

City of Greensboro

Date: October 9, 2006
To: Mitchell Johnson, City Manager
From: Internal Audit Division
Subject: Trinity Building Corporation / Trinity Garden Apartments

The Internal Audit Division has reviewed the Trinity Building Corporation 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



Date: September 25, 2006
To: Andy Scott, Director of Housing & Community Development
From: Internal Audit Division
Subject: Trinity Building Corporation 2004-2005

The Internal Audit Division has performed our compliance review of the year ended December 31, 2005 of Trinity Building Corporation. This property received a non-interest bearing loan in the amount of \$70,000 provided by the City of Greensboro to help in the rehabilitation of 152 apartments located at Carrieland Drive, Fairbrother Street and Tillman Avenue. Professional Realty and Management Company manages this property. These units are called Trinity Garden Apartments and are rented to families or individuals based upon their ability to pay.

We accompanied Mr Jim Teele and Mr. Michael Blair, of the Department of Housing & Community Development, as they inspected the exterior buildings and grounds of Trinity Garden Apartments and some repairs were noted for the property. A copy of these issues were given to the Property Manager to address before they escalate into costly problems.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Repayment of the loan is based upon a percentage of cash flows and any unpaid balance is due in full October 1, 2018. As of December 31, 2005, there was a payment due of \$4,797. This payment was received on August 31, 2006 and applied to the loan balance which presently in the amount of \$65,003.

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:

In reference to the Trinity Garden Apartments audited financials for fiscal year ended December 31, 2005 and 2004, below are the following finding:

- a. The entity's working capital as of December 31, 2005 improved to a deficit of (\$162,199) from a deficit of (\$238,775) in 2004.
- b. The current ratio at 2005 was .260 to 1 and for 2004 was .315 to 1. The current ratio is a measure of the entity's ability to pay its current liabilities in a timely manner. With the current ratio less than 1 (one), then Trinity Gardens would have difficulty paying its current liabilities.

RECOMMENDATION:

Trinity Building Corporation should continue to work to decrease the negative working capital and improve its ratio of current assets to current liabilities.

We request a written signed response from the corporation and the Department of Housing & Community Development by October 9, 2006.

We would like to thank Mr. W. G. Nelson, President of Professional Realty and Management Company; Ms. Michelle Thomas, Property Manager; and Ms. Tracy Rogers, Administrative Assistant of Trinity Gardens Apartments 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
W. G. Nelson, President of Professional Realty and Management Company

Lucas, Len

From: Blair, Michael
Sent: Tuesday, September 19, 2006 10:39 AM
To: Lucas, Len
Cc: Scott, Andrew
Subject: Trinity Gardens
Importance: High

Len,

Both Cyndi and I have reviewed the Trinity Gardens Apartments agreement (and archived documentation from the vault) and we agree that there is nothing to suggest that we should physically inspect 23 units. In addition Mike Williams has reviewed the agreement and found no legal requirement for unit inspections.

The \$70,000 worth of work was done with bond funds (no built-in legal requirements like HOME or CDBG) on primarily exterior work (vinyl siding, exterior doors, roofing (?) and some insulation) so there are no Federal compliance issues. There is also a lack of affordability requirements associated with the City funding.

We do agree however that HCD inspection staff should perform an exterior inspection to insure the general upkeep and maintenance of the property.

I also spoke with LOE and there are no current code violations to be concerned about.

Thanks,

Michael

Lucas, Len

From: Lucas, Len
Sent: Friday, September 22, 2006 12:06 PM
To: Williams, Mike
Subject: RE: Trinity Gardens

O.K. Thanks.

THANKS!
Len Lucas
373-2823

From: Williams, Mike
Sent: Friday, September 22, 2006 12:06 PM
To: Lucas, Len
Subject: RE: Trinity Gardens

yes

Mike Williams/Deputy City Attorney
City of Greensboro
Phone: (336) 373-2320
Email: mike.williams@greensboro-nc.gov

From: Lucas, Len
Sent: Friday, September 22, 2006 11:41 AM
To: Williams, Mike
Subject: FW: Trinity Gardens
Importance: High

Do you concur with this?

THANKS!
Len Lucas
373-2823

From: Blair, Michael
Sent: Tuesday, September 19, 2006 10:39 AM
To: Lucas, Len
Cc: Scott, Andrew
Subject: Trinity Gardens
Importance: High

Len,

Both Cyndi and I have reviewed the Trinity Gardens Apartments agreement (and archived documentation from the vault) and we agree that there is nothing to suggest that we should physically inspect 23 units. In addition Mike Williams has

9/22/2006

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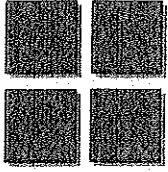
We do agree however that HCD inspection staff should perform an exterior inspection to insure the general upkeep and maintenance of the property.

I also spoke with LOE and there are no current code violations to be concerned about.

Thanks,

Michael


9/22/2006



HCD

Department of Housing & Community Development

MEMO



Date: September 29, 2006
To: Len Lucas, Internal Audit Director
From: Michael Blair, Specialist Grants Compliance
RE: HCD Review of Trinity Gardens Audit Report

After review of the September 25, 2006 Internal Audit report of the Trinity Building Corporation, for 2004-2005, HCD submits the following:

IA FINDING 1:

- a. The entity's working capital at December 31, 2004 improved to a deficit of (\$162,199) from a deficit of (\$238,775) in 2004.
- b. The current ratio at 2005 was .260 to 1 and for 2004 was .315 to 1. The current ratio is a measure of the entity's ability to pay its current liabilities in a timely manner. With the current ratio less than 1 (one), then Trinity Gardens would have difficulty paying its current liabilities.

IA RECOMMENDATION 1:

Trinity Building Corporation should continue to work to decrease the negative working capital and improve its ratio of current assets to current liabilities.

- HCD reply to Recommendation 1: *Concur.*

On recommendation 1 HCD concurs with the Internal Audit report.



City of Greensboro

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

Thank you for your reply of September 29, 2006. Internal Audit agrees with Housing & Community Development's response to IA's subject report dated September 25, 2006.



Mickey Kerans
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development

Professional Realty And Management LLC
P. O. Box 25762 Charlotte, N. C. 28229
Telephone (704) 537-0609

Fax (704) 567-2666

September 29, 2006

Mickey Kerans
Internal Auditor
City of Greensboro
P O Box 3136
Greensboro, NC 27402-3136

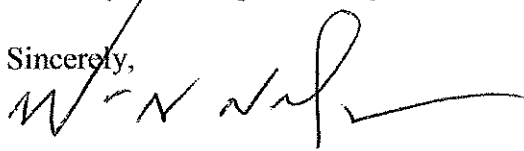
RE: Trinity Gardens Apartments
Greensboro, NC

Mr. Kerans

:
This is to acknowledge receipt of your correspondence dated September 25, 2006, every effort will be made to continue our efforts to reduce the negative working capital amount as indicated your correspondence.

Should you have questions, please contact this office.

Sincerely,



W. G. Nelson

CC: Willard Wiley
Maxine Davis



City of Greensboro
North Carolina

October 2, 2006

Mr. W. G. Nelson
Professional Realty & Management LLC
P. O. Box 25762
Charlotte, NC 28229

Re: Trinity Garden Apartments-2004 to 2005

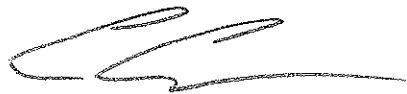
Dear Mr. Nelson:

We are in receipt of your letter dated September 29, 2006 reference the City's Internal Audit report letter dated September 25, 2006 for the 2004 to 2005 Year. Your timely response to our report is appreciated. We have reviewed your letter and agree with your responses and corrective measures.

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