbara Harris, Director of Neighborhood Development
Lamont Taylor, Administrative Services Manager, Neighborhood Development
Caitlin Bowers, Grant Administrator, Neighborhood Development
Joanie Duley, Controller, Wynnefield Properties

Attachments