



Date: July 27, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Alexander Homes Limited Partnership

The Internal Audit Division has completed our annual review of The Alexander Homes Limited Partnership in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2005-2006 grant year. Attached you will find our review report; the programmatic 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', with a long horizontal flourish extending to the right.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development



City of Greensboro

Date: June 27, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Alexander Homes Limited Partnership 2005-2006

The Internal Audit Division has performed our annual compliance review of the current year's operations of Alexander Homes Limited Partnership, which received a loan from the City of Greensboro in the amount of \$797,000 in March 1995 to help in the rehabilitation of 40 apartments on Bingham, Gant, York and Spencer Streets and South O'Henry Boulevard. The current balance due as of May 31, 2007 is \$794,253. The unpaid balance of this loan is due in April 2025. This partnership also entered into a Purchase Money Promissory Note with the Redevelopment Commission of Greensboro for \$67,500 on March 1995, and it is due in full in March of 2025.

The first mortgage is with Community Investment Corporation of North Carolina (CICNC) which had an original amount of \$420,000 for 25 years. The CICNC mortgage balance as of December 31, 2006 was \$330,762.

These units are called Alexander Homes Apartments. They are rented to qualifying individuals and families in the Greensboro area and are managed by Wynnefield Properties, Incorporated.

We accompanied Mr. Jim 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:

In reference to the Partnership's financial condition as of December 31, 2006 we note the following:

- a. Net Assets decreased (\$46,283) from 2005.
- b. The current ratio is less than 1 at .46 which is a decrease of (.28) from 2005.
- c. The working capital had a negative (\$16,198) which is a decrease of (\$10,682) from 2005.

RECOMMENDATION:

Management should advise how they plan to improve the financial position of Alexander Homes.

FINDING:

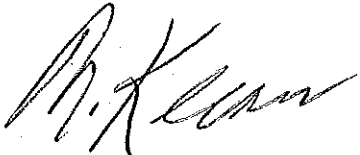
As per Note C of the audited financials for year ended December 31, 2006, the replacement reserve was under funded by (\$657).

RECOMMENDATION:

Management should advise the City how they plan to get the replacement reserve up to their required level.

We request a written and signed response from the Department of Housing & Community development and the Wynnefield Properties by July 11, 2007.

We would like to thank Ms. Joanie Duley, Corporate Management; Ms. Gayle Graves, Community Manager; Mr. Donald Friend, Maintenance Coordinator and Mr. Bryan Cheney, Wynnefield 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 373-2821.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

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



Date: June 26, 2007
To: Norwood Stone, Wynnefield Properties
From: Michael Blair, City of Greensboro HCD
RE: *FY07/08 Alexander Homes Apartments Programmatic Evaluation*

On June 6, 2007 HCD and Internal Audit (IA) staff conducted an on-site monitoring visit of Alexander Homes Apartments. Alexander Homes Apartments are located at Gant, York, Bingham, S. O'Henry Blvd. and Spencer, 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 and federal compliance.

The purpose of the monitoring visit is to determine whether the property is meeting HOME Program requirements and other 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, 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. Gayle Graves, Community Manager, Mr. Donald Friend, Maintenance Coordinator and Mr. Bryan Cheney, Wynnefield Properties Regional Property Manager.

The March 1995 rehabilitation agreement included allocations of \$796,982 in Federal HOME dollars, a \$240,000 (Amended) gift from Neighborhoods United, and Private Investment (Tax Credits) of \$1,415,517. Forty (40) units and forty (40) HOME Assisted Units were created with an affordability of thirty (30) years. Rents would not exceed 30% of the adjusted income of tenants at 60% of Median Income. Rents for 40% (16 units) of all units will not exceed 30% of the adjusted income of tenants at 50% of Median Income adjusted by family size.

The current March 2007 HOME Program "Low HOME" rent (plus utilities of \$150 for all Alexander Homes units) is \$635 for a 2/BR unit. With rent plus utilities at \$600 all Alexander Homes units fall below the "Low HOME" rent of \$635. The unit rents are HOME Program and contractually compliant.

None of the tenant incomes appear 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.

Section 8 housing vouchers are accepted and four tenants receive this assistance.

HCD staff inspected seven (7) units on June 6, 2007 and reported certain minor deficiencies that need attention. The exterior was reported to be in "good" condition. There were no observed code violations.

As a result of this review HCD staff is making zero (0) findings and three (3) concerns. 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 Number 1 – Occupancy

The occupancy from June 30, 2006 through June 20, 2007 is a reported 88% or a vacancy rate of 12%. This is not a favorable level of occupancy. The April 2007 area occupancy rate was 89.1% or a vacancy rate of 10.9%.

Requested Action

Increased occupancy should be goal for this property.

Concern Number 2 – Management Inspection Reports

Of the seven (7) tenant files examined by HCD staff five (5) did not include a move-in or move-out management inspection report. Management Inspection Reports are to be included in the tenant file per HUD Rental Monitoring Checklist 6-C (II)(C)(11).

Requested Action

Always complete a move-in and move-out inspection and have both the tenant and agency sign the form. This protects both parties in the unlikely event of damage beyond normal wear and tear.

Concern Number 3 – Tenant Files and RCRS

Two tenant files listed \$114 as the utility allowance while the RCRS had \$150 (One file had the numbers reversed). Another had income of \$19,624 on the recertification documentation and \$17,498 on the RCRS.

Requested Action

None of the above discrepancies changed tenant eligibility however HCD would like to see the RCRS accurately reflect what is in the supporting documentation.

HCD staff requests that management review the Internal Audit report and reply to it as applicable. The draft Internal Audit report is dated June 11, 2007.

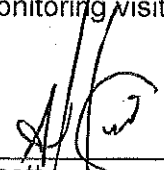
The concerns in this review, in our view, do not reflect negatively on management staff and their work ensuring the continued compliance with the HOME Program. The intent of the concerns expressed in this case is to heighten management awareness.

It is HCD staff opinion that Alexander Homes Apartments is HOME Program and contractually compliant. The property appears to be in good condition and a decent housing option for qualified households.

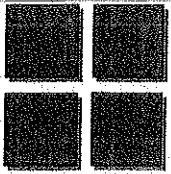
HCD staff appreciates the assistance provided during the monitoring visit by Wynnefield Properties staff.



Michael Blair
Specialist Grants Compliance




Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

 **Date:** July 11, 2007
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Alexander Homes Audit Report

After review of the June 11, 2007 Internal Audit report on Alexander Homes Limited Partnership/Wynnefield Properties, for 2005-2006, HCD submits the following:

IA FINDING 1:

In reference to the Partnership's financial condition as of December 31, 2006 we note the following:

- a. Net Assets decreased (\$46,283) from 2005.
- b. The current ratio is less than 1 at .46 which is a decrease of (.28) from 2005.
- c. The working capital had a negative (\$16,198) which is a decrease of (\$10,682) from 2005.

IA RECOMMENDATION 1:

Management should advise how they plan to improve the financial position of Alexander Homes.

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

IA FINDING 2:

As per Note C of the audited financials for year ended December 31, 2006, the replacement reserve was under funded by (\$657).

IA RECOMMENDATION 2:

Management should advise the City how they plan to get the replacement reserve up to their required level.

- **HCD Reply to Finding/Recommendation 2:** *Concur. This is the second consecutive year that the replacement reserve has been under funded.*

Summary: HCD concurs with the Internal Audit report.



Date: July 12, 2007
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Alexander Homes 2005-2006

Thank you for your reply dated July 11, 2007. Internal Audit agrees with Housing & Community Development's response to IA' subject report dated June 27, 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

Wynnefield Properties, Inc.

Real Estate Management
336-454-6134
Fax: 336-454-6226

P.O. Box 395
5614 Riverdale Road
Jamestown, NC 27282

July 10, 2007

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

Re: Alexander Homes Limited Partnership Audit

Dear Mickey:

In reference to your letter dated June 27, 2007 I am responding to your findings.

We are implementing the following procedures in a good faith effort to improve the financial position of Alexander Homes:

- 1) A new Manager was hired during May of 2007.
- 2) Distribute flyers in the surrounding community advertising Alexander Homes.
- 3) Site Manager to contact housing assistance agencies in Greensboro on a regular basis.
- 4) Have an Open House during July.

The property will be at 90% occupancy after four new tenants move in this week.

During 2006 twelve payments were deposited in the replacement reserve account. The \$ 657.00 shortage will be deposited during the current year when funds are available.

Please contact me if you have additional questions.

Sincerely,



Bill Cashatt



City of Greensboro
North Carolina

July 18, 2007

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

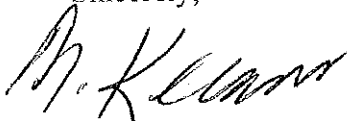
Re: Alexander Homes Apartments-2005-2006

Dear Bill:

Thank you for your response dated July 10, 2007 which we received by e-mail on July 13, 2007 in reference to the Alexander Homes Apartments review for 2005-2006. We agree with your responses and corrective measures. We wish you much success in improving the occupancy and financial condition of Alexander Homes Apartments.

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: Ben Brown, Assistant City Manager for Economic Development
Andy Scott, Director of Housing & Community Development