



City of Greensboro

Date: July 17, 2009
To: Bob Morgan, Interim City Manager
From: Internal Audit Division
Subject: New Garden Associates Limited Partnership 2006-2007

The Internal Audit Division has completed our annual review of New Garden Associates Limited Partnership along with a Programmatic Review by the Housing & Community Development Department for the 2006-2007 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, Interim Assistant City Manager for Economic Development
Dan Curry, Interim Director of Housing & Community Development



Date: July 3, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: New Garden Associates Limited Partnership 2006-2007

The Internal Audit Division has performed our compliance review of the year ended December 31, 2007 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.

We accompanied Mr. Doug Booth, Housing Construction Manager of Housing & Community Development, as he inspected approximately 15 percent of the units and some minor repairs were noted. Overall the units inspected appear to be well maintained.

We examined selected financial transactions and program documentation maintained by the Partnership for compliance with the loan agreement. 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 Reserve Account (limited to \$175,000). No payments are due at this time. The City principal balance as of December 31, 2007 was \$1,297,500. The Reserve Account balance is \$131,660 for the year ended December 31, 2007. This loan is due in full November 1, 2022.

We accompanied Mr. James Teele, of the Department of Housing & Community Development, as he inspected approximately 15 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 funds have been spent according to the terms of the loan agreement with the exception of the following findings:

FINDING:

Regarding the Partnership's audited financials for calendar year ended December 31, 2007, the following observations are made:

- a. Working capital was in the negative at (\$2,668).
- b. Long term liabilities exceeded Total Assets by \$177,924.
- c. External audit and Management Letter which were due March 31, 2008 were not received until June 9, 2008 and June 26, 2008 respectively.
- d. Tax return form 1065 was not provided.

RECOMMENDATION:

Management should advise the City on how they plan to improve their working capital and financial position. Management should provide the City with requested documents when they are due.

We request a written and signed response from the Department of Housing & Community Development and Wynnefield Properties by July 17, 2008 to the City of Greensboro, Internal Audit Division, P. O. Box 3136, Greensboro, NC 27401.

We would like to thank Ms. Joanie Duley, Corporate Management; Mr. Jim Blakely, Wynnefield Regional Property Manager; Ms. Barbara White-Tate, Community Manager; Mr. Donald Friend, Maintenance Coordinator; Ms. Ann Chavis, Compliance 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: Bob Morgan, Deputy City Manager
Norwood Stone, President of Wynnefield Properties Management, Incorporated



Date: July 2, 2008
To: Norwood Stone, Wynnefield Properties
From: Michael Blair, City of Greensboro HCD
RE: *FY08/09 New Garden Place Programmatic Evaluation*

On June 11, 2008 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of New Garden Place Apartments. The property is located at 1622 McPherson Street, 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 contractual compliance.

The purpose of the monitoring visit is to determine whether the property is meeting applicable program and contractual requirements. In this monitoring review attention was paid to contract 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, 2007 to June 30, 2008. In addition to examining various program materials, a physical inspection and review of financial files, in the course of the review HCD and IA staff met with Ms. Joanie Duley, Corporate Management, Ms. Barbara White-Tate, Community Manager, Ms. Ann Chavis, Compliance Manager, Mr. Donald Friend, Maintenance Coordinator and Mr. Jim Blakely, Wynnefield Properties Regional Property Manager.

For reference purposes the property was acquired and rehabilitated with \$1,229,220 in local bond funds combined with \$1,415,517 in North Carolina Affordable Housing Tax Credits. Greensboro Consortium HOME Program funds were not expended on this property therefore the agreement, and note and deed of trust, is the main document regarding occupancy and tenancy requirements for this review. The property consists of 76 units and 100% the units would be made affordable (Rent plus Utilities) to households with incomes at or below 42% of the adjusted area median income.

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 superb condition and contained all required back-up documentation.

Reported occupancy from July 1, 2007 has been 93.8% which is good in the current market.

Section 8 housing vouchers are accepted and fifteen (15) tenants receive this assistance.

HCD staff inspected eleven (11) units on June 11, 2008 and reported certain minor deficiencies that need attention in six (6) of those units. The exterior is in good condition. Please refer to the inspection report for details.

As a result of this review HCD staff is making zero (0) findings 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.

Concern 1 – Affordability

The agreement dated December 30, 1992 states that rents would be affordable to families whose gross income does not exceed 42% of the area adjusted median income. In order to achieve the 42% affordability requirement a 1/BR unit would have a maximum housing expense of \$450 (**rounded up from \$444**) a month, a 2/BR unit would be \$540 (**rounded up from \$533**) and a 3/BR unit would be \$624 (**\$616**) a month or less.

HCD accepts the Duke Energy letter dated August 9, 2007 as the current utility allowance for New Garden Place Apartment units. Therefore the utility allowance and rents are as follows:

One Bedroom:	Utility of \$60/m plus rent of \$394 = \$454
Two Bedrooms:	Utility of \$72/m plus rent of \$440 = \$512
Three Bedrooms:	Utility of \$106/m plus rent of \$490 = \$596

By using the actual utility estimates both the two bedroom and three bedroom units automatically fall back into compliance. This is not the case with the six one bedroom units which remain \$4/month over the contractually permissible housing cost. A reduction of those rents by \$4/month or greater resolves the non-compliance issue.

That noted when staff inspected tenant files on June 11, 2008 the following information was collected:

1914-K (1BR) - Rent \$394, Utilities \$60, Total \$454 - Recertification dated June 2008
1914-A (1BR) - Rent \$394, Utilities \$60, Total \$454 - Recertification dated March 2008

These rents, \$394/month, are also reiterated on marketing documents for New Garden Place dated 02/20/08 and the NCHFA-RCRS.

Requested Action

Documentation showing an appropriate reduction of rents (or a rebate of \$4/m or more per tenant) in the six one-bedroom units is requested by July 23, 2008.

HCD requests that management review and reply to the Internal Audit report as requested. The draft Internal Audit report is dated June 18, 2008.

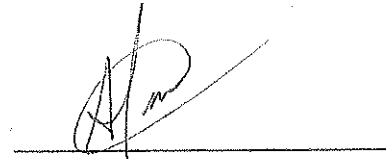
The concern in this review, in our view, does not reflect negatively on property management staff and their work ensuring continued affordability compliance. The intent of the concern is to get immediate action, or verification of prior actions, regarding required contractual affordability compliance.

It is HCD staff opinion that New Garden Place Apartments may not be contractually compliant concerning affordability requirements. That noted the property appears to be in good condition, is very well managed, and remains a decent housing option for qualified households.

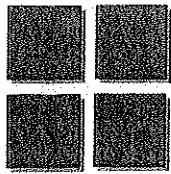
HCD staff appreciates the assistance provided during the monitoring visit by Wynnefield Properties staff.



Michael Blair
Specialist Grants Compliance




Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: July 28, 2008
To: Len Lucas, Internal Audit Director
From:  Michael Blair, Specialist Grants Compliance
RE: HCD Review of New Garden Place Audit Report

After review of the June 18, 2008 Internal Audit report on New Garden Associates Limited Partnership/Wynnefield Properties, for year end 2006 & 2007, HCD submits the following:

IA FINDING 1:

Regarding the Partnership's audited financials for calendar year ended December 31, 2007, the following observations are made:

- a. Working capital was in the negative at (\$2,668).
- b. Long term liabilities exceeded Total Assets by \$177,924.
- c. External audit which was due March 31, 2008 was not received until June 9, 2008.
- d. Tax return form 1065 was not provided.

IA RECOMMENDATION 1:

Management should advise the City on how they plan to improve their working capital and long term liabilities and Total Asset comparison. Management should provide the City with requested documents when they are due.

- **HCD Reply to Finding/Recommendation 1:** *Concur*

Summary: HCD concurs with the Internal Audit report.



City of Greensboro

Date: July 30, 2008
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-New Garden Place 2006-2007

Thank you for your reply of July 28, 2008. Internal Audit agrees with Housing & Community Development's response to our subject report dated July 3, 2008. Also, please be advised that we received the Tax return form 990 from the Borrower on July 15, 2008.

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

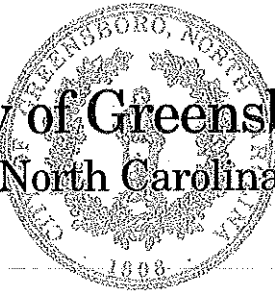
Mickey Kerans
Internal Auditor

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

Len Lucas
Internal Audit Director

Cc: Bob Morgan, Deputy City Manager

City of Greensboro
North Carolina



March 9, 2009

Mr. Craig Stone
Wynnefield Properties
P. O. Box 395
Jamestown, NC 27282

Re: New Garden Homes, Lincoln Grove & Kingsgate South-2006 to 2007

Dear Craig:

We are following up on responses due from Wynnefield for the subject properties re: reports for the 2006-2007 year. Your responses were due 7/17/08, 8/5/08 and 10/8/08 respectively. Since your responses are past due, please reply as soon as possible.

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

Kerans, Mickey

From: Joanie Duley [joanie.duley@wynnfieldproperties.com]

Sent: Thursday, June 25, 2009 9:15 AM

To: Kerans, Mickey; bill.cashatt@wynnfieldproperties.com

Subject: NG-City of G'Boro response 2008.doc

Attachments: NG-City of G'Boro response 2008.doc

Mickey,

Please see the attached response for New Garden dated September 16, 2008 from Bill Cashatt, CFO. This was mailed from the corporate office here in Jamestown, NC, on the date of the letter attached.

We elected to answer the City of Greensboro Internal Audit on September 16, 2008, as there were items for HCD that did not involve the financial aspect of New Garden.

Please contact either Bill or myself if you should require any further information.

Joanie

R-6/25/09

Wynnefield Properties

5614 Riverdale Dr. Jamestown NC, 27282 Phone: 336-454-6134 Fax: 336-454-6226

September 16, 2008

To: City Of Greensboro-Internal Audit Division
Mickey Kerans
West Washington Street
Greensboro, NC 27402

RE: New Garden Associates Limited Partnership 2006-2007

Dear Mickey,

This letter is to be responded to in two parts, we will respond below to the Internal Audit Division findings, a-d, as defined in the first section on your letter dated 7/3/2008. New Garden will respond to c & d first -the External audit for New Garden was directed in late April, 2008 from Doug Covington to Dauby, O'Conner and Zaleski. Dauby prepared the external audit in a timely fashion and this was presented to the City of Greensboro upon completion. The Form 1065 was provided to Mr. Kearns on June 27, 2008. (see attached correspondence).

Going forward, we anticipate that the audit for New Garden will be to the City of Greensboro before or on the deadline as noted in the Operating Agreement.

New Garden is a property that is requiring Repair and Maintenance on a regular basis due to the age of the property, therefore, working capital is utilized for ongoing R&M.

Respectfully Submitted,

Bill Cashatt, CFO
Wynnefield Properties
336-454-6134, 24

September 16, 2008

To: City Of Greensboro-HCD
Michael Blair
West Washington Street
Greensboro, NC 27402

RE: New Garden Associates Limited Partnership 2006-2007

Dear Michael,

In response to the HCD portion for New Garden the following response has been compiled:

Please see the attached correspondence from Donald Friend, Director of Maintenance concerning the six (6) units with minor repairs that have been corrected.

Concern #1-Affordability:

Duke Energy has provided an analysis of 1, 2, & 3 bedrooms' electric billings (please see the attached spreadsheet). The findings are as follows:

One BR-Rent \$394.00 plus utility of
Two BR-Rent 440.00 plus utility of
Three BR-Rent 490.00 plus utility of



City of Greensboro
North Carolina

July 1, 2009

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

Re: New Garden Apartments-2006-2007

Dear Bill:

Thank you for your response in your letter dated September 16, 2008 in reference to the New Garden Apartments review for 2006-2007 reference our letter dated July 3, 2008. Please be advised we did not receive your written response until June 25, 2009. We requested Wynnefield's response to our report be received on or before July 17, 2008.

On June 25, 2009 we received Wynnefield's reply as to why the External Audit and Management Letter were late for fiscal year ended December 31, 2007. As you stated in your September 16, 2008 letter the City received the Partnership's tax form 1065 for the same fiscal year as above.

As far as the Working Capital in a negative balance, we still need a written reply as to how Wynnefield plans to improve it.

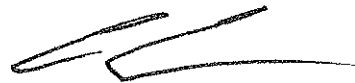
In reference to our Finding reference the statement Long Term Liabilities exceeded Total Assets for New Garden Apartments, we still need a thorough explanation for the excess in writing.

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

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Andy Scott, Interim Assistant City Manager for Economic Development

8-1/10/01

MGT, INC.

Property Management
336-454-6134
Fax: 336-454-6190

P. O. Box 395
5614 Riverdale Road
Jamestown, N. C. 27282

July 7, 2009

Mickey Kerans
Internal Auditor
City of Greensboro
P. O. Box 3136
Greensboro, N. C. 27402

Re: New Garden Apartments -2006-2007

Dear Mickey:

In reference to your letter dated July 1, 2009 I am responding to your findings.

We are implementing the following procedures in a good faith effort to improve the financial position of New Garden Apartments:

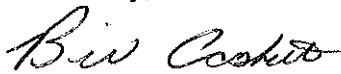
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- 1) Distributed flyers in the surrounding community advertising New Garden Apartments.
- 2) New Garden Apartments is listed on craigslist and socialserve.com.
- 3) Site Manager is to contact housing assistance agencies in Greensboro on a regular basis.
- 4) We are working with an attorney to reduce the property tax liability. Guilford County is to send the new taxable value and rates in the next 30 days.

In reference to Long Term Liabilities exceeding Total Assets, the only way to increase assets is to increase the profitability of the property. For the past several years we have been unable to increase rents due to the restrictions on the property. In 2007 the property collection rate was 93%. Even with that collection rate the property was not able to increase its profits due the cost of maintaining a property that was rehabbed in 1994.

If you have any questions please call.

Sincerely,


Bill Cashatt



City of Greensboro
North Carolina

July 13, 2009

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

Re: New Garden Apartments-2006-2007

Dear Bill:

Thank you for your response in your letter dated July 7, 2008 in reference to the New Garden Apartments review for 2006-2007 reference our letter dated July 1, 2009. We agree with your responses which makes this review complete.

Sincerely,



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

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