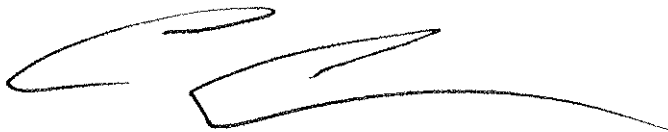




City of Greensboro

Date: January 3, 2007
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Lincoln Grove Limited Partnership

The Internal Audit Division has completed our annual review of the Lincoln Grove Limited Partnership in conjunction with a Programmatic Review by the Housing & Community Development Department for the 2004-2005 fiscal 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.



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: September 18, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Wynnefield-Lincoln Grove Limited Partnership 2004-2005

The Internal Audit Division has performed our compliance review of the year ended December 31, 2005 of Wynnefield-Lincoln Grove Limited Partnership. This property received a loan provided by the City of Greensboro in the amount of \$1,671,583 in December 1990. This loan is non-interest bearing and is due in full April 1, 2022. The loan was provided to help in the rehabilitation of 116 apartments located on and near 503 S. O'Henry Blvd. These units are called Lincoln Grove Apartments and are managed by Wynnefield Properties, Incorporated. One of the units is being used as an office for the Property Manager.

The City's loan is to be repaid based upon 75% of gross receipts less operating and capital expenses actually incurred on an annual basis. Applying the payment formula, the Partnership owes the City \$1,502.14 for the year ended December 31, 2004. This payment should be promptly submitted to the City.

Mr. Jim Teele, of Housing & Community Development, 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 agreement. Based on our review, it appears that the funds have been spent according to the terms of the loan agreement except for the findings described below:

FINDING:

The Partnership did not provide us with a Management Letter for fiscal year ended December 31, 2005.

RECOMMENDATION:

The Partnership should provide a Management Letter to the City for stated period.

We request a written signed response from Wynnefield Properties and the Department of Housing & Community Development by October 3, 2006.

We would like to thank Ms. Priscilla Walker, Community Manager; Mr. Donald Friend, Maintenance Coordinator; and Ms. Joanie Duley; 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: September 15, 2006
To: Norwood Stone, Wynnefield Properties, Inc.
From: Michael Blair, City of Greensboro HCD
RE: *FY06/07 Lincoln Grove Apartments Programmatic Evaluation*

Project Information:

The Lincoln Grove Apartments are located at 501 and 503 S. O'Henry Boulevard, 723 and 724 Jennifer Street, 206 and 207 Avalon Road, 800 Lowdermilk Street, 2003 Spencer Street, in Greensboro, NC. They are currently managed by Wynnefield Properties, Inc.

The property was acquired and rehabilitated in 1991 with \$1,671,583 in local bond funds combined with Private financing and North Carolina Affordable Housing Tax Credits. NCHFA requirements regarding occupancy and tenancy are in effect along with any City contractual requirements.

The properties are comprised of 116 units.

Contract Compliance:

The Deed of Trust, dated December 1990, requirement of rents being affordable to families with income (adjusted) at or less than 45% of Median has been met with tenant rents/utilities of all at or below \$544/month (\$430/m rent and \$114/m utility costs).

All move-ins listed on the NCHFA report meet income requirements. 13 units at Lincoln Grove are occupied by tenants that have exceeded the maximum adjusted Median area income on recertification and 2 units appear to have exceeded the 140% Tax Credit Rule.

The NCHFA RCRS (Rental Compliance Reporting System) dated 07.26.2006 showed units being recertified on a typically regular 12 month schedule.

30 of the 116 units receive Section 8 vouchers.

Fifteen tenant files were examined during the site visit. The files were generally in excellent condition and in order. The following are observations from those files:

1. The files for several units 723-15, 501-23, 408-28, 207-C, did not have a management inspection form.
2. Income on unit 408-31 was overstated by \$520.

Wynnefield has a fair marketing plan that meets the City Affirmative Marketing Requirements. The Tenant Selection Policy is clear and understandable.

Contractual affordability and income requirements are satisfactory.

Financial Review:

City Internal Audit staff have reported that the audited statements for the year ending 12.31.2005 show a profitability concern. Please refer to the Internal Audit report for details.

In addition Internal Audit requests a management letter, or letter stating that there were no management concerns, for the fiscal year ending 12.31.2005.

Condition:

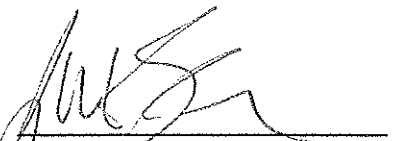
An inspection by HCD staff found certain minor repairs that need attention. Please report any repairs made to Internal Audit.

Occupancy:

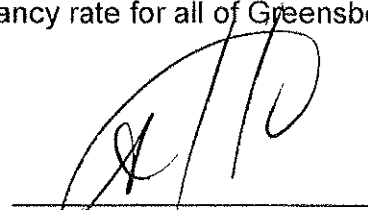
Lincoln Grove had a 90.3% occupancy rate (9.7% vacancy) during the 8 months from January 2006 to August 2006. This is a slight decrease in occupancy over the same period in 2005 which was 91.5%. A 9.7% vacancy average is better than the average in SE Greensboro which had a vacancy rate of 15% in April of 2006; Lincoln Grove had 92.2% (7.8% vacancy) reported occupancy in April 2006.

The last two months reported, July and August 2006, had 87.1% occupancy which is a concern. It is recommended that the property manager work with other affordable housing agencies to help raise and maintain occupancy.

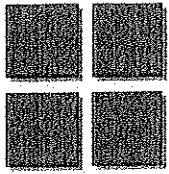
The April 2006 Real Data-Apartment Index vacancy rate for all of Greensboro was 10.02%.



Michael Blair
Grant Compliance



Andy Scott
Director HCD



HCD

Department of Housing & Community Development

MEMO

Date: September 28, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: FY05/06 HCD Review of Lincoln Grove Audit Report

After review of the September 18, 2006 Internal Audit report for Lincoln Grove Limited Partnership/Wynnefield Properties audit, for 2004-2005, HCD submits the following:

IA FINDING 1:

The Partnership did not provide us with a Management Letter for fiscal year ended December 31, 2005.

IA RECOMMENDATION 1:

The Partnership should provide a Management Letter to the City for stated period.

- **HCD Reply to Recommendation 1:** *Concur. HCD adds that a letter from the CPA stating that there was no management letter issued would be sufficient.*

Summary: HCD agrees with the Internal Audit report.



Date: October 4, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-Lincoln Grove 2004-2005

Thank you for your reply of September 28, 2006. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated September 18, 2006.

A handwritten signature in cursive script, appearing to read 'M. Kerans'.

Mickey Kerans
Internal Auditor

A handwritten signature in cursive script, appearing to read 'L. Lucas'.

Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

**Reznick
Group**

Reznick Group, PC
309-E Morehead Street
Suite 10C
Charlotte, NC 28202-2307

Tel: (704) 332-9100
Fax: (704) 332-6444
www.reznickgroup.com

October 19, 2006

City of Greensboro
Internal Audit
PO Box 3136
Greensboro, NC 27402-3136

RE: Wynnefield Lincoln Grove Limited Partnership

Reznick Group did not issue a management letter for Wynnefield Lincoln Grove Limited Partnership for the year ended December 31, 2005.

Reznick Group, P.C.

Reznick Group, PC
Charlotte, North Carolina



City of Greensboro
North Carolina

October 16, 2006

Mr. Norwood Stone, CEO
Wynnefield Properties
1610 Deercroft Court
Greensboro, NC 27407

Re: City Mortgage Loans-Coley Jenkins, Alexander Homes, New Garden Homes and
Lincoln Grove Apartments

Dear Mr. Stone:

Following up your telephone conversation with Mr. Lucas, enclosed are copies of reports from the Internal Audit and the Housing & Community Development Divisions which were originally mailed to you at your Jamestown office and which have not been replied to by Wynnefield. I am also enclosing copies of follow up correspondence with your employees. We would appreciate your responding to us as soon as possible.

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

Wynnefield Properties, Inc.

Real Estate Development
336-454-6134
Fax: 336-454-6190

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

November 2, 2006

City of Greensboro
Attention: Len Lucas
Internal Audit Department
P.O. Box 3136
Greensboro, NC 27402-3136

RE: Wynnefield – Lincoln Grove Limited Partnership 2004-2005


Dear Len,

Attached for your files is a letter from Reznick Fedder concerning the above referenced job.

The payment mentioned in your letter is under review and will be responded to in a timely manner.

If you should have any questions, please feel free to call our office.

Sincerely,



Craig Stone, President
Wynnefield Properties, Inc.

CS:ah

cc: Mickey Kerans, Internal Auditor
Norwood Stone, CEO



City of Greensboro
North Carolina

November 7, 2006

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

Re: Lincoln Grove Apartments-2004-2005

Dear Mr. Craig:

Thank you for your response dated November 2, 2006 in reference to the Lincoln Grove Apartments review for 2004-2005. We requested that you respond by October 3, 2006, however, we did not receive your reply until November 6, 2006.

In reference to the City mortgage payment due from the Lincoln Grove Apartment Partnership, we agree that you should review the calculation in which the Partnership owes the City \$1,502.14 in a timely manner. However, since you have had our request for over a month we expect your reply and or check as expeditiously as possible.

We have received the Management Letter for year ended December 31, 2005 from the Reznick Group, PC.

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
Linda Miles, City Attorney
Norwood Stone, CEO of Wynnefield Properties, Inc.

Wynnefield Properties, Inc.

Real Estate Development
910-454-6134
Fax: 910-454-6190

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

To: Vera Troxler
12/18/06

December 15, 2006

Len Lucas
Internal Audit Director
City of Greensboro
P. O. 3136
Greensboro, N. C. 27402

Re: Lincoln Grove Apartments payment of City mortgage in the amount of \$ 1,502.14


LOAN # 505444
Revised 12/18/06

Dear Len:

Please find enclosed payment of the City Mortgage calculated by the Internal Audit Department. As you are aware, we dispute the amount due. By tendering the enclosed payment, we do not concede or acknowledge as correct the amount due as claimed by the City, nor do we relinquish our right to recoup from the City any and all overpayments.

Please call if you have any questions.

Sincerely,


Craig Stone



City of Greensboro
North Carolina

December 19, 2006

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

Re: Lincoln Grove Apartments-2004-2005

Dear Mr. Stone:

Thank you for your check dated December 8, 2006 and number 7104 in the amount of \$1,502.14 in reference to the Lincoln Grove Apartments debt service to the City for 2004-2005.

This completes our review process for Lincoln Grove for the 2004-2005 year.

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
Linda Miles, City Attorney
Norwood Stone, CEO of Wynnefield Properties, Inc.