

HOUSING AUTHORITY OF THE CITY OF SLIDELL

SLIDELL, LOUISIANA

FINANCIAL STATEMENTS

MARCH 31, 2020



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS

TABLE OF CONTENTS

	<u>EXHIBIT</u>	<u>PAGE</u>
<u>FINANCIAL SECTION</u>		
<u>INDEPENDENT AUDITORS' REPORT</u>		1 – 3
<u>REQUIRED SUPPLEMENTARY INFORMATION (PART 1):</u>		
Management’s Discussion and Analysis		4 – 8
<u>BASIC FINANCIAL STATEMENTS:</u>		
Statement of Net Position	A	9
Statement of Revenues, Expenditures and Changes in Net Position.....	B	10
Statement of Cash Flows.....	C	11 – 12
Notes to Financial Statements.....		13 – 21
<u>OTHER SUPPLEMENTAL INFORMATION:</u>		
HUD Financial Data Schedule – Balance Sheet Data by Sub-Fund.....	1	22
HUD Financial Data Schedule – Revenues and Expenses Data by Sub-Fund	2	23
Statement of Certification of Actual Modernization Costs Completed	3	24
Schedule of Compensation, Benefits, and Other Payments to Agency Head	4	25

TABLE OF CONTENTS (CONTINUED)

	<u>PAGE</u>
<u>SINGLE AUDIT SECTION</u>	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26 – 27
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.....	28 – 30
Schedule of Expenditures of Federal Awards.....	31
Notes to Schedule of Expenditures of Federal Awards	32
Schedule of Findings and Questioned Costs.....	33 – 37
Summary Schedule of Prior Year Findings	38 – 42
Management's Corrective Action Plan - Findings.....	43 – 45



INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of
Housing Authority of the City of Slidell
Slidell, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Housing Authority of the City of Slidell (the Authority) as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *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 the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



To the Board of Commissioners of
Housing Authority of the City of Slidell
March 24, 2021

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Housing Authority of the City of Slidell as of March 31, 2020, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The HUD financial data schedules and statement of certification of actual modernization costs completed are presented for the purpose of additional analysis as required by the U.S. Department of Housing and Urban Development and are not a required part of the basic financial statements. The schedule of compensation, benefits, and other payments to agency head is presented for the purpose of additional analysis as required by Louisiana Revised Statute 24:513(A)(3) and is also not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



To the Board of Commissioners of
Housing Authority of the City of Slidell
March 24, 2021

The HUD financial data schedules, statement of certification of actual modernization costs completed, schedule of compensation, benefits, and other payments to agency head, and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the HUD financial data schedules, statement of certification of actual modernization costs completed, schedule of compensation, benefits, and other payments to agency head, and schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2021, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Housing Authority of the City of Slidell's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Housing Authority of the City of Slidell's internal control over financial reporting and compliance.

March 24, 2021
Mandeville, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel, LLP".

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION (PART 1)

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2020

Our discussion and analysis of the Housing Authority of the City of Slidell's (the Authority) financial performance provides an overview of the Authority's financial activities for the fiscal year ended March 31, 2020. This discussion and analysis does not include the component unit.

The Management's Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A to provide a more meaningful comparative analysis of the financial data to be presented.

USING THIS ANNUAL FINANCIAL REPORT

The Authority's annual financial report consists of financial statements that report information about the Authority's most significant programs, such as the Authority's Public Housing, Capital Fund Program, and Housing Choice Voucher Program.

An outline of the annual financial report's content is as follows:

- I. Independent Auditors' Report
- II. Required Supplementary Information (Part 1)
- III. Basic Financial Statements
- IV. Notes to the Financial Statements
- V. Required Supplementary Information (Part 2)
- VI. Other Supplemental Information
- VII. Single Audit Section

Our auditor has provided assurance in their independent auditors' report on pages 1 through 3 that the basic financial statements are fairly stated. A user of this report should read the independent auditors' report carefully to ascertain the level of assurance being provided for each of the other parts in the annual financial report.

FINANCIAL HIGHLIGHTS

The Authority's net positions were \$6,754,243 and \$7,256,068 at March 31, 2020 and 2019, respectively. Of this amount, \$2,142,326 and \$2,203,930 were unrestricted. The unrestricted net positions of the Authority are available for future use to provide program services. Restricted net positions were \$952,987 and \$1,026,549 at March 31, 2020 and 2019, respectively. Net investments in capital assets were \$3,658,930 and \$4,025,589, respectively.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCH 31, 2020

Total spending for all programs was approximately \$5.4 million for the year ended March 31, 2020. Housing assistance payments (HAP) to landlords on behalf of program participants was approximately \$3.9 million or 72% of total spending. Total revenue was approximately \$5 million, of which tenant-related income comprised \$386,000 or 8%. Subsidies and grants from the U.S. Department of Housing and Urban Development (HUD) comprised 92% of operating revenue.

Public Housing Authorities' (PHAs) annual budgets for 2020 are based on mandated procedures that serve to determine every PHA's total and final funding amount. The funding is based on a calendar year.

FINANCIAL ANALYSIS

The Authority's net position was approximately \$5.4 million at March 31, 2020.

The Authority uses sub-funds to help oversee and demonstrate adequate management of money for particular purposes. Separate sub-funds are established to account for each program. The following analysis focuses on the net position and the change in net position of the Authority as a whole, excluding the component unit.

Condensed Statement of Net Position – Proprietary Fund

	<u>03/31/20</u>	<u>Restated 03/31/19</u>
Current assets	\$ 3,421,225	\$ 3,431,637
Capital assets, net	<u>3,658,930</u>	<u>4,025,589</u>
Total assets	<u>7,080,155</u>	<u>7,457,226</u>
Current liabilities	318,534	195,986
Noncurrent liabilities	<u>7,378</u>	<u>5,172</u>
Total liabilities	<u>325,912</u>	<u>201,158</u>
Net position		
Net investment in capital assets	3,658,930	4,025,589
Restricted for: Program Services	952,987	1,026,549
Unrestricted	<u>2,142,326</u>	<u>2,203,930</u>
Total net position	<u>\$ 6,754,243</u>	<u>\$ 7,256,068</u>

Current assets decreased \$10,412 or .3% from the prior year as a result of operations. Capital assets decreased by \$366,659 (9%) from the prior year due to current year depreciation expense. The aggregation of these factors affecting current assets and capital assets resulted in decrease in total assets of \$300,405 (5%).

Total liabilities increased by \$124,755 (62%) during the current year which is primarily due to timing of payments made to vendors.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCH 31, 2020

There was a decrease in investment in capital assets of \$366,659 (9%) because of current year depreciation expense. The decrease of \$73,562 in net position restricted for program services and decrease of \$61,605 in unrestricted net position are largely due to normal operations.

Condensed Statement of Revenues, Expenditures and Changes in Net Position - Proprietary Fund

	<u>03/31/20</u>	<u>03/31/19</u>
Operating revenues:		
Charges for services	\$ 386,135	\$ 371,821
Operating grants	3,658,145	3,955,643
Non-operating revenues:		
Interest earnings	4,662	6,553
Portability income	940,592	868,360
Other income	<u>8,462</u>	<u>3,274</u>
Total revenues	<u>4,997,996</u>	<u>5,205,651</u>
Expenses		
Administrative	632,525	521,824
Tenant services	1,242	1,312
Utilities	81,306	89,224
Maintenance	159,229	145,592
Protective services	30,202	37,935
Insurance premiums	200,336	117,535
Other general	159,407	104,714
Housing Assistance Payments	2,962,700	2,896,309
HAP Portability-In	906,216	870,205
Depreciation	<u>366,659</u>	<u>306,893</u>
Total operating expenses	<u>5,499,821</u>	<u>5,091,543</u>
Change in net position	<u>(501,825)</u>	<u>114,108</u>
Net position, beginning, as restated	<u>7,256,068</u>	<u>7,141,960</u>
Net position, ending	<u>\$ 6,754,243</u>	<u>\$ 7,256,068</u>

Total revenues decreased by approximately \$207,655 or 4%, and total operating expenses increased by \$408,279 or 8%. The decrease in revenues is primarily attributed to the decrease in HUD operating grants. The reason for the increase in operating expenses is largely attributed to increases in housing assistance payments, insurance, depreciation, and contractual services.

The Authority's net position decreased by \$501,826. The decrease is primarily attributed to normal operations and depreciation of long lived assets.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCH 31, 2020

CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

At March 31, 2020, the Authority had approximately \$3.6 million invested in a broad range of capital assets including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, disposals and depreciation) of approximately \$367,000 or 9% from last year. The decrease is due to current year depreciation expense. There were no current year additions or disposals of capital assets. For more information see Note 4 in the notes to the financial statements.

	<u>03/31/20</u>	<u>03/31/19</u>
Land	\$ 779,855	\$ 779,855
Building & improvements	8,953,338	8,953,338
Furniture and equipment	<u>630,835</u>	<u>630,835</u>
	10,364,028	10,364,028
Less accumulated depreciation	<u>(6,705,098)</u>	<u>(6,338,439)</u>
Capital assets, net of depreciation	<u>\$ 3,658,930</u>	<u>\$ 4,025,589</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the federal budget via appropriations rather than by local economic conditions.

Under the terms of its Annual Contributions Contract, the Authority receives operating subsidies from HUD. These amounts have been withheld by the local HUD field office since 2017, leading to a receivable of \$1,332,095 at March 31, 2020. The Authority is currently in litigation with HUD related to this funding.

On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S., including the State of Louisiana, declared a state of emergency. The Authority expects the impacts of the pandemic will affect its ability to evict residents for non-payment and may affect its ability to serve its tenants and clients.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
MARCH 31, 2020

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Authority's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to Ms. Shelia Danzey, Executive Director, Housing Authority of the City of Slidell, 1250 Martin Luther King Drive, Slidell, LA 70458.

BASIC FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
STATEMENT OF NET POSITION
MARCH 31, 2020

	Primary Government
	Business-Type Activities- Enterprise Fund
<u>ASSETS:</u>	
Cash and cash equivalents	\$ 831,796
Restricted cash	952,987
Investments	16,493
Accounts receivable	1,518,460
Prepaid expenses	101,489
Total current assets	3,421,225
Capital assets, net	3,658,930
Total assets	7,080,155
<u>LIABILITIES:</u>	
Accounts payable	209,901
Payroll liabilities	1,960
Current compensated absences payable	1,389
Security deposits	41,630
Deferred revenue	63,654
Total current liabilities	318,534
Noncurrent compensated absences	7,378
Total liabilities	325,912
<u>NET POSITION:</u>	
Net investment in capital assets	3,658,930
Restricted for:	
Program services	952,987
Unrestricted	2,142,326
Total net position	\$ 6,754,243

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED MARCH 31, 2020

	Primary Government
	Business-Type Activities- Enterprise Fund
<u>OPERATING REVENUES:</u>	
Net tenant rental revenue	\$ 386,135
HUD PHA Operating grants	416,315
Housing assistance payments	2,966,001
Administrative fees earned	275,829
Total operating revenues	4,044,280
<u>OPERATING EXPENSES:</u>	
Administrative	632,525
Tenant services	1,242
Utilities	81,305
Maintenance	159,229
Protective services	30,202
Insurance premiums	200,336
Other general expenses	159,407
Housing assistance payments	2,962,700
Housing assistance payments - portability in	906,216
Depreciation	366,659
Total operating expenses	5,499,821
Net operating income	(1,455,541)
<u>NON-OPERATING REVENUES (EXPENSES):</u>	
Income portability	940,592
Other non-operating receipts	8,462
Interest income	4,662
Total non-operating revenues	953,716
Change in net position	(501,825)
Net position - beginning, as restated	7,256,068
Net position - ending	\$ 6,754,243

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2020

	<u>Primary Government</u>
	<u>Business-Type Activities- Enterprise Fund</u>
<u>CASH FLOWS FROM (USED IN)</u>	
<u>OPERATING ACTIVITIES:</u>	
Rental receipts	\$ 363,710
Federal grant income	3,257,463
Payments to vendors and others	(8,823,802)
Payments to employees	(196,731)
Housing assistance payments	<u>4,028,323</u>
Net cash (used in) operating activities	<u>(1,371,037)</u>
<u>CASH FLOWS FROM NON-CAPITAL</u>	
<u>FINANCING ACTIVITIES:</u>	
Non-operating revenues	<u>1,002,519</u>
Net cash from non-capital financing activities	<u>1,002,519</u>
<u>CASH FLOWS FROM (USED IN) INVESTING</u>	
<u>ACTIVITIES:</u>	
Interest and investment income	<u>(386)</u>
Net cash (used in) investing activities	<u>(386)</u>
Net change in cash, cash equivalents and restricted cash	<u>(368,904)</u>
Cash, cash equivalents, and restricted cash at April 1, 2019	<u>2,153,687</u>
Cash, cash equivalents, and restricted cash at March 31, 2020	<u>\$ 1,784,783</u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

		<u>Primary Government</u>
		<u>Business-Type Activities- Enterprise Fund</u>
<u>Reconciliation of operating income to net cash (used in) operating activities:</u>		
Operating income	\$	(1,455,541)
Adjustments to reconcile operating income to net cash used in operating activities:		
Depreciation		366,659
(Increase) decrease in assets:		
Accounts receivable		(423,107)
Prepaid expenses		16,198
Increase (decrease) in liabilities:		
Accounts payable		126,262
Payroll liabilities		(380)
Compensated absences		(1,033)
Security deposits		(95)
Deferred revenues		-
		<hr/>
Net cash (used in) operating activities	\$	<u>(1,371,037)</u>
<u>Reconciliation of cash and cash equivalents to statement of net position:</u>		
Cash and cash equivalents - unrestricted	\$	831,796
Cash and cash equivalents - restricted		<hr/> 952,987
Totals	\$	<u>1,784,783</u>

The accompanying notes are an integral part of this statement

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Housing Authority of the City of Slidell (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

Reporting Entity

The Authority was established on March 11, 1967 and is governed by a five member Board of Commissioners (the Board), all appointed by the Mayor of the City of Slidell, and headed by an Executive Director. The Board and Executive Director are responsible for all activities of the Authority. The Board has the power to designate management, the ability to significantly influence operations, and has primary accountability for fiscal matters. The Authority has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and City of Slidell.

As of March 31, 2020, the Authority was primarily engaged in the administration of Low Rent Public Housing and Housing Choice Voucher programs to low-income residents of the City of Slidell.

Under the Low Rent Public Housing Program, the Authority provides housing to eligible families under leasing arrangements. As of March 31, 2020, the Authority manages two affordable sites, Washington Heights and Country Gardens Estates. Washington Heights encompasses seventy-five one, two and three-bedroom units. Country Gardens Estates is for elderly families only and consists of 50 one-bedroom units.

For the Housing Choice Voucher Program, the Authority provides funds in the form of rental subsidies to owners on behalf of tenants.

Under the provisions of Government Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity", the Authority is considered a primary government. Accordingly, the Authority is not a component unit of the City of Slidell's financial reporting entity.

The Authority has not entered into joint ventures with other entities during the 2020 fiscal year.

Any evidence of indebtedness is solely the obligation of the Authority and is not an obligation of the City of Slidell or the State of Louisiana.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental-Wide Financial Statements

The Authority's basic financial statements consist of proprietary statements, including a statement of net position, a statement of revenues, expenditures and changes in net position and a statement of cash flows.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The proprietary statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of the timing of related cash flows. Shared revenues are recognized when the provider government recognized the liability to the Authority. Grants are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

State appropriations and federal awards are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. For financial purposes, the Authority reports all of its primary government operations as a single business activity in a single proprietary enterprise fund.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Authority has elected not to follow subsequent private-sector guidance.

The Authority does not use encumbrance accounting.

Proprietary funds distinguish between operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are HUD provided federal grants and rent payments. The major operating expenses of the Authority include housing assistance payments, administrative expenses, ordinary maintenance and operations expenses, and general expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets

The Authority prepares an annual budget for its Low Rent Public Housing Program. The Board approves the budget prior to the beginning of the fiscal year. Budgetary amendments require approval by the Board. Budgets are not, however, legally adopted nor required in the basic financial statement presentation.

Cash and Cash Equivalents

For purposes of the statement of net position, cash includes all demand deposit and interest bearing demand deposit accounts of the Authority. For the purposes of the proprietary funds statement of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. In accordance with Louisiana Statutes, the Authority maintains deposits at those depository banks authorized by the Authority. All such depositories are members of the Federal Reserve System.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items on the Authority's statement of net position.

Restricted Assets

Restricted cash on the statement of net position for the Authority represents cash for security deposits held on behalf of tenants, cash for modernization and development projects, and cash for future housing assistance payments. Restricted cash is more fully detailed in Note 3. A corresponding amount of net position is restricted as these monies are legally segregated for a specific future use.

Receivables

Accounts receivable from tenants are stated at net realizable value as required by GAAP. An allowance for doubtful accounts is used in the valuation of accounts receivable from tenants. As of March 31, 2020, management determined that an allowance for doubtful accounts was not necessary.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets and Depreciation

Capital assets are recorded at historical cost and are depreciated over their estimated useful lives. Donated assets are valued at estimated fair value on the date donated. Capital assets include all items costing over \$5,000. Estimated useful lives reflect management's estimates of how long the asset is expected to meet service demands. Depreciation expense is recorded using the straight-line method. When assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	30 - 40
Building improvements	15 - 20
Equipment	3 - 7

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. Currently, the Authority has no items that qualify for reporting in this category.

Compensated Absences

The Authority follows Louisiana Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to 240 hours of annual leave, which may be received upon termination or retirement. Sick leave hours accumulate, but the classified employee is not paid for them if not used by his/her retirement or termination date. The cost of current leave privileges is recognized as a current year expense in the enterprise fund when leave is earned.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity Classifications

In the government-wide proprietary financial statements, equity is classified as net position and displayed in three components:

Net investment in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.

Unrestricted net position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Restricted Net Position

Restrictions, when appropriate, represent those portions of net position that are restricted in use by external parties or by law for a specific future use. There were restrictions of net position in the amount of \$911,357 as of March 31, 2020 for programs services.

When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first, then unrestricted resources as they are needed.

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. Those estimates affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements. They may also affect the reported amounts of revenues and expenses of proprietary funds during the reporting period. Actual results could differ from those estimates.

Date of Management’s Review

Subsequent events have been evaluated through March 24, 2021, the date the financial statements were available to be issued.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(2) CASH AND CASH EQUIVALENTS

At March 31, 2020 the carrying amount of the Authority's bank deposits was \$1,784,783. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These securities are held in the name of the pledging bank in a holding or custodial bank that is mutually acceptable to both parties.

Cash and deposits are categorized into three categories of credit risk. Category 1 includes deposits covered by federal depository insurance or by collateral held by the Authority or its agent, in the Authority's name. Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the Authority's name. Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the Authority's name, and deposits which are uninsured or uncollateralized.

At March 31, 2020, the bank balance was \$1,795,702. Of the bank balance, \$250,000 was covered by federal depository insurance (Category 1). In compliance with State laws, the remaining balance of \$1,545,702 was secured by bank owned securities specifically pledged to the Authority and held by an independent custodian bank jointly in the name of the Authority and the depository bank (Category 2). Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodian bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon demand. Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. At March 31, 2020, there were no deposits held by the Authority that were exposed to custodial credit risk representing uninsured deposits collateralized by a pledging bank's trust department but not in the Authority's name.

(3) RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents at March 31, 2020 are restricted as follows:

<u>Description</u>	<u>Amount</u>
Tenant security deposits	\$ 41,630
Modernization and development	699,054
Future housing assistance payments	<u>212,303</u>
Total restricted cash and cash equivalents	<u>\$ 952,987</u>

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(4) CAPITAL ASSETS

A summary of changes in proprietary fund type capital assets as of March 31, 2020 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 779,855	\$ -	\$ -	\$ 779,855
Total capital assets not being depreciated	<u>779,855</u>	<u>-</u>	<u>-</u>	<u>779,855</u>
Capital assets, being depreciated:				
Buildings	8,953,338	-	-	8,953,338
Furniture and equipment	<u>630,835</u>	<u>-</u>	<u>-</u>	<u>630,835</u>
Total capital assets being depreciated	<u>9,584,173</u>	<u>-</u>	<u>-</u>	<u>9,584,173</u>
Less accumulated depreciation	<u>(6,338,439)</u>	<u>(366,659)</u>	<u>-</u>	<u>(6,705,098)</u>
Total capital assets being depreciated, net	<u>3,245,734</u>	<u>(366,659)</u>	<u>-</u>	<u>2,879,075</u>
Total capital assets, net	<u>\$ 4,025,589</u>	<u>\$ (366,659)</u>	<u>\$ -</u>	<u>\$ 3,658,930</u>

Depreciation expense was \$366,659 for the year ended March 31, 2020.

(5) COMPENSATED ABSENCES

A summary of compensated absences is as follows:

	<u>Balance 3/31/2019</u>	<u>Net Increase (Decrease)</u>	<u>Balance 3/31/2020</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 9,800</u>	<u>\$ (1,033)</u>	<u>\$ 8,767</u>	<u>\$ 1,389</u>

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(6) RETIREMENT PLAN

On July 1, 2009, the Authority adopted a Housing Agency Retirement Trust (HART). The Plan qualifies under Internal Revenue Code Section 401(a).

Eligibility was open to all regular full-time employees defined as individuals attaining the age of 25 and completing 12 months of continuous and uninterrupted employment. Contributions to the plan were at 10% by the Authority and 5% by the employee using their base rate of pay. For the year ended March 31, 2020, no amounts have been contributed by the Authority or its eligible employees. At March 31, 2020, the Authority has invested \$16,493 in the retirement trust. This amount is unallocated as of March 31, 2020.

(7) RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets. The Authority carries commercial insurance policies to help manage these risks. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

(8) CONCENTRATIONS

For the year ended March 31, 2020, the Authority received approximately 97% of its total revenue from federal sources (U.S. Department of Housing and Urban Development).

(9) CONTINGENCIES

The Authority is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to the Authority. These examinations may result in required refunds by the Authority to the agencies and/or program beneficiaries.

As of the date the financial statements are available to be issued, the Authority is in litigation with HUD relating to HUD's obligation under the Annual Contributions Contract. At March 31, 2020, the Authority has recognized a receivable of \$1,332,095 under the terms of this contract. If there is a settlement with HUD, it is possible that the entirety of this receivable will not be realizable by the Authority; however, a range of loss cannot be reasonably estimated at this time.

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) was discovered in China and has since spread to other countries, including the U.S. On March 11, 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency. There has been no immediate impact to the Authority's operations. Future potential impacts may include disruptions or restrictions on employees' ability to work or the tenants' ability to pay the required monthly rent. Changes to the operating environment may increase operating costs. The full future effects of these issues are unknown.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
MARCH 31, 2020

(10) TAX LEVY

The Authority was levied by the Internal Revenue Service (IRS) for tax forms filed for periods dating back to 2012. During the year ended March 31, 2020, the Authority paid \$122,431 to satisfy the back taxes owed. On August 23, 2019, the IRS released the levy against the Authority. The payment is included in other general on the Statement of Revenues, Expenses, and Changes in Net Position.

(11) COMMITMENTS

At March 31, 2020, the Authority has executed agreements with HUD totaling \$965,437 for various modernization, capital fund acquisitions, and management improvement projects. The balance of funds remaining was \$699,054 at March 31, 2020.

(12) RESTATEMENT OF NET POSITION

Net position was restated as of March 31, 2019 due to certain clerical errors in its property and equipment schedule. Accumulated depreciation was decreased by \$169,341 as of that date, causing a decrease in net capital assets and net investment in capital assets on the Statement of Net Position.

(13) NEW ACCOUNTING PRONOUNCEMENTS

The GASB has issued Statement No. 87, "*Leases*." The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021, as extended by GASB Statement No. 95, "*Postponement of Effective Dates of Certain Authoritative Guidance*." The Authority plans to adopt this Statement as applicable by the effective date.

OTHER SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
HUD FINANCIAL DATA SCHEDULE - BALANCE SHEET DATA BY SUB-FUND
MARCE 31, 2020

Line Item #	Account Description	Public Housing	Capital Fund	Total Projects	Housing Choice Vouchers Program	Authority Total
ASSETS:						
Current assets:						
Cash						
111	Cash - unrestricted	\$ 774,474	\$ -	\$ 774,474	\$ 57,322	\$ 831,796
112	Cash - restricted - modernization and development	699,054	-	699,054	-	699,054
113	Cash - other restricted	-	-	-	212,303	212,303
114	Cash - tenant security deposits	41,630	-	41,630	-	41,630
100	Total cash	1,515,158	-	1,515,158	269,625	1,784,783
Accounts and notes receivable:						
122	Accounts receivable - HUD other projects	1,331,950	81,177	1,413,127	5,023	1,418,150
124	Accounts receivable - other government	-	-	-	71,210	71,210
126	Accounts receivable - tenants	29,100	-	29,100	-	29,100
120	Total receivables, net of allowance of doubtful accounts	1,361,050	81,177	1,442,227	76,233	1,518,460
131	Investments - unrestricted	16,493	-	16,493	-	16,493
142	Prepaid expenses and other assets	97,758	-	97,758	3,731	101,489
144	Inter-program - due from	340,027	-	340,027	-	340,027
150	Total current assets	3,330,486	81,177	3,411,663	349,589	3,761,252
Noncurrent assets						
Capital Assets:						
161	Land	779,855	-	779,855	-	779,855
162	Buildings	8,953,338	-	8,953,338	-	8,953,338
163	Furniture, equipment and machinery - dwellings	415,456	-	415,456	-	415,456
164	Furniture, equipment and machinery - administration	195,269	-	195,269	20,110	215,379
166	Accumulated depreciation	(6,684,988)	-	(6,684,988)	(20,110)	(6,705,098)
160	Total capital assets, net of accumulated depreciation	3,658,930	-	3,658,930	-	3,658,930
180	Total noncurrent assets	3,658,930	-	3,658,930	-	3,658,930
190	Total assets	6,989,416	81,177	7,070,593	349,589	7,420,182
290	Total assets and deferred outflows of resources	6,989,416	81,177	7,070,593	349,589	7,420,182
LIABILITIES:						
Current liabilities						
312	Accounts payable ≤ 90 days	164,825	-	164,825	45,076	209,901
321	Accrued wages/payroll taxes payable	540	-	540	1,420	1,960
322	Accrued compensated absences - current portion	-	-	-	1,389	1,389
341	Tenant security deposits	41,630	-	41,630	-	41,630
342	Unearned revenue	-	-	-	63,654	63,654
347	Inter-program - due to	-	81,177	81,177	258,850	340,027
310	Total current liabilities	206,995	81,177	288,172	370,389	658,561
Noncurrent liabilities:						
354	Accrued compensated absences - non current	4,599	-	4,599	2,779	7,378
350	Total noncurrent liabilities	4,599	-	4,599	2,779	7,378
300	Total liabilities	211,594	81,177	292,771	373,168	665,939
NET POSITION:						
508.4	Net investment in capital assets	3,658,930	-	3,658,930	-	3,658,930
511.4	Restricted net position	740,684	-	740,684	212,303	952,987
512.4	Unrestricted net position	2,378,208	-	2,378,208	(235,882)	2,142,326
513	Total net position	6,777,822	-	6,777,822	(23,579)	6,754,243
600	Total liabilities, deferred inflows of resources and net position	\$ 6,989,416	\$ 81,177	\$ 7,070,593	\$ 349,589	\$ 7,420,182

See Independent Auditors' Report

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
HUD FINANCIAL DATA SCHEDULE - REVENUES AND EXPENSES DATA BY SUB-FUND
FOR THE YEAR ENDED MARCH 31, 2020

Line Item #	Account Description	Public Housing	Capital Fund	Total Projects	Housing Choice Vouchers Program	Authority Total
REVENUE:						
70300	Net tenant rental revenue	\$ 368,753	\$ -	\$ 368,753	\$ -	\$ 368,753
70400	Tenant revenue	17,382	-	17,382	-	17,382
70600	HUD PHA operating grants	395,805	20,510	416,315	5,241,890	3,658,145
71100	Investment income - unrestricted	4,044	-	4,044	618	4,662
71500	Other revenue	8,462	-	8,462	940,592	949,054
70000	Total revenue	794,446	20,510	814,956	4,183,040	4,997,996
EXPENSES:						
Administrative						
91100	Administrative salaries	75,170	-	75,170	77,593	152,763
91200	Auditing fees	23,074	-	23,074	23,074	46,148
91500	Employee benefit contributions - administrative	10,516	-	10,516	9,903	20,419
91600	Office expenses	112,696	-	112,696	113,525	226,221
91700	Legal expense	184,359	-	184,359	3,615	188,974
91000	Total operating - administrative	405,815	-	405,815	226,710	632,525
Tenant Services						
92400	Tenant Services - other	1,242	-	1,242	-	1,242
92500	Total tenant services	1,242	-	1,242	-	1,242
Utilities						
93100	Water	34,204	-	34,204	603	34,807
93200	Electricity	12,568	-	12,568	3,713	16,281
93600	Sewer	29,458	-	29,458	759	30,217
93000	Total utilities	76,230	-	76,230	5,075	81,305
Maintenance						
94100	Labor	13,370	-	13,370	-	13,370
94200	Materials and other	18,250	-	18,250	-	18,250
94300-010	Garbage and trash removal	13,249	-	13,249	-	13,249
94300-020	Heating and cooling contracts	5,424	-	5,424	-	5,424
94300-030	Landscape and grounds contracts	20,725	-	20,725	-	20,725
94300-060	Unit turnaround contracts	36,741	-	36,741	-	36,741
94300-070	Electrical contracts	1,318	-	1,318	-	1,318
94300-080	Plumbing contracts	3,820	-	3,820	-	3,820
94300-110	Routine maintenance	46,332	-	46,332	-	46,332
94000	Total maintenance	159,229	-	159,229	-	159,229
Protective services						
95200	Protective services - other contract costs	29,520	-	29,520	-	29,520
95300	Protective services - other	550	-	550	132	682
95000	Total protective services	30,070	-	30,070	132	30,202
General expenses						
96110	Property insurance	180,097	-	180,097	5,483	185,580
96120	Liability insurance	4,534	-	4,534	2,738	7,272
96130	Workmen's compensation	3,585	-	3,585	3,379	6,964
96140	All other insurance	250	-	250	250	500
96100	Total insurance premiums	188,466	-	188,466	11,870	200,336
96200	Other general expenses	130,130	20,510	150,640	-	150,640
96210	Compensated absences	4,599	-	4,599	4,168	8,767
96000	Total other general expenses	134,729	20,510	155,239	4,168	159,407
96900	Total operating expenses	995,781	20,510	1,016,291	247,955	1,264,246
97000	Excess revenue over operating expenses	(201,335)	-	(201,335)	3,935,085	3,733,750
97300	Housing assistance payments	-	-	-	2,962,700	2,962,700
97350	HAP Postability-In	-	-	-	906,216	906,216
97400	Depreciation expense	366,659	-	366,659	-	366,659
90000	Total expenses	1,362,440	20,510	1,382,950	4,116,871	5,499,821
10000	Excess (deficiency) of total revenue over (under) total expenses	\$ (567,994)	\$ -	\$ (567,994)	\$ 66,169	\$ (501,825)
MEMO ACCOUNT INFORMATION:						
11030	Beginning equity	\$ 7,176,471	\$ -	\$ 7,176,471	\$ (89,748)	\$ 7,086,723
11040	Prior period adjustments	169,345	-	169,345	-	169,345
11170	Administrative fee equity	-	-	-	(235,882)	(235,882)
11180	Housing assistance payments equity	-	-	-	212,303	212,303
11190	Unit months available	1,500	-	1,500	7,344	8,844
11210	Unit months leased	1,440	-	1,440	5,472	6,912

See Independent Auditors' Report

HOUSING AUTHORITY OF THE CITY OF SLIDELL
 SLIDELL, LOUISIANA
 STATEMENT OF CERTIFICATION OF ACTUAL MODERNIZATION COSTS COMPLETED
FOR THE YEAR ENDED MARCH 31, 2020

	<u>LA48P103-501-17</u>	<u>LA48P103-501-18</u>	<u>LA48P103-501-19</u>	<u>LA48P103-501-20</u>	<u>Total</u>
Funds approved	\$ 140,051	\$ 215,805	\$ 224,578	\$ 242,510	\$ 822,944
Funds expended (1)	<u>(60,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,668)</u>
Excess of funds approved	<u>\$ 79,383</u>	<u>\$ 215,805</u>	<u>\$ 224,578</u>	<u>\$ 242,510</u>	<u>\$ 762,276</u>
Funds advanced (2)	\$ -	\$ -	\$ -	\$ -	\$ -
Funds expended	<u>(60,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60,668)</u>
Excess of funds advanced	<u>\$ (60,668)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (60,668)</u>

(1) Cumulative accrued expenditures

(2) Cash received in bank depository

See Independent Auditors' Report

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SLIDELL, LOUISIANA
SCHEDULE OF COMPENSATION, BENEFITS, AND OTHER PAYMENTS TO AGENCY HEAD
FOR THE YEAR ENDED MARCH 31, 2020

Shelia J. Danzey
 Executive Director

Time served	4/1/2019 - 3/31/2020
Salary	\$ 75,000
Benefits	<u>11,960</u>
Total compensation, benefits, and other payments	<u>\$ 86,960</u>

SINGLE AUDIT SECTION



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Commissioners of
Housing Authority of the City of Slidell
Slidell, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Housing Authority of the City of Slidell (the Authority), as of and for the year ended March 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 24, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001, 2020-002, 2020-004 and 2020-005 to be material weaknesses.



To the Board of Commissioners of
Housing Authority of the City of Slidell
March 24, 2021

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2020-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2020-002 and 2020-004.

Housing Authority of the City of Slidell's Response to Findings

The Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose and is intended solely for the information and use of management, the Board of Commissioners, the Louisiana Legislative Auditor, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 24, 2021
Mandeville, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel, LLP".

Certified Public Accountants



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Commissioners of
Housing Authority of the City of Slidell
Slidell, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the Housing Authority of the City of Slidell's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect the Authority's major federal program for the year ended March 31, 2020. The Authority's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our qualified opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Authority's compliance.



To the Board of Commissioners of
Housing Authority of the City of Slidell
March 24, 2021

Basis for Qualified Opinion on Section 8 Housing Choice Vouchers Program

As described in Finding 2020-004 in the accompanying schedule of findings and questioned costs, the Authority did not comply with compliance requirements related to eligibility for the Housing Choice Vouchers program.

Compliance with such requirements is necessary, in our opinion, for the Authority, to comply with the requirements applicable to that program.

Qualified Opinion on Section 8 Housing Choice Vouchers Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Housing Authority of the City of Slidell complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Vouchers Program for the year ended March 31, 2020.

Other Matters

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on



To the Board of Commissioners of
Housing Authority of the City of Slidell
March 24, 2021

a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2020-004, that we consider to be material weaknesses.

The Authority's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose and is intended solely for the information and use of management, the Board of Commissioners, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 24, 2021
Mandeville, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel, LLP".

Certified Public Accountants

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2020

<u>Federal Grantor/Pass-Through or Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing & Urban Development		
<i>Direct Programs:</i>		
Low Rent Public Housing Program	14.850a	\$ 375,295
Section 8 Housing Choice Vouchers	14.871	2,962,700
Public Housing Capital Fund Program	14.872	<u>20,510</u>
Total U.S Department of Housing & Urban Development		<u>3,358,505</u>
Total expenditures of federal awards		<u>\$ 3,358,505</u>

See Independent Auditors' Report

HOUSING AUTHORITY OF THE CITY OF SLIDELL
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 2020

NOTE 1 – SCOPE OF AUDIT PURSUANT TO *GOVERNMENT AUDITING STANDARDS AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200, UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (UNIFORM GUIDANCE)*

All federal grant operations of the Housing Authority of the City of Slidell (the Authority) are included in the scope of the single audit. Those programs which were major grants and selected for specific testing were:

Section 8 Housing Choice Vouchers (CFDA No. 14.871)

NOTE 2 – FISCAL PERIOD AUDIT

Single audit testing procedures were performed for program transactions occurring during the year ended March 31, 2020.

NOTE 3 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule of expenditures of federal awards agree with amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 4 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards has been prepared on the accrual basis of accounting. Grant revenues are recorded for financial reporting purposes when the Authority has met the qualifications for the respective grants.

Federal Awards

In accordance with HUD Notice PIH 98-14, “federal awards” do not include the Authority’s operating income from rents or income from investments (or other non-federal sources). In addition, the entire amount of operating subsidy received during the fiscal year is considered to be expended during the fiscal year. Federal awards revenues are reported in the Authority’s financial statements as follows:

Public Housing	\$ 395,805
Housing Vouchers	3,241,830
Capital Fund Projects	<u>20,510</u>
Total	<u>\$ 3,658,145</u>

Payments to Subrecipients

There were no payments to subrecipients for the fiscal year ended March 31, 2020.

NOTE 5 – INDIRECT COST RATE

The Authority has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 2020

SECTION I - SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statements of the Housing Authority of the City of Slidell.
2. Three material weaknesses and one significant deficiency were disclosed during the audit of the financial statements and are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. Two instances of noncompliance material to the financial statements were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. Two material weaknesses relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The independent auditors' report on compliance for the major federal award program for the Housing Authority of the City of Slidell expresses a qualified opinion.
6. There were audit findings required to be reported in accordance with 2 CFR section 200.516(a).
7. No management letter was issued for the year ended March 31, 2020.
8. The program tested as a major program was:

CFDA Number

Section 8 Housing Choice Vouchers

14.871

9. The threshold for distinguishing Types A and B programs was \$750,000.
10. Housing Authority of the City of Slidell was not determined to be a low-risk auditee.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Material Weaknesses

2020-001 Reconciliation of Property and Equipment Depreciation Schedules

Criteria: Depreciation schedules kept outside of the accounting system should be periodically reviewed and reconciled to the general ledger.

Condition: In our review of property and equipment depreciation schedules, we noted several errors in the spreadsheet used to track fixed assets and accumulated depreciation.

Cause: The Authority did not have adequate procedures in place to ensure proper review and reconciliation of the depreciation schedules.

Effect: The Authority's prior year financial statements contained a misstatement in accumulated depreciation based on the Authority's assumptions.

Recommendation: The Authority should be wary of using spreadsheets for the tracking of significant estimates to the financial statements. When spreadsheets are used, they should be subjected to increased scrutiny, and they should be reviewed and reconciled to the general ledger on a regular basis.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

2020-002 Failure to Submit Timely Operating Budgets

Criteria: HUD Notice PIH 2011-55 requires that public housing authority board's certifications of operating budgets be submitted to the field office prior to the beginning of the public housing authority's fiscal year.

Condition: The Authority's budget for the 2020 fiscal year was approved by the board of directors on June 25, 2019, which was several months after the fiscal year began.

Effect: The Authority failed to comply with the budgeting terms of its Annual Contributions Contract.

Cause: Due to its small staff, the Authority lacked the resources to produce, review, and approve the budget in a timely manner.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

Recommendation: The Board of Commissioners and management should put additional policies and procedures in place to ensure that their budget is approved and submitted in a timely manner to HUD.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

Significant Deficiency

2020-003 Board Meetings

Criteria: The Authority's bylaws require monthly meetings of the board of commissioners.

Condition: The Authority's board of commissioners did not conduct three monthly meetings during the year.

Cause: Two meetings were not held due to lack of quorum, one meeting was not held due to COVID-19 restrictions.

Effect: The Authority was not in compliance with the provisions of its bylaws and best practices as determined by the Louisiana Legislative Auditor.

Recommendation: The Board of Commissioners should meet at least monthly, in accordance with its bylaws.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

See Finding 2020-004 and 2020-05 below as instances of noncompliance and other matters required to be reported under *Government Auditing Standards*.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

U.S. Department of Housing and Urban Development
CFDA No. 14.871: Section 8 Housing Choice Vouchers

Material Weakness

2020-004 Inadequate Controls over Section 8 Housing Choice Voucher Program

Criteria: The Comptroller General of the United States' "Standards for Internal Control in the Federal Government" (Guidebook GAO-14-704G) requires recipients and subrecipients of federal awards to establish effective internal control systems that will ensure accurate financial reporting and mitigate the risk of fraudulent financial reporting or misappropriation of assets.

Condition: The Authority does not have a financial management system that ensures that clients are eligible for HCV program funds. In addition, the Authority does not maintain adequate oversight or control of the case managers responsible for program management. For example:

- Client files were missing required documentation for compliance and control testing over the eligibility compliance requirement. Of our total sample of 60 client files, we performed testing over a sub-sample of 12 client files to determine a baseline for testing. Of those 12 files, the following missing documentation was noted that impacted our ability to test the compliance requirements listed in parenthesis:
 - For 2 out of 12 client files, recertifications were not completed timely and documented in the annual period including verification of income
 - In several client files selected for testing under the Housing Choice Voucher program, we noted placeholder emails from the Authority's case managers requesting post-dated signed contracts from clients and landlords that specifically mentioned our audit.

Cause: The Authority's board and senior management did not provide sufficient resources to ensure eligibility of clients was verified annually.

Effect: The Authority is not able to document if client household circumstances have changed on an annual basis. The practice of requesting post-dated contracts for audit files is indicative of manipulating sampled files in order to pass compliance testing aspects of the single audit.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

Recommendation: The Board of Commissioners and management should put policies and procedures in place to ensure that oversight over the Section 8 Housing Choice Voucher Program is properly administered.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

2020-005 Reporting Related to Federal Award Programs

Criteria: The Comptroller General of the United States' "Standards for Internal Control in the Federal Government" (Guidebook GAO-14-704G) requires recipients and subrecipients of federal awards to establish effective internal control systems that will ensure accurate financial reporting and mitigate the risk of fraudulent financial reporting or misappropriation of assets.

Condition: The Authority failed to timely submit certain required reporting for the Housing Choice Voucher program. For example:

- 1 of 4 Voucher Management Systems (VMS) reports were not filed timely.
- The Authority's March 31, 2019 single audit was received by the Federal Auditing Clearinghouse on July 17, 2020, seven months after the required due date. The Authority's March 31, 2018 single audit was not received by the Federal Auditing Clearinghouse.

Cause: The Authority's controls did not prevent late filings to the Authority's regulators.

Effect: The Authority was not in compliance with the timing requirements related to its filings.

Recommendation: The Board of Commissioners and management should ensure that sufficient resources are provided to federal award programs to facilitate timely filings.

Views of Responsible Officials: Management agrees with the finding and has implemented the recommendation. See Management's Corrective Action Plan for further information.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED MARCH 31, 2020

SECTION I - FINDINGS - FINANCIAL STATEMENT AUDIT

2019-001 Financial Statement Reporting Cycle

Condition: There was no documented evidence of risk assessment of the system of internal controls over financial statement reporting. The Authority lacked timely and complete preparation of bank account reconciliations including resolution of reconciling items. Reconciliations lacked documented evidence of supervisory review above the level of preparer. The Authority failed to resolve variances between significant general ledger control accounts and their related subsidiary ledgers on a timely basis resulting from account analysis and reconciliation performed.

Current Status: This finding has been resolved through the implementation of further controls over the financial statement reporting cycle, including risk assessments and review of reconciliations.

2019-002 Segregation of Duties

Condition: Important elements of internal control and segregation of duties were not achieved to ensure adequate protection and safeguarding of the Authority's assets.

Current Status: This finding has been resolved through the strengthening of the Board of Commissioner's oversight over the Authority's assets and financial position.

SECTION II – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

2019-003 Procurement, Debarment, Suspension or Otherwise Excluded

Condition: The Authority's procurement policy defined "micro" purchases as amounts for \$10,000 or less, contradicting 2 CFR 200.67. The Authority did not timely document the verification through the SAM website, for compliance with the referenced CFR prior to contract execution. The Authority lacked adequate documentation to support or provide a trail for the basis of the type of procurement to include service contracted prior to the respective awards by the Board at their June 2018 meeting.

Current Status: This finding has been resolved through the amendment of the procurement policy and through additional controls over the Authority's contracting activities.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

2019-004 Eligibility

Condition: The Authority failed to obtain a signed Form HUD 9886 in 3 of 25 participant files. The Authority failed to maintain a copy of each tenant's social security card in 2 of 25 participant files. The Authority had untimely re-certifications in 9 of 25 participant files, including 3 instances of tenant income not being verified timely. The Authority failed to submit form HUD 50058 timely in 1 of 25 participant files. The Authority failed to maintain Form HUD 214 in 2 of 25 participant files. The Authority incorrectly documented the tenant's date of birth on form HUD 50058 in 1 of 25 participant files. The tenant's income reported differed from the support in 3 of 25 participant files. The Authority failed to maintain a dependent's birth certificate in 1 of 25 participant files. The Authority failed to maintain evidence of unit inspection in 2 of 25 participant files. The Authority failed to maintain a signed Form HUD 50058 in 1 of 25 participant files. The Authority allowed for over-subsidizing 1 of 25 tenants. The Authority failed to verify 3 of 25 tenant's annual income. The Authority failed to maintain tenant application forms in 5 of 25 participant files.

Current Status: This finding has not been resolved and certain aspects of it have been repeated through finding 2020-004 during the year ended March 31, 2020.

2019-005 Waiting List Placement

Condition: The Authority failed to maintain documentation to support the order and placement from the waiting list prior to the offer for tenancy for 1 of 3 tenants.

Current Status: The Authority's wait list is currently closed, and no selections were made from the waitlist in 2020.

2019-006 Housing Quality Standards

Condition: In 1 out of 8 failed inspection files reviewed, the Authority failed to document letters sent to the clients stating that the related housing assistance payment would be abated. In 2 out of 8 failed inspection files, there was no evidence of re-inspection.

Current Status: This finding has been resolved through increased scrutiny of the HQS inspection process by management

2019-007 Leased-up Level

Condition: The Authority's occupancy report revealed a 65% leased-up based on the Authority's Annual Contribution Contract allocation and its average Housing Assistance Payment, which made it noncompliant with HUD regulations regarding leased-up levels.

Current Status: The Authority's leased up level is 75% of ACC documented 612 vouchers 555555as of March 31, 2020. Management does not believe it will reach 100% lease up due to high rent costs in the area that the Authority serves.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

2019-008 Reporting for Operating Fund Formula

Condition: Amounts reported for actual consumption and costs related to electricity and water on Form HUD 52722 in connection with the Operating Fund calculation of utilities did not agree to the supporting documentation. Other amounts reported on the form HUD 52722 could not be verified.

Current Status: This finding has been resolved through additional review related to the Form HUD 52722.

2019-009 Financial Statement Reporting Cycle

Condition: There was no documented evidence of risk assessment of the system of internal controls over financial statement reporting. The Authority lacked timely and complete preparation of bank account reconciliations including resolution of reconciling items. Reconciliations lacked documented evidence of supervisory review above the level of preparer. The Authority failed to resolve variances between significant general ledger control accounts and their related subsidiary ledgers on a timely basis resulting from account analysis and reconciliation performed.

Current Status: This finding has been resolved through the implementation of further controls over the financial statement reporting cycle, including risk assessments and review of reconciliations.

SECTION III – MANAGEMENT LETTER ITEMS

OM 2019-001

Condition: The Authority has an overall net deficit in its Housing Choice Voucher Program at March 31, 2019 of \$(89,748) between its restricted and unrestricted net positions compared to the March 31, 2018 balance of \$(224,312).

Current Status: Management is aware of the issue and is working to align its administrative fee funding to the costs associated with management of the Housing Choice Voucher program.

OM 2019-002

Condition: The Authority currently manages portability vouchers for various housing authorities. At March 31, 2019, management is unable to support the completeness in recorded portability receivables of \$120,013. Discussions with the housing authority with the most significant receivable revealed on-going discussions between both agencies to resolve the receivable outstanding. Further, the housing authority referenced above has requested additional data in order to verify the completeness of the obligation.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

Current Status: Management has established written procedures for reconciling port- in payments monthly. Authorities that are billed will be sent statements no later than the 15th of each month. A subsidiary ledger has been established for all port activity.

OM 2019-003

Condition: The review of selected employee files for payroll transactions executed during the month of December 2018 (month judgmentally selected for testing) revealed a variance in the worked hours reflected on the timesheet for thirty-two (32) hours and the amount paid of twenty-four (24) hours.

Current Status: Management has revised its practices to ensure completeness in payroll processing.

OM 2019-004

Condition: The Authority has no documented State Civil Service approvals, where applicable for its current employees.

Current Status: Management has determined that it is currently in compliance with State Civil Service regulations.

OM 2019-005

Condition: The review of the SEMAP certification report submitted for the fiscal year ended March 31, 2019 revealed the following conditions:

- o The response to indicator #1 (selection from waiting list) was incorrect based on the supporting documents on file and provided.
- o The response to indicator #6 (Housing Quality Standards Enforcement) was incorrect based on the supporting documents on file and provided to us.
- o The response to indicator 7b, 7c, 7e and 7f (Expanding Housing Opportunities) was incorrect based on the supporting documents on file and provided to us.

Current Status: Management will continue to provide staff with the necessary level of oversight to ensure completeness in future submitted "SEMAP" reports.

OM 2019-006

Condition: The auditors were unable to review for completeness based on supporting documents provided, the approval of utility allowance schedules to include retention of all supporting documents.

Current Status: Management is keeping back-up documentation to support the calculation of its utility allowance schedule. HACS reviews its utility allowance schedule annually.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
FOR THE YEAR ENDED MARCH 31, 2020

OM 2019-007

Condition: A review of the Authority's policies and procedures manual revealed where there are no written policies and procedures for bank account reconciliation and prepaid insurance.

Current Status: Management developed the policies and procedures referenced above.

OM 2019-008

Condition: The review of the December 2018 VMS report filed revealed variances between the report and supporting documents in the areas of portable vouchers paid, all other vouchers, port-in, net restricted position, etc.

Current Status: Management has continued to evaluate the completeness in its submitted reports to include adequate documentation of the basis for variances, if any.



Housing Authority of the City of Slidell

1250 Dr. Martin Luther King Jr. Drive
P.O. Box 1392, Slidell, LA 70459
(985) 726-9000 (985) 259-4585 fax
www.slidellhousingauthority.org



HOUSING AUTHORITY OF THE CITY OF SLIDELL MANAGEMENT'S CORRECTIVE ACTION PLAN - FINDINGS MARCH 31, 2020

June 17, 2021

Louisiana Legislative Auditor

Housing Authority of the City of Slidell respectfully submits the following corrective action plan for the year ended March 31, 2020.

Name and address of independent public accounting firm:

Ericksen Krentel, L.L.P.
2895 Highway 190
Suite 213

Audit Period: April 1, 2019 – March 31, 2020

The findings from the March 31, 2020 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

SECTION II - FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Material Weaknesses

2020-001 Reconciliation of Property and Equipment Depreciation Schedules

Recommendation: The Authority should be wary of using spreadsheets for the tracking of significant estimates to the financial statements. When spreadsheets are used, they should be subjected to increased scrutiny, and they should be reviewed and reconciled to the general ledger on a regular basis.

Response: Management will review policies and procedures related to the fixed asset spreadsheets and ensure these spreadsheets undergo a review, updates, if necessary, and any reconciliation to the general ledger quarterly as outlined in HACS policies and procedures on capitalization and fixed assets. Management will ensure that its existing policies are complied with. Management Comment: HACS does not believe this finding rises to the level of a material weakness.

Chair
Rev. Ray Larry

Vice-Chair
Carol Broussard

Commissioner
Patricia
Dearing

Commissioner
James Graham

Executive Director
Shelia J. Danzey



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2020-002 Failure to Submit Timely Operating Budgets

Recommendation: The Board of Commissioners and management should put additional policies and procedures in place to ensure that their budget is approved and submitted in a timely manner to HUD.

Response: The Authority has had difficulty in projecting its budget due to the HUD Field and Regional Offices denying access to funds appropriated by Congress. HUD's actions affect HACS's cash flow. The Executive Director will work with the Board of Commissioners to ensure the budget is developed and approved in a timely manner and the Board Certification of the budget approval is submitted on time to HUD.

Significant Deficiency

2020-003 Board Meetings

Recommendation: The Board of Commissioners should meet at least monthly, in accordance with its bylaws.

Response: The Board of Commissioners will reconsider its by-laws relative to the meeting schedule, including contemplation of issues that may prevent the board from meeting in accordance with current by-laws.

SECTION III - FINDINGS AND QUESTIONED COSTS RELATED TO MAJOR FEDERAL AWARD PROGRAMS

U.S. Department of Housing and Urban Development CFDA No. 14.871: Section 8 Housing Choice Vouchers

Material Weaknesses

2020-004 Inadequate Controls over Section 8 Housing Choice Voucher Program

Recommendation: The Board of Commissioners and management should put policies and procedures in place to ensure that oversight over the Section 8 HCV Program is properly administered.

Chair
Rev. Ray Larry

Vice-Chair
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Dearing

Commissioner
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Response: The HCVP is under a cash management system; however, public housing is not. HACS pays bills and payroll out of HACS's operating account, since all employees and contractors are charged to both programs, HACS journals monthly the allocation of cost across both programs. Therefore, lack of funding of cashflow on the conventional public housing program has slightly impacted the HCVP. Management has also enhanced its quality control reviews in accordance with its Housing Choice Voucher Administrative Plan.

2020-005 Reporting Related to Federal Award Programs

Recommendation: The Board of Commissioners and management should ensure that sufficient resources are provided to federal award programs to facilitate timely filings.

Response: The Authority's cash flow has been limited by HUD's actions for four (4) years and has limited the Authority's ability to complete compliance requirements in a timely manner. Management is working to realize its receivables which will provide funding to enhance the Authority's ability to administer its programs in the future. Management has evaluated its existing staffing and planned for its future needs to help ensure timely filings in the future.

If there are any questions regarding this plan, please contact Shelia Danzey, Executive Director, at (985) 726-9000.

Sincerely,


Shelia Danzey
Executive Director

Cc: HACS Board of Commissioners
The Hon. Greg Cromer, Mayor of Slidell
C. Williams, HUD New Orleans Field Office
K. Brown, HUD New Orleans Field Office

Chair
Rev. Ray Larry

Vice-Chair
Carol Broussard

Commissioner
Patricia
Dearing

Commissioner
James Graham

Executive Director
Shelia J. Danzey

HOUSING AUTHORITY OF THE CITY OF SLIDELL, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR

ACT 774 AGREED-UPON PROCEDURES

FOR THE PERIOD

APRIL 1, 2019 THROUGH MARCH 31, 2020



ERICKSEN KRENTEL^{LLP}
CERTIFIED PUBLIC ACCOUNTANTS • CONSULTANTS



INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners
Housing Authority of the City of Slidell
Slidell, Louisiana

We have performed the procedures enumerated below, which were agreed to by the Housing Authority of the City of Slidell and the Legislative Auditor, State of Louisiana, solely to assist the users in assessing certain controls and in evaluating management's assertions about the Housing Authority of the City of Slidell's compliance with certain laws and regulations during the period of April 1, 2019 to March 31, 2020, in accordance with Act 774 of 2014 Regular Legislative Session. Management of the Housing Authority of the City of Slidell is responsible for its financial records, establishing internal controls over financial reporting, compliance with applicable laws and regulations, and providing a corrective action plan that addresses all exceptions noted. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are detailed in Schedule "1".

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not perform an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accounting records. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Housing Authority of the City of Slidell and the Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

March 24, 2021
Mandeville, Louisiana

A handwritten signature in black ink that reads "Ericksen Krentel, LLP".

Certified Public Accountants

HOUSING AUTHORITY OF THE CITY OF SLIDELL
AGREED-UPON PROCEDURES
APRIL 1, 2019 TO MARCH 31, 2020

Board

- 1) **Procedures:** Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period.
 - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.

Results: In fiscal year 2020, the Board had nine meetings out of a scheduled twelve. May 21, 2019 and September 17, 2019 had a lack of quorum so those meetings were cancelled. March 17, 2020 had a stay at home Executive Order by the Governor; HACS By-Laws did not permit business by phone at that time.

Bank Reconciliations

- 1) **Procedures:** Obtain and inspect the entity's written policies and procedures over bank reconciliations and observe that they address (1) monthly bank statement reconciliations, (2) review of all bank reconciliations by someone independent of cash receipt and disbursement functions, and (3) process for addressing items outstanding for more than 12 months from the statement closing date, if applicable.

Results: No exceptions noted. Obtained from management the written policies and procedures over bank reconciliations and observed the required documentation.

- 2) **Procedures:** Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
 - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated, electronically logged).
 - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged).

Results: Out of the five bank accounts selected, one did not have evidence that the bank reconciliation was prepared within two months of the statement closing date. This same bank account also did not have evidence of management/board member review.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
AGREED-UPON PROCEDURES (CONTINUED)
APRIL 1, 2019 TO MARCH 31, 2020

Information Technology Disaster Recovery/Business Continuity

- 1) **Procedures:** Obtain and inspect the entity's written policies and procedures over information technology disaster recovery/business continuity (or the equivalent contractual terms if IT services are outsourced) and observe that they address (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

Results: No exceptions noted. Obtained from management the written policies over information technology disaster recovery/business continuity and observed the required documentation.

- 2) **Procedures:** Perform the following sub-procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
- a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
 - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.
 - c) Obtain a listing of the entity's computers currently in use, and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have active antivirus software and that the antivirus, operating system, and accounting system software are the most recent versions available (i.e. up-to-date).

Results: We performed the procedure and discussed the results with management.

HOUSING AUTHORITY OF THE CITY OF SLIDELL
AGREED-UPON PROCEDURES (CONTINUED)
APRIL 1, 2019 TO MARCH 31, 2020

Sexual Harassment

1. **Procedures:** Obtain and inspect the entity's written sexual harassment policies and procedures and observe that they address all requirements of Louisiana Revised Statutes (R.S.) 42:342-344, including agency responsibilities and prohibitions; annual employee training; and annual reporting requirements.

Results: No exceptions noted. Obtained from management the sexual harassment policy and observed the required documentation.

2. **Procedures:** Obtain a listing of employees/elected officials/board members employed during the fiscal period and management's representation that the listing is complete. Randomly select 5 employees/elected officials/board members, obtain sexual harassment training documentation from management, and observe that the documentation demonstrates each employee/elected official/board member completed at least one hour of sexual harassment training during the calendar year.

Results: No exception noted. All five employees selected had the required training during the calendar year.

3. **Procedures:** Observe that the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Results: No exceptions noted. The sexual harassment policy was posted both on the website and in various locations within the Authority.

4. **Procedures:** Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that it includes the applicable requirements of R.S. 42:344.

Results: No exceptions noted. Obtained from management, the annual sexual harassment report and observes the required documentation.



Housing Authority of the City of Slidell

1250 Dr. Martin Luther King Jr. Drive
P.O. Box 1392, Slidell, LA 70459
(985) 726-9000 (985) 259-4585 fax
www.slidellhousingauthority.org



Ericksen Krentel, L.L.P.
2895 Hwy 190, Suite 213
Mandeville, LA 70471

Engagement Period: April 1, 2019 – March 31, 2020

The exceptions from the Act 774 agreed-upon procedures report are discussed below:

Board

Exceptions: In fiscal year 2020, the Board had nine meetings out of a scheduled twelve. May 21, 2019 and September 17, 2019 had a lack of quorum so those meetings were cancelled. March 17, 2020 had a stay at home Executive Order by the Governor; HACS By-Laws did not permit business by phone at that time.


Bank Reconciliations

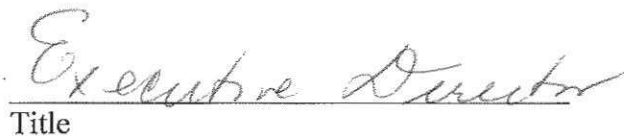
Exceptions: Out of the five bank accounts selected, one did not have evidence that the bank reconciliation was prepared within two months of the statement closing date. This same bank account also did not have evidence of management/board member review.

Management’s Response to Exceptions: As a point of clarification, all bank reconciliations for the audited period were completed within 15 days of generation of the bank statement, in accordance with HACS policy. However, management admits that one account statement of six for a single month was lacking a signature on the approval page. Management acknowledges exception and will work to ensure this issue is not repeated. In the manner of board meetings, Management has noted and agrees with the above exceptions. Management will consider the effects of such exceptions and the need to enhance key controls or compensating controls in the identified area.

If there are any questions regarding this plan, please contact Shelia Danzey, Executive Director at (985) 726-9000.

Sincerely,


Signature


Title