



Date: October 7, 2004  
To: George Carr; Norwood Stone; Andy Scott  
From: Internal Audit  
Subject: Kingsgate Housing, LLC / Allen Nussbaum Apartments 2002-2003

The Internal Audit Division has completed a program and compliance review for the current year's operations of Kingsgate Housing, LLC which received a loan from the City of Greensboro in the amount of \$451,000 to help in the rehabilitation of 37 apartments located at 537 through 605 West Terrell Street. These units are called Allen-Nussbaum Apartments

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 to be repaid in monthly installments of \$1,225.23 until May 1, 2018 at which time any remaining balance and accrued interest will become due in full. The management agency is meeting these payment requirements.

We accompanied Mr. Bill Black, Rehabilitation Supervisor of Housing & Community Development as he inspected approximately 15% of the units and noted a few repairs need in the units observed. One unit has been condemned by the City Building Inspections Department due to a water leak that has caused substantial damage and mold. This appears to be due to the fact that this situation was not addressed in a timely fashion. We also noted that the Replacement Reserve Account was under funded by \$465 for the year ended December 2003. We recommend these issues are addressed in a timely fashion. The Housing and Community Development Department will continue to monitor this property.

We examined selected financial transaction and program documentation maintained by the agency for compliance with the loan agreement. Based on our review, it appears that the funds were used in compliance with the loan agreement except for the previous recommendations.

We request a written and signed response to our recommendations from the Kingsgate Limited Partnership before and after the management change and the Department of Housing & Community Development by October 21, 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, North Carolina 27402