



# 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 2005-2006

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 2005-2006 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: Andy Scott, Interim Assistant City Manager for Economic Development  
Dan Curry, Interim Director of Housing & Community Development



**Date:** August 13, 2007  
**To:** Andy Scott, Director of Housing & Community Development  
**From:** Internal Audit Division  
**Subject:** Redwood Street Limited Partnership/Coley Jenkins Elderly Housing 2005-2006

The Internal Audit Division has performed our compliance review of the year ended December 31, 2006 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 of the department of Housing & Community Development, as he 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, 2006, their auditors, Costello Hill & Company, stated in Note B to the financial statements that "...the partnership is not generating cash sufficient to pay all its obligations as they become due. This condition raises substantial doubt about its ability to continue as a going concern." This comment was made by their auditor for year ended December 31, 2005, 2004 & 2003 as well.

The cash balance at December 31, 2006 was only \$258 while the accounts payable balance was \$33,703. The current asset balance for the same period was \$4,313 while the current liabilities balance was \$142,865 which is a negative working capital of (\$138,552).

Total revenue for fiscal year ended December 31, 2007 decreased by (\$18,442) to \$183,998 and net loss before depreciation and amortization was a negative (\$34,009).

In reference to the Management Letter by Costello, Hill there are concerns that need to be addressed by the Management of Coley-Jenkins.

**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 Wynnefield Properties Incorporated which should be received by August 27, 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 August 27, 2007.

We would like to thank Ms. Pam Mosley, Property Manager; Ms Joanie Duley, Corporate Management; Mr. Bryan Cheney, Regional Property Manager; Mr. Donald Friend, Regional Maintenance 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 373-2821.



Mickey Kerans  
Internal Auditor



Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development  
I. Norwood Stone, President of Wynnefield Properties, Incorporated



**Date:** August 9, 2007  
**To:** Norwood Stone, Wynnefield Properties  
**From:** Michael Blair, City of Greensboro HCD  
**RE:** FY07/08 Coley-Jenkins Programmatic Evaluation

On July 18, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of the Coley-Jenkins Independent Living Center. The property is located at 2121 Redwood Dr. in Greensboro, NC. 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, 2006 to June 30, 2007. 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. Pam Mosley, Property Manager, and Mr. Bryan Cheney, Wynnefield Properties Regional Property Manager.

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 (\$529/m) and 24 units at 51% to 60% rent limits (\$635/m).

40 TOTAL 1BR	Tenant Rent	Utilities	Total (Rent + Util.)
16 Units	\$380	\$41 or \$107	\$421 or \$487
24 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 and HCD file review. The tenant files reviewed were in good condition and contained most required back-up documentation.

The reported occupancy has been 96% from January 2007 through June 2007. This is 6% higher than the April 2007 area occupancy rate of around 90%. It is also 11% higher than the reported 2006 occupancy at Coley-Jenkins of 85%. This 11% increase should improve the net loss before depreciation and amortization by over \$21,000.

Section 8 housing vouchers are accepted and twenty (20) tenants receive this assistance.

HCD staff inspected six (6) units on July 18, 2007 and reported certain minor deficiencies that need attention in three (3) of those units. The exterior is clean and in good condition with three (3) reported conditions. Please refer to the inspection report for details.

As a result of this review HCD staff is making one (1) finding 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.

Finding 1 – Cash Flow

For four (4) 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

Continue to work with HCD and other involved parties to resolve this issue. Please reply to the request by HCD counsel Mike Williams to arrange a time for a meeting to resolve these concerns, which was originally proposed by Wynnefield Properties legal counsel Mr. Rossabi, by August 31, 2007. As of the date of this review there has been no reply from Wynnefield Properties to the July 20, 2007 letter to Mr. Rossabi from Mr. Williams.

Concern Number 1 – Utility Allowances (U/A)

Three files examined had a \$40/m allowance on the income verification form and \$135/m (one was \$107) on a tax credit sheet. One file reports a UA of \$40/m on the RCRS but a UA of \$107/m in the tenant file.

Requested Action


Clarification. It is understood that units with Section 8 voucher holders use the higher GHA utility allowances. It is not understood why two separate allowances would be used on two separate forms for the same unit or why the RCRS would not reflect the UA in the tenant file.

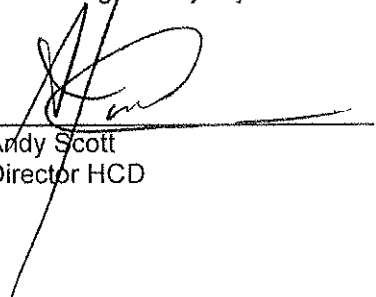
HCD staff requests that management review the Internal Audit report and reply to it as requested. The draft Internal Audit report is dated July 26, 2007.

The finding and concern in this review, in our view, do not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the finding is to get immediate action regarding the serious financial issues facing the property. The concern expressed in this case is to heighten management awareness.

It is HCD staff opinion that the Coley-Jenkins Independent Living Center is contractually compliant concerning affordability requirements. That noted the property has serious financial conditions that must be resolved as quickly as practicable. 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



*Date:* August 31, 2007  
*To:* Andy Scott, Director of Housing & Community Development  
*From:* Internal Audit Division  
*Subject:* HCD Reply to IA Report-Coley Jenkins Audit 2005-2006

Thank you for your timely reply of August 31, 2007. Internal Audit agrees with the Department of Housing & Community Development's response to IA' subject report dated August 13, 2007.

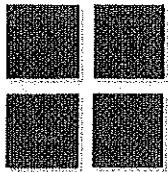
A handwritten signature in black ink, appearing to read 'M. Kerans'.

Mickey Kerans  
Internal Auditor

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

Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development



# HCD

Department of Housing & Community Development

## MEMO

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**Date:** August 31, 2007  
**To:** Len Lucas, Internal Audit Director  
**From:** Michael Blair, Specialist Grants Compliance  
**RE:** FY07/08 HCD Review of Coley Jenkins Audit Report

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After review of the draft July 26, 2006 Internal Audit report on Coley Jenkins Limited Partnership/Wynnefield Properties, for 2005-2006, HCD submits the following:

### FINDING 1:

In the audited financials of Redwood Street Limited Partnership for year ended December 31, 2006, their auditors, Costello Hill & Company, stated in Note B to the financial statements that "...the partnership is not generating cash sufficient to pay all its obligations as they become due. This condition raises substantial doubt its ability to continue as a going concern." This comment was made by their auditor for year ended December 31, 2005, 2004 & 2003 as well.

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Total revenue for fiscal year ended December 31, 2007 decreased by (\$18,442) to \$183,998 and net loss before depreciation and amortization was a negative (\$34,009).

In reference to the Management Letter by Costello, Hill there are concerns that need to be addressed by the Management of Coley-Jenkins.

### 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 addressed this in a programmatic review dated August 9, 2007.

**Summary:** HCD concurs with the IA report.



City of Greensboro  
North Carolina

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



City of Greensboro  
North Carolina

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

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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

*SW*  
10/24/07  
*Len / Andy*

## **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 August 13, 2007, 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-2005 to 2006

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 August 13, 2007 for the 2005 to 2006 Year End. We have reviewed your letter and agree with responses and corrective measures.

Sincerely,

Mickey Kerans  
Internal Auditor

Len Lucas  
Internal Audit Director

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