

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE
USED IN ADMINISTERING GRANT AGREEMENT**

New Orleans International Airport
New Orleans, Louisiana

We have audited the schedule of costs related to Federal Aviation Administration (FAA) Land Acquisition Grant 3-23-0017-30 of the Airport for the period from December 18, 1991 to September 18, 1996, and have issued our report thereon dated September 23, 1996. We have also audited the Airport's compliance with requirements applicable to the grant agreement referred to above and have issued our report thereon dated September 23, 1996.

We conducted our audits in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the schedule of costs are free of material misstatement and about whether the Airport complied with specific requirements applicable to the grant agreement referred to above.

In planning and performing our audit of the schedule of costs related to FAA Land Acquisition Grant 3-23-0017-30 of the Airport for the period from December 18, 1991 to September 18, 1996, we considered the internal control structure of the Airport in order to determine our auditing procedures for the purpose of expressing our opinion on the schedule of costs of the Airport, and on its compliance with requirements applicable to the grant agreement referred to above, and to report on the internal control structure used in administering the grant agreement referred to above. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to the grant agreement referred to above.

The management of the Airport is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of the statements of costs in accordance with the contract agreement referred to above, and that the grant agreement referred to above is managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that provisions may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



MEMORANDUM
TO: LEGISLATIVE AUDITOR
FROM: DELOITTE & TOUCHE LLP

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L&L 1018 1018 DUT
Client courtesy
copy from the
new and P&C
copy in P&C

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Suite 1900
One Shell Square
201 Poydras Street
New Orleans, Louisiana 70112-2000

Telephone: (504) 581-7721
Facsimile: (504) 581-7720

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO GRANT AGREEMENT

New Orleans International Airport
New Orleans, Louisiana

We have audited the schedule of costs related to Federal Aviation Administration Land Acquisition Grant 1-22-6007-10 of the New Orleans International Airport ("Airport") for the period from December 18, 1994 to September 23, 1996, and have issued our report thereon dated September 21, 1996.

We have also audited the Airport's compliance with the requirements governing project cost allowability, matching shares, and special reporting requirements that are applicable to the grant agreement referred to above. The Airport's management is responsible for the Airport's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Airport's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our tests disclosed no instances of noncompliance with the requirements referred to above that are required to be reported hereon under Government Auditing Standards.

In our opinion, the Airport complied, in all material respects, with the requirements governing project cost allowability, matching shares, and special reporting requirements that are applicable to the grant agreement referred to above.

This report is intended for the information of the Aviation Board, management, the FAA, and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

September 23, 1996

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Deloitte Touche
Tenneco
International

Release Date OCT 16 1996



Suite 2120
One Shell Square
701 Poydras Street
New Orleans, Louisiana 70112-2120

Telephone: (504) 581-2311
Facsimile: (504) 581-7330

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF COSTS

New Orleans International Airport
New Orleans, Louisiana

We have audited the accompanying schedule of costs related to Federal Aviation Administration (FAA) Land Acquisition Grant 9-21-0817-30 of the New Orleans International Airport ("Airport") for the period from December 18, 1991 to September 23, 1998. This schedule of costs is the responsibility of the Airport's management. Our responsibility is to express an opinion on this schedule based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of costs is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedule of costs. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule of costs presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such schedule of costs presents fairly, in all material respects, the costs related to FAA Land Acquisition Grant 9-21-0817-30 of the Airport for the period from December 18, 1991 to September 23, 1998, and the resulting amount due from FAA for the period then ended, under the grant agreement referred to above.

In accordance with Government Auditing Standards, we have also issued a report dated September 23, 1998 on our consideration of the Airport's internal control structure used in administering the grant agreement referred to above and a report dated September 23, 1998 on the Airport's compliance with specific requirements applicable to the grant agreement referred to above.

This report is intended for the information of the Aviation Board, management, the FAA and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

September 23, 1998

NEW ORLEANS INTERNATIONAL AIRPORT

STATEMENT OF COSTS RELATED TO FEDERAL AVIATION ADMINISTRATION (FAA)
LAND ACQUISITION GRANT 3-23-8037-30
PERIOD FROM DECEMBER 18, 1991 TO SEPTEMBER 23, 1996

| | |
|---|-------------------|
| Costs eligible for FAA participation | \$5,151,712 |
| Percentage to be paid by the FAA | <u>88 %</u> |
| Total FAA participation | 4,534,586 |
| FAA reimbursement made through September 23, 1996 | <u>4,356,120</u> |
| Amount due from FAA as September 23, 1996 | <u>\$ 178,466</u> |

See notes to schedule of costs.

NEW ORLEANS INTERNATIONAL AIRPORT

NOTE TO SCHEDULE OF COSTS RELATED TO FAA
LAND ACQUISITION GRANT 8-22-8037-00
PERIOD FROM DECEMBER 18, 1991 TO SEPTEMBER 23, 1998

The New Orleans International Airport on December 18, 1991 accepted FAA Grant Agreement for Development Project (Project No. 8-22-8037-00). The terms of this agreement obligated the FAA to pay 80% of the allowable costs incurred in the purchase of land to make sensitive areas and in the relocation of the residents of these areas to non-sensitive adjacent areas.

The maximum obligation of the FAA under the grant agreement was \$6,520,000.

All grant costs are included in this schedule including the billing for the audit of this grant.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering the grant agreement referred to above into the following categories:

- Cash receipts and accounts receivable
- Cash disbursements and accounts payable
- Property
- General ledger
- Budgeting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

We performed tests of controls to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with requirements governing project cost allocability, matching above, and special reporting requirements that are applicable to the grant agreement referred to above. Our procedures were limited in scope that would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering the grant agreement referred to above would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to the grant agreement referred to above may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above.

This report is intended for the information of the Aviation Board, management, the FAA and the State of Louisiana Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Deloitte & Touche LLP

September 13, 1996