

Internal Audit Division  
City of Greensboro



March 26, 2010

**TO:** Rashad Young, City Manager  
**FROM:** Internal Audit Division  
**SUBJECT:** R.S. King Apartments Limited Partnership

The Internal Audit Division has completed our annual review of R.S. King Apartments Limited Partnership along with a Programmatic Review by the Housing & Community Development Department for the 2007-2008 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: Bob Morgan, Deputy City Manager  
Andy Scott, Assistant City Manager for Economic Development  
Dan Curry, Interim Director of Housing & Community Development



# City of Greensboro

Date: December 17, 2009  
To: Dan Curry, Acting Director of Housing & Community Development  
From: Internal Audit Division  
Subject: R. S. King Apartments Limited Partnership 2007-2008

The Internal Audit Division has performed our compliance review of the year ended December 31, 2008 of R. S. King Apartment Limited Partnerships. This property received a loan provided by the City of Greensboro in the amount of \$758,170, which is non-interest bearing to help in the rehabilitation of 24 apartments located at 1004 through 1028 John Dimrey Drive. These apartments are designed as transitional housing for homeless individuals or families to achieve independent living within 24 months or within a longer period, determined by HUD, as necessary to facilitate the transition. There was also a purchase money note from the Redevelopment Commission of Greensboro in the amount of \$24,000. These apartments are being managed by Wynnefield Properties, Inc. Until September, 2009, these apartments were managed by Wynnefield Properties, Inc. in Jamestown, NC but now are managed by United Housing Associates, Inc. in Columbia, SC.

The City's loan is due to be repaid on an annual basis beginning on July 1, 1997 and continuing each July 1<sup>st</sup> thereafter. The payment is based on 50% of gross receipts after deducting all normal and reasonable operating and capital expenses actually incurred by R. S. King Apartments. There are no payments due on the mortgage as of December 31, 2008 which had a balance of \$757,939 as of this date. The balance on the City loan is due in full on December 1, 2025 along with the Purchase Money Note of \$24,000. The total amount owed at December 31, 2009 was \$781,939.

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 were given to the Property Director after the inspection 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 regards to the Partnership's audited financials for fiscal year ended December 31, 2008, list the following findings:

1. The working capital for 2008 was a negative (\$49,379) versus (\$41,944) for 2007.
2. Management Fees for 2008 and 2007 were 17% and 13% respectively of the gross income. The loan agreement states the Management Fees are limited to 10% of gross income.
3. Per Note 9 of the financials, the auditors expressed doubts the entity could continue as a going concern.
4. The Management letter was due to the City on March 31, 2009 but was not received until October 27, 2009.

**RECOMMENDATION:**

The Partnership should notify the City on its plans to improve their working capital financial position, Management Fees, and on time submission of the Management Letter.

**FINDING:**

The Partnership per the City Loan Agreement was required to place \$4,400 per annum in the Replacement Reserve account for 2008 but actually only deposited \$1,329.

**RECOMMENDATION:**

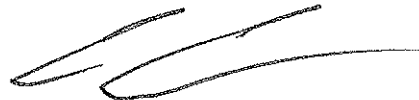
The Partnership should contribute the correct amount to the Replacement Reserve annually as required by the loan agreement.

We request a written and signed response from Wynnefield Management, Inc. and HCD which should be received by December 31, 2009 and mailed to the Internal Audit Division at address, P. O. Box 3136, Greensboro, NC 27402.

We would like to thank Ms. Sally Butts, Site Property Manager; Ms. Kathi Santeramo-Dewitt, President, and the management of United Housing Associates, Inc. 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  
Andy Scott, Interim Assistant City Manager for Economic Development  
Kathi Santeramo-Dewitt, President of United Housing Associates, Incorporated  
Norwood Stone, President of Wynnefield Properties, Incorporated



**Date:** December 14, 2009  
**To:** Kathi Santeramo-DeWitt, United Housing Associates Inc  
**From:** Michael Blair, City of Greensboro Dept. of Housing and CD  
**RE:** RS King Apartments - 2009 Monitoring Report

City of Greensboro staff conducted an on-site monitoring visit of Raymond S King Apartments on October 22, 2009. The property is located at 1004-1028 John Demery Dr., Greensboro, NC and was rehabilitated in 1995 with \$378,694 in Federal HOME dollars and \$363,750 in Community Development Block Grant funds. LIHTC funds provided by the NCHFA were also utilized. This resulted in 23 two-bedroom transitional housing units (and one administrative unit) to provide appropriate housing with supportive services for homeless persons, with a purpose of facilitating the movement of residents to independent living within 24 months, or a longer period approved by HCD if necessary.

For informational purposes the apartments were managed by Wynnefield Properties until September 2009 when United Housing Associates Inc. was selected by the syndicator, WNC, to manage 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.

The specific areas monitored were:

1. Certification of tenant income and Residential Lease
2. HOME (or other fund source) Rents
3. Affirmative Marketing
4. Property Standards
5. Lead-based Paint (if applicable)
6. Compliance with the Agreement and any other applicable requirements
7. Asset Management

During the monitoring, information is documented on checklists based on HOME Program requirements and modified to accommodate other funding sources and agreements. The information gathered serves as a basis for this monitoring report. Findings, concerns and observations, are identified in the report.

For clarification purposes 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; 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 individual files reviewed were: 1004-K; 1004-E; 1004-A and 1028-E.

- The recertifications reviewed were completed within the annual required timelines. Certifications were complete and signed by both parties.
- All income appeared to be included in the eligibility determination
- Assets were evaluated & calculated for determining annual income and backup third party documentation was present in all files.

No findings or concerns noted.

## Rents

According to the December 1995 agreement 100% of the units would be affordable (Monthly Housing Expense – Rent plus Utilities) to tenants at 40% of the AMI for a two person household (\$18,800) which is \$529/month.

Rents for all eligible units in the complex fell below this figure according to file documentation and rent rolls; they are \$345/month with a \$152/month utility expectation. The total housing cost is estimated at \$497/month. This meets the contractual requirements of rents being affordable to those at 40% of the AMI (\$529/month rent plus utilities).

	<b>Rent</b>	<b>TIC</b>	<b>Total Rent + UA</b>
RS King	\$345	\$152	\$497

- Occupancy Requirement (20% rule): Requirement met (>30%).
- Rent Requirements: Requirement met.
- Over-Income Tenants: Requirement met.
- Rent Increase: All sampled files contained a written 30 day notice of rent increase.

No findings or concerns noted.

## Affirmative Marketing

### Observation # 1

The low occupancy may suggest that previous marketing attempts have been inadequate; the site lacks an identifying sign.

No findings or concerns noted.

## Property Standards

Unit inspections are conducted by management. Copies of the inspection and maintenance forms are kept in the tenant's file. The units inspected by City staff on October 22, 2009 were: 1004-J; 1004-B; 1028-E and 1028-E.

### Observation # 2:

Most units were in fair condition except for several minor items noted for repair. The exteriors were also in fair condition with the exception of screens, shutters and paint needing repair and attention.

### 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

No findings or concerns noted.

## Lead-based Paint

RS King Apartments are subject to lead-based paint requirements. The units were constructed in 1959.

### Finding # 1:

At the time of the visit the former management did not have tenants sign a lead disclosure form and receive the lead safe housing pamphlet. EPA and HUD joint Lead Safe Housing rules require using the lead disclosure form and other forms.

### Requested Action

**NOTE:** The new management company which assumed management responsibilities in September 2009 told HCD staff that the lead disclosure rule would be followed.

In order to completely comply with the federal lead rule all households should be provided the lead information and disclosure. Please complete this coverage for all tenant files (to be confirmed visually by HCD staff) within 30 days of the date of this letter.

## Residential Lease

All leases are for one year as required in the agreement. No findings or concerns noted.

## Contractual Agreement Compliance

The purpose of the December 1995 agreement is to regulate and restrict occupancy, rents, operation, ownership and management of the property. It also contained specific supportive services that management should provide to the two year transitional tenants.

### Finding # 2:

The management letter was 207 days late.

### Required Corrective Action:

For the partnership to adhere to the agreement and in the future submit the external audit and management letter by March 31, which is 90 days after the fiscal year end, per the agreement §5.4.

### Observation # 3:

RS King Apartments is a two year transitional housing property that includes supportive services in the agreement with the city (the agreement is attached to this report).

### Required Corrective Action:

Within 30 days of the date of this letter provide HCD a supportive services plan. This plan may be emailed to [michael.blair@greensboro-nc.gov](mailto:michael.blair@greensboro-nc.gov) or faxed to 336.373.2153.

## Asset Management

### Finding # 3:

The Internal Audit review found that the replacement reserve was underfunded in 2008. The requirement to deposit \$4,400 annually is found in §1.13 (A) of the attached agreement.

### Required Corrective Action:

For the partnership to adhere to the agreement and adequately fund the capital replacement and operating reserve.

## Rental Property Score – 45.0

### Observation # 4:

A score of 45.0 (out of 100 possible points) places RS King Apartments in the red rental scoring category.

### Required Corrective Action:

Being in the red category increases the level of monitoring by HCD and Internal Audit staff and reporting by management. The score was primarily lowered by low occupancies, hard debt service coverage ratio, cash flow and vacant unit off-line time; however it was also hurt by late reporting and other management tasks.

**Observation # 5:**

Very low occupancy was reported in the 2<sup>nd</sup> Quarter of 2009 (around 50%) as well as for all of FY08/09 (62.8%). The reported occupancy from July 1, 2007 through August 13, 2008 was 89.7%.

**Required Corrective Action:**


Continue to work with referring agencies to increase occupancy and to try to limit the time units remain vacant.

**Rental Property Scoring Report: Maximum 100 – 45.0 retained after reductions**

Indicator	Result	Deducted or added
<b>Physical Occupancy FY08/09</b>	<b>62.8%</b>	<b>-15</b>
Difference between Physical Occupancy and Econ. Occupancy (CY2008)	high	-2
<b>Average Vacant Unit Off-line Time</b>	<b>179 days</b>	<b>-8</b>
Maintenance Response Time	around 1 day	0
Overall Physical Condition	"Satisfactory"	0
Per Unit Cash Flow	-\$166	-5
<b>Hard Debt Service Coverage Ratio</b>	<b>-1.88</b>	<b>-10</b>
Timely Delivery of External Audit	Late management letter	-3
Adhering to HOME, PJ, Agreement and/or Note and Deed	No	-2.5
Adhering to Reporting Standards	No (late Q2)	-5
Cash Flow	negative	-5
Resident Turnover Rate	N/A Transitional	-
Property Taxes Paid Overtime	Yes	0
Reserve requirements met	No	-2
Replacement reserve Minimum of \$1,000/unit	Around \$7,000	-2

Overall the property is in what could be described as fair condition but not in complete compliance with the Agreement and financially unstable. Please respond to Finding 1 and Observations 2 and 3 identified in this letter as requested. There is no need to respond to the other Finding and Observations identified in this letter. The Internal Audit report requested a reply.

HCD staff appreciates the assistance and documentation that United Housing Associates Inc. staff provided during the monitoring visit. HCD is committed to the successful stabilization of the RS King Apartments. Please let us know if we can be of any additional assistance.

  
Michael Blair  
Analyst Grants Compliance

  
Dan Curry  
Acting Director HCD

CC: Susan Westbrook, NCHFA



**R. S. King Apartments      1/19/2010**

**Response to City of Greensboro Internal Audit Findings**

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*First Finding - #'s 1,2,and 3*

*Transfer of interest from WNC to UHA took place on 12/31/2009. UHA is a 501(c)(3) organization, therefore, we were able to apply for real estate tax exemption. At the time of transfer, WNC funded all outstanding payables, the projected 2010 deficit, and 1 year of reserves. We have a realistic budget in place for 2010 (attached), and our management fee is 8%, with a minimum fee of \$1000 per month. With the combination of real estate tax exemption, sound management principles, and a realistic budget, we feel that R.S.King Apartments will stabilize in 2010.*

*A signed copy of this response, along with the original response emailed to Michael Blair, is being mailed to Mickey Kerans, Internal Auditor, City of Greensboro.*



*Bill DeWitt  
Director of Compliance*

23.00						
<u>0.00</u>	<u>2010 budget</u>	<u>2009 Projected Total</u>	<u>% change</u>	<u>Per unit</u>	<u>% of Total Income</u>	<u>Comments</u>
GROSS POSSIBLE RENT	96,600.00	0.00	#DIV/0!	4,200.00		
LESS:	(0.20)	#DIV/0!		(0.01)		
VACANCY	20% (19,722.50)	0.00	#DIV/0!	(857.50)		
CONCESSIONS	0.00	0.00	#DIV/0!	0.00		
SECURITY/MODEL RENT	0.00	0.00	#DIV/0!	0.00		
BAD DEBT RENT	(600.00)	0.00	#DIV/0!	(26.09)		
BAD DEBT COLLECTIONS - PRIOR YEAR	0.00	0.00	#DIV/0!	0.00		
<b>NET RENTAL INCOME</b>	<b>76,277.50</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>3,316.41</b>		
<b>OTHER INCOME</b>						
LAUNDRY & VENDING INCOME	0.00	0.00	#DIV/0!	0.00		
PET FEE	0.00	0.00	#DIV/0!	0.00		
LATE & NSF FEES	600.00	0.00	#DIV/0!	26.09		
CABLE INCOME	0.00	0.00	#DIV/0!	0.00		
BREAK LEASE FEE	0.00	0.00	#DIV/0!	0.00		
MONTH-TO-MONTH	0.00	0.00	#DIV/0!	0.00		
DAMAGES & CLEANING FEE	600.00	0.00	#DIV/0!	26.09		
REFURBISHING FEE	0.00	0.00	#DIV/0!	0.00		
GARAGE/STORAGE	0.00	0.00	#DIV/0!	0.00		
WATER/SEWER REIMBURSEMENT	0.00	0.00	#DIV/0!	0.00		
INTEREST INCOME	5.04	0.00	#DIV/0!	0.22		
CORPORATE SERVICE FEES	0.00	0.00	#DIV/0!	0.00		
OTHER REVENUE	0.00	0.00	#DIV/0!	0.00		
BAD DEBT OTHER	(16.67)	0.00	#DIV/0!	(0.72)		
<b>TOTAL OTHER INCOME</b>	<b>1,188.37</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>51.67</b>		
<b>TOTAL INCOME</b>	<b>77,465.87</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>3,368.08</b>		
<b>GENERAL AND ADMINIS EXP.</b>						
ADVERTISING	500.00	0.00	#DIV/0!	21.74		
OTHER RENTING EXP	240.00	0.00	#DIV/0!	10.43		
RESIDENT RELATIONS	0.00	0.00	#DIV/0!	0.00		
OFFICE SUPPLIES	2,400.00	0.00	#DIV/0!	104.35		
FURNITURE LEASE	0.00	0.00	#DIV/0!	0.00		
COMPUTER EXPENSE	600.00	0.00	#DIV/0!	26.09		
MANAGEMENT FEE - P	13.5% 12,000.00	0.00	#DIV/0!	521.74		
MANAGER TRAINING	0.00	0.00	#DIV/0!	0.00		
LEGAL EXPENSES	678.50	0.00	#DIV/0!	29.50		
TELEPHONE & ANSWERING	2,400.00	0.00	#DIV/0!	104.35		
MILEAGE EXPENSE	600.00	0.00	#DIV/0!	26.09		
MISC ADMIN. EXPENSES	0.00	0.00	#DIV/0!	0.00		
<b>TOTAL ADMIN. EXPENSES</b>	<b>19,418.50</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>844.28</b>	<b>25%</b>	

RS KING 2010

<u>0.00</u>	<u>2010 budget</u>	<u>2009 Projected</u>			<u>% of Total</u>	
<u>UTILITY EXPENSES</u>		<u>Total</u>	<u>% change</u>	<u>Per unit</u>	<u>Income</u>	<u>Comments</u>
ELECTRICITY	3,318.00	0.00	#DIV/0!	144.26		
WATER	2,763.00	0.00	#DIV/0!	120.13		
GAS	0.00	0.00	#DIV/0!	0.00		
SEWER	1,860.00	0.00	#DIV/0!	80.87		
CABLE	0.00	0.00	#DIV/0!	0.00		
GARBAGE AND TRASH REMOVAL	1,506.00	0.00	#DIV/0!	65.48		
<b>TOTAL UTILITIES EXP.</b>	<b>9,447.00</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>410.74</b>	<b>12%</b>	
<b>OPERATING &amp; MAINTENANCE</b>						
JANITOR-CLEANING SUPPLIES	1,200.00	0.00	#DIV/0!	52.17		
JANITOR-CLEANING CONTRACT	0.00	0.00	#DIV/0!	0.00		
EXTERMINATING EXPENSE	900.00	0.00	#DIV/0!	39.13		
TERMITE BOND	0.00	0.00	#DIV/0!	0.00		
LANDSCAPE CONTRACT	3,720.00	0.00	#DIV/0!	161.74		
LANDSCAPE SUPPLIES	600.00	0.00	#DIV/0!	26.09		
GENERAL REPAIRS MAINTENANCE	3,430.00	0.00	#DIV/0!	151.30		
REPAIR/GEN. MAINT CONTRACT	1,800.00	0.00	#DIV/0!	78.26		
SECURITY CONTRACT	0.00	0.00	#DIV/0!	0.00		
HVAC REPAIR CONTRACT	2,400.00	0.00	#DIV/0!	104.35		
HVAC SUPPLIES	1,200.00	0.00	#DIV/0!	52.17		
SWMG POOL MAINT/CONTRACT	0.00	0.00	#DIV/0!	0.00		
PAINTING CONTRACT	0.00	0.00	#DIV/0!	0.00		
PAINTING SUPPLIES	1,296.00	0.00	#DIV/0!	56.35		
PLUMBING SUPPLIES	720.00	0.00	#DIV/0!	31.30		
PLUMBING CONTRACTOR	840.00	0.00	#DIV/0!	36.52		
ELECTRICIAL CONTRACTOR	0.00	0.00	#DIV/0!	0.00		
ELECTRICIAL SUPPLIES	784.00	0.00	#DIV/0!	34.09		
ELEVATOR CONTRACT & SERVICE	0.00	0.00	#DIV/0!	0.00		
<b>TOTAL OPER/MAINT EXP</b>	<b>18,940.00</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>823.48</b>	<b>24%</b>	
<b>PAYROLL &amp; BENEFITS</b>						
MANAGER'S SALARY	10,899.60	0.00	#DIV/0!	473.90		
OFFICE SALARIES	0.00	0.00	#DIV/0!	0.00		
MAINTENANCE SUPERVISOR	7,200.00	0.00	#DIV/0!	313.04		
MAINTENANCE ASSISTANT	0.00	0.00	#DIV/0!	0.00		
HOUSEKEEPER / GROUNDS KEEPER	0.00	0.00	#DIV/0!	0.00		
PAINTING PAYROLL	0.00	0.00	#DIV/0!	0.00		
HEALTH INSURANCE	0.00	0.00	#DIV/0!	0.00		
PAYROLL TAXES /FEES/INSURANCE 10%	1,809.96	0.00	#DIV/0!	78.69		
WORKERS COMP 3%	542.99	0.00	#DIV/0!	23.61		
<b>TOTAL PAYROLL &amp; BENEFITS</b>	<b>20,452.55</b>	<b>0.00</b>	<b>#DIV/0!</b>	<b>839.24</b>	<b>26%</b>	

RS KING

	0.00	2010 budget	2009 Projected Total	% change	Per unit	% of Total Income	Comments
<b>TAXES &amp; INSURANCE</b>							
REAL ESTATE TAXES (ACTUAL 2008 TAX)	0.00	0.00	0.00	#DIV/0!	0.00		
MISC TAXES, LIC. & PERMITS (INCLUDE P	0.00	0.00	0.00	#DIV/0!	0.00		
PROP & LIAB INSURANCE 5%	4,750.00	4,750.00	0.00	#DIV/0!	206.52		
<b>TOTAL TAXES &amp; INSURANCE</b>		4,750.00	0.00	#DIV/0!	206.52	6%	
<b>TOTAL EXPENSES</b>		73,008.05	0.00	#DIV/0!	3,174.26	94%	EPU for Controllable Items
<b>NET OPERATING INCOME</b>		4,457.82	0.00	#DIV/0!	193.82	6%	2,967.74
<b>FINANCIAL EXPENSE</b>							
DEBT SERVICE - PRINCIPAL	0.00	0.00	0.00	#DIV/0!	0.00		
DEBT SERVICE - INTEREST	0.00	0.00	0.00	#DIV/0!	0.00		
NC HOUSING	0.00	0.00	0.00	#DIV/0!	0.00		
<b>TOTAL FINANCIAL EXPENSE</b>		0.00	0.00	#DIV/0!	0.00	0%	
<b>CASH FLOW-OPERATING</b>		4,457.82	0.00	#DIV/0!	193.82	6%	
<b>CAPITAL ITEMS</b>							
MISC UNIT IMPROVEMENT	0.00	0.00	0.00	#DIV/0!	0.00		
BREEZEWAY/HALLWAYS	0.00	0.00	0.00	#DIV/0!	0.00		
ROOFS	0.00	0.00	0.00	#DIV/0!	0.00		
MINI BLINDS	0.00	0.00	0.00	#DIV/0!	0.00		
CABINETS	0.00	0.00	0.00	#DIV/0!	0.00		
CARPETS/VINYL	0.00	0.00	0.00	#DIV/0!	0.00		
COUNTERTOPS	0.00	0.00	0.00	#DIV/0!	0.00		
STOVES/RANGE	0.00	0.00	0.00	#DIV/0!	0.00		
DISHWASHERS	0.00	0.00	0.00	#DIV/0!	0.00		
DISPOSALS	0.00	0.00	0.00	#DIV/0!	0.00		
HVAC	0.00	0.00	0.00	#DIV/0!	0.00		
REFRIGERATORS	0.00	0.00	0.00	#DIV/0!	0.00		
WATER HEATERS	0.00	0.00	0.00	#DIV/0!	0.00		
TOOLS AND EQUIPMENT	0.00	0.00	0.00	#DIV/0!	0.00		
OFFICE MACHINE/MODEL	0.00	0.00	0.00	#DIV/0!	0.00		
SITE IMPROVEMENTS	0.00	0.00	0.00	#DIV/0!	0.00		
PAVEMENT	0.00	0.00	0.00	#DIV/0!	0.00		
CURB AND SPEED BUMPS	0.00	0.00	0.00	#DIV/0!	0.00		
WOOD/VINYL SIDING	0.00	0.00	0.00	#DIV/0!	0.00		
<b>TOTAL CAPITAL ITEMS</b>		0.00	0.00	#DIV/0!	0.00		
<b>RESERVES</b>							
RESERVE TRANSFER (SHOULD ALWAYS	0.00	0.00	0.00	#DIV/0!	0.00		
RESERVE RELEASE	0.00	0.00	0.00	#DIV/0!	0.00		
<b>TOTAL RESERVES</b>		0.00	0.00	#DIV/0!	0.00		

RS RINS



Raymond S. King Apartments

1/14/2010

**Responses to October 22, 2009 Audit Findings Letter**

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**Asset Management**

**Corrective Action for Finding #3 –**

*As of the transfer of ownership on 12/31/2009, WNC has funded the Capital Replacement and Operating Reserve accounts with one year of funds. Beginning 2011, the accounts will be funded on a monthly basis.*

**Raymond S. King Apartments**

**1/14/2010**

**Responses to October 22, 2009 Audit Findings Letter**

**Contractual Agreement Compliance**

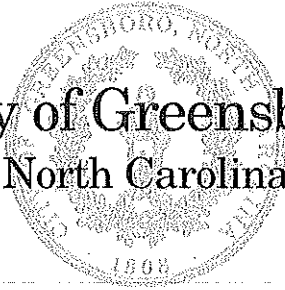
**Corrective Action for Finding #2 –**

*The partnership will adhere to the agreement and submit the external audit and management letters by March 31 as required.*

**Corrective Action for Observation #3 –**

*Supportive Services Plan attached (2 pages).*

City of Greensboro  
North Carolina



January 20, 2010

Ms. Kathi Santeramo-DeWitt  
President  
United Management Services of Columbia, LLC  
1345 Garner Lane  
Columbia, SC 29210

Re: R. S. King Apartments-2007-2008

Dear Ms. Santeramo-DeWitt:

Thank you for Mr. Bill DeWitt's response dated January 19, 2010 in reference to the R. S. King Apartments review for 2007-2008 per our letter of December 17, 2009. We are in agreement with your procedures to improve R. S. King's working capital financial position. In reference to changing the R.S. King from a Partnership to a Non-Profit, we would appreciate your keeping us advised when the transition has been completed. Also, we agree with your responses regarding the Management Letter and the Reserves.

Regarding your management fee of 8% or minimum of \$1,000 per month, please review the City Loan Agreement dated December 1, 1995, which states in Article 2.1, page 4 "...and a management fee of ten (10%) of gross receipts payable..." Per the budget you sent us via e-mail the management fee would calculate to 15.5% of Total Income. Please check this and advise. Also, if you have executed a Management Agreement, please send us a copy for our permanent records.

If you should have any questions, please let us know at telephone number 373-2821.

Sincerely,

A handwritten signature in black ink, appearing to read "Mickey 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  
Andy Scott, Assistant City Manager for Economic Development Director  
Dan Curry, Acting Director of Housing & Community Development





**MEMO**

**Date:** March 22, 2010  
**To:** Len Lucas, Internal Audit Director  
**From:** Michael Blair, Analyst Grants Compliance *MB*  
**RE:** HCD Review of RS King Apartments Audit Report

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HCD concurs with the Internal Audit review.

Internal Audit Division  
Executive Department  
City of Greensboro



March 23, 2010

TO: Dan Curry, Acting Director of Housing & Community Development  
FROM: Internal Audit Division  
SUBJECT: R. S. King Apartments Limited Partnership, 2007-2008

Thank you for your reply of March 22, 2010. Internal Audit agrees with the Department of Housing & Community Development's response to Internal Audit's subject report dated December 17, 2009.

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: Bob Morgan, Deputy City Manager  
Andy Scott, Assistant City Manager for Economic Development