



City of Greensboro

Date: January 3, 2007

To: Mitchell Johnson, City Manager

From: Internal Audit Division

Subject: New Garden Associates Limited Partnership

The Internal Audit Division has completed our annual review of the New Garden Associates 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: July 19, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: New Garden Associates Limited Partnership 2004-2005

The Internal Audit Division has performed our compliance review of the year ended December 31, 2004 and 2005 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 have been made on the principal balance of \$1,299,220 at this time. The Reserve Account balance is \$100,821 for the year ended December 31, 2005. This loan is due in full November 1, 2022. Based on our review, it appears that the funds have been spent according to the terms of the loans agreement except for the following findings:

FINDING:

Annual payments of 75% of gross receipts after deducting operating and capital expenses actually incurred are required on this loan. As per the Partnership external audit for fiscal year ended December 31, 2005, we calculate a payment due the City in the amount of \$757.50.

RECOMMENDATION:

The City requests a payment from the Partnership in the amount of \$757.50.

FINDING:

The Partnership's net assets for calendar year ended December 31, 2005 decreased by (\$66,391); its current ratio is less than one at .81; and its working capital is a negative of (\$5,112); the vacancy rate was 15.32%.

RECOMMENDATION:

The Partnership should explain to the City how they plan to improve their financial and vacancy position.

FINDING:

The Partnership did not provide the City with the following documents during the review:

1. Management letter at December 31, 2005 from their external auditors.
2. Partnership tax return 1065 for 2005.

RECOMMENDATION:

The Borrower should provide documents as requested above.

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

We would like to thank Ms. Joanie Duley, Corporate Management; Mr. Bryan Cheney, Wynnefield Regional Property Manager; Ms. Barbara White-Tate, Community 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 Management, Incorporated



Date: July 18, 2006
To: Norwood Stone, Wynnefield Properties Inc. 
From: Michael Blair, City of Greensboro HCD
RE: *FY06/07 New Garden Place Apartments Programmatic Evaluation*

Project Information:

The New Garden Place Apartments are located at 1622 McPherson St in Greensboro, NC and are managed by Wynnefield Properties, Inc.

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. No Greensboro Consortium HOME Program funds were expended on the property therefore the lease agreement is the primary document regarding occupancy and tenancy requirements for this review.

The property consists of 76 units and the units would be made affordable (Rent plus Utilities) to households with incomes at or below 42% of the adjusted area Median Income.

Contract Compliance:

Resident incomes are certified annually according to the NCFHA Rental Compliance Reporting System report. Twelve units were inspected and HCD staff reviewed twelve tenant files. All twelve of the tenant files contained required income, lease and inspection documentation. The files are in very good condition.

The requirement of rents being affordable to families with income (adjusted) at or less than 42% of Median has been met with rents of \$387 to \$480 and utility "allowance" of \$109. The \$88 to \$131 (Depending on unit size) allowance is the expected utility cost to the tenant.

The city agreement references IRS/IRC §42 for Housing Tax Credits which means that the NCHFA income limits are used for tenant eligibility. The July 13, 2006 NCHFA monitoring review was positive with no findings.

Residents in eighteen units use section 8 vouchers.

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

The leases do not contain any prohibited provisions and all leases are all greater than 12 months in length and not on a transient basis. A waiting list is maintained.

Contractual affordability and income requirements are satisfactory.

Financial Review:

Internal Audit's review of the partnership indicates that a payment of \$757.50 is due to the city on the loan. HCD requests that Wynnefield Properties arrange to submit payment to the City by August 30, 2006. If payment is not received by that date the matter will be referred to the City Collection Department for resolution.

Condition:

An inspection by HCD staff found the property to be in satisfactory repair. No major code violations were discovered during the inspection however the inspection report lists several minor issues that need to be corrected.

Please refer to the HCD inspection report dated 06.28.06 for details.


Occupancy:

The occupancy rate from January of 2006 to June 31, 2006 was 95%. That is an 8% improvement over last year during the same period, which was 87% or a 13% vacancy rate. This is better than average in NE Greensboro which had a vacancy rate of 10.5% in October of 2005.

The October 2005 Carolina Real Data vacancy rate for the entire Greensboro/Winston Salem MSA was 9.1%.




Michael Blair
Grant Compliance



Andy Scott
Director HCD



MEMO

 **Date:** August 17, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: FY06/07 HCD Review of New Garden Place Audit Report

After review of the July 19, 2006 Internal Audit report on New Garden Associates Limited Partnership/Wynnefield Properties, for year end 2004 & 2005, HCD submits the following:

IA FINDING 1:

Annual payments of 75% of gross receipts after deducting operating and capital expenses actually incurred are required on this loan. As per the Partnership external audit for fiscal year ended December 31, 2005, we calculate a payment due the City in the amount of \$757.50.

IA RECOMMENDATION 1:

The City requests a payment from the Partnership in the amount of \$757.50.

- **HCD Reply to Recommendation 1:** Concur. This \$757.50 was requested in the HCD Programmatic Review.

IA FINDING 2:

The Partnership's net assets for calendar year ended December 31, 2005 decreased by (\$66,391); its current ratio is less than one at .81; and its working capital is a negative of (\$5,112); the vacancy rate was 15.32% per Partnership income statement.

IA RECOMMENDATION 2:

The Partnership should explain to the City how they plan to improve their financial and vacancy position.

- **HCD Reply to Recommendation 2:** Concur regarding financial improvement. The vacancy rate appears to have improved and is reported to be 5% over the last six months per the rent rolls.

Summary: On the "Finding", and "Recommendation", HCD concurs with the Internal Audit report.

IA FINDING 3:

The Partnership did not provide the City with the following documents during the review:

1. Management letter at December 31, 2005 from their external auditors.
2. Partnership tax return 1065 for 2005.

IA RECOMMENDATION 2:

The Borrower should provide documents as requested above.

- **HCD Reply to Recommendation 3:** *Concur.*

Summary: On the Findings, and Recommendations, HCD generally concurs with the Internal Audit report.



City of Greensboro

Date: August 21, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: HCD Reply to IA Report-New Garden Place 2004-2005

Thank you for your reply of August 17, 2006. Internal Audit agrees with Housing & Community Development's response to Internal Audit's subject report dated July 19, 2006. Please note we received the Borrower's Tax form 1065 on August 7th and its Management Letter on August 8, 2006.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

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: New Garden Associates Limited Partnership, Audit Response

Dear Len,

In reference to your letter dated July 19, 2006 and your finding of due payment. We are currently investigating the financials and will respond to this issue in a timely manner.

Vacancy findings in your letter are now above average for the North East Greensboro area as noted in HCD correspondence received here in our office in July 2006. We continue to maintain occupancy well over the 90% range for the New Garden property. This is a positive trend and as we move forward should reflect in the properties financials positively.

Regarding your request for a management letter, our auditor found no reasoning to write a letter. However, attached is letter from Douglas Covington for your records.

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



City of Greensboro
North Carolina

November 7, 2006

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

Re: New Garden Apartments-2004-2005

Dear Mr. Craig:

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

In reference to the City mortgage payment due from the New Garden Associates Limited Partnership, we agree that you should review the calculation in which the Partnership owes the City \$757.50 in a timely manner. However, since you have had our request for over three months we expect your reply and or check as expeditiously as possible.

We agree with you that one way to improve the Partnership's financial position is to increase its occupancy percentage.

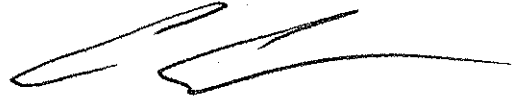
We have received the Management Letter for year ended December 31, 2005 from O. Douglas Covington, CPA, PA.

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: New Garden Apartments payment of City mortgage in the amount of \$ 757.50

-LOAN # 511533
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: New Garden Apartments-2004-2005

Dear Mr. Stone:

Thank you for your check dated December 8, 2006 and number 10016 in the amount of \$757.50 in reference to the New Garden Apartments debt service for 2004-2005.

This completes our review for New Garden Apartments 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.