



# City of Greensboro

Date: September 28, 2004  
To: Andy Scott, Director of Housing & Community Development  
From: Internal Audit  
Subject: R.S. King Limited Apartments Limited Partnership 2002-2003

The Internal Audit Division has performed a program and compliance review for the current year's operations of the Raymond S. King Apartments Limited Partnership, which received a loan in the amount of \$758,169 from the City of Greensboro to help in the rehabilitation of 22 apartments located at 1004 through 1028 John Dimrey Drive. These apartments are designed as transitional housing for homeless individuals or families to achieve independent living within 24 months or within a longer period, determined by HUD, as necessary to facilitate the transition. There was also a purchase money note from the Redevelopment Commission of Greensboro of \$24,000.

These apartments were in transition from Project Homestead's management which filed for bankruptcy in January. Most recently they were managed by Beacon Management until September 6, 2004, at which time Wynnfield Properties took over as managing agency.

The City's loan is due to be repaid on an annual basis beginning on the first day of July and continuing on each July 1 thereafter. The payment would be 50% of gross receipts after deducting all normal and reasonable operating and capital expenses incurred by R.S. King Apartments. The balance on the loan is due in full December 1, 2025 and the Purchase Money Note is due in full December 1, 2025.

## LOAN REPAYMENT

### FINDING:

The financial statements for this property at December 2003 prepared by their external auditors' shows net positive cash flow of \$2,012. The City's share of this amount per the contract should be \$1,006. The agency has not made any payments to date for this amount due.

### RECOMMENDATION:

R.S. King Limited Partnership should pay the amount due immediately to the City of Greensboro.

## OPERATING & RESERVE ACCOUNT

### FINDING:

Per the loan agreement with the City, the agency is required to deposit \$4,400 annually to an Operating and Reserve account to pay for all operating and capital expenses not able to be paid from the generation of rental income. For the year ended December 2003 the agency funded this account in the amount of \$4,123 a shortage of \$277.

### RECOMMENDATION:

R.S. King Limited Partnership should fund the amount due immediately to the Operating and Reserve Account.

VACANCY RATE

FINDING:

This property is experiencing a very high vacancy rate. Upon consultation during our visit, it appears to be due to the tenant's non-payment of rents for 12 of the possible 24 units a 50% vacancy rate.

RECOMMENDATION:

We recommend the management agency address this issue to obtain the lowest number of vacancies possible and also address the supportive services requirements for tenants at this property.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development as he inspected approximately 15% of the units and he noted several repairs that needed to be made. The agency has made most of these repairs but, still has a few issues to address in a few units.

We examined selected financial transactions and program documentation maintained by the agency 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 aforementioned findings and recommendations.

We request a written and signed response to our findings and recommendations from R.S. King Limited Partnership before and after the management change and the Department of Housing & Community Development by October 12, 2004. We would like to thank Ms. Kim Payne, Property Manager and Ms. Marlene Streets, Regional Property Manager for Wynnefield Properties for their courtesy and cooperation during this compliance review. If there are any questions or comments concerning the details of this review, we can be reached at 373-2823.



Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development  
George E. Carr III, President of Beacon Management, Incorporated  
I. Norwood Stone, President of Wynnefield Properties, Incorporated



# City of Greensboro

Date: September 28, 2004  
To: George E. Carr III; I. Norwood Stone; Andy Scott  
From: Internal Audit  
Subject: R.S. King Limited Apartments Limited Partnership 2002-2003

The Internal Audit Division has performed a program and compliance review for the current year's operations of the Raymond S. King Apartments Limited Partnership, which received a loan in the amount of \$758,169 from the City of Greensboro to help in the rehabilitation of 22 apartments located at 1004 through 1028 John Dimrey Drive. These apartments are designed as transitional housing for homeless individuals or families to achieve independent living within 24 months or within a longer period, determined by HUD, as necessary to facilitate the transition. There was also a purchase money note from the Redevelopment Commission of Greensboro of \$24,000.

These apartments were in transition from Project Homestead's management which filed for bankruptcy in January. Most recently they were managed by Beacon Management until September 6, 2004, at which time Wynnefield Properties took over as managing agency.

The City's loan is due to be repaid on an annual basis beginning on the first day of July and continuing on each July 1 thereafter. The payment would be 50% of gross receipts after deducting all normal and reasonable operating and capital expenses incurred by R.S. King Apartments. The balance on the loan is due in full December 1, 2025 and the Purchase Money Note is due in full December 1, 2025.

## LOAN REPAYMENT

### FINDING:

The financial statements for this property at December 2003 prepared by their external auditors' shows net positive cash flow of \$2,012. The City's share of this amount per the contract should be \$1,006. The agency has not made any payments to date for this amount due.

### RECOMMENDATION:

R.S. King Limited Partnership should pay the amount due immediately to the City of Greensboro.

## OPERATING & RESERVE ACCOUNT

### FINDING:

Per the loan agreement with the City, the agency is required to deposit \$4,400 annually to an Operating and Reserve account to pay for all operating and capital expenses not able to be paid from the generation of rental income. For the year ended December 2003 the agency funded this account in the amount of \$4,123 a shortage of \$277.

### RECOMMENDATION:

R.S. King Limited Partnership should fund the amount due immediately to the Operating and Reserve Account.

**VACANCY RATE**

**FINDING:**

This property is experiencing a very high vacancy rate. Upon consultation during our visit, it appears to be due to the tenant's non-payment of rents for 12 of the possible 24 units a 50% vacancy rate.

**RECOMMENDATION:**

We recommend the management agency address this issue to obtain the lowest number of vacancies possible and also address the supportive services requirements for tenants at this property.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development as he inspected approximately 15% of the units and he noted several repairs that needed to be made. The agency has made most of these repairs but, still has a few issues to address in a few units.

We examined selected financial transactions and program documentation maintained by the agency 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 aforementioned findings and recommendations.

We request a written and signed response to our findings and recommendations from R.S. King Limited Partnership before and after the management change and the Department of Housing & Community Development by October 12, 2004. We would like to thank Ms. Kim Payne, Property Manager and Ms. Marlene Streets, Regional Property Manager for Wynnefield Properties for their courtesy and cooperation during this compliance review. If there are any questions or comments concerning the details of this review, we can be reached at 373-2823.



Len Lucas  
Internal Audit Director

Cc: Ben Brown, Assistant City Manager for Economic Development  
George E. Carr III, President of Beacon Management, Incorporated  
I. Norwood Stone, President of Wynnefield Properties, Incorporated