

OFFICE OF THE
LEGISLATIVE AUDITOR
901 P.O. BOX 1000
BATON ROUGE, LA 70801-1000

THE FINANCE AUTHORITY OF NEW ORLEANS

SINGLE AUDIT

FOR THE YEAR ENDED MARCH 31, 1999

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

Release Date OCT 20 1999

Bruno
& Tervalon

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the Board of Trustees
The Finance Authority of New Orleans

We have audited the accompanying Schedule of Expenditures of Federal Awards of **The Finance Authority of New Orleans (the Authority)** for the year ended March 31, 1999. The Schedule of Expenditures of Federal Awards is the responsibility of the management of **the Authority**. Our responsibility is to express an opinion on the Schedule of Expenditures of Federal Awards based on our audit. The accompanying Schedule of Expenditures of Federal Awards is not a part of **the Authority's** general-purpose financial statements for the year ended March 31, 1999. The general-purpose financial statements were audited by another independent auditor and us.

We conducted our audit in accordance with generally accepted auditing standards, the standards applicable to Government Auditing Standards issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and the provisions of OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule of Expenditures of Federal Awards is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule of Expenditures of Federal Awards. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Schedule of Expenditures of Federal Awards. We believe that our audit provides a reasonable basis for our opinion.

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

(CONTINUED)

To the Board of Trustees
The Finance Authority of Orleans Home
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In our opinion, the accompanying Schedule of Expenditures of Federal Awards of **The Finance Authority of New Orleans** presents fairly in all material respects, the expenditures of federal awards for the year ended March 31, 1999, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated September 15, 1999 on our consideration of **The Finance Authority of New Orleans'** internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 15, 1999

THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED MARCH 31, 1999

<u>FEDERAL GRANTOR/PROGRAM NAME</u>	<u>CFDA NUMBER</u>	<u>PASS-THROUGH ENTITY'S NUMBER</u>	<u>ACTIVITY</u>
U.S. Department of Housing and Urban Development			
Awards from a Pass-Through Entity Through: City of New Orleans			
<u>CDBG - Entitlement and Small Cities Clusters</u>			
Home Investment Partnership Program	14.239	72-1087849	<u>\$2,212,592</u>
Total Expenditures of Federal Awards			<u><u>\$2,212,592</u></u>

See the Notes to the Schedule of Expenditures of Federal Awards.

THE FINANCE AUTHORITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE 1 - Organization:

The Finance Authority of New Orleans (the Authority) is a public trust created by a trust indenture dated October 11, 1978, pursuant to Chapter 2A of Title 9 of the Louisiana Revised Statutes of 1950, as amended. **The Authority** was created to provide funds, through the issuance of bonds, to promote the development of residential housing (single or multi-family dwellings) in the City of New Orleans, Louisiana, for persons of low or moderate income. In accordance with the respective indentures, the proceeds from the single family bond issues are used to acquire mortgage notes and mortgage-backed securities. During the fiscal year, **the Authority** entered into agreements with the City of New Orleans to establish programs funded under the Home Investment Partnership program, to provide decent, safe and sanitary housing and to increase homeownership to low income individuals.

NOTE 2 - Basis of Preparation and Accounting:

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general-purpose financial statements. The Schedule presents only a selected portion of the activities of **the Authority**, and is not intended to and does not present either the financial position, changes in fund balances, or the revenues, expenses and transfers of **the Authority**.

THE FINANCE AUTHORITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

NOTE 3 - Accounting Estimates:

The preparation of the Schedule of Expenditures of Federal Awards in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of grant revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 4 - Contingency:

The Authority is a recipient of federal grants. These grants are governed by various federal guidelines, regulations and contractual agreements.

The administration of the programs and activities funded by these grants and awards is under the control of **the Authority** and is subject to audit and/or review by the applicable funding sources. Any grant or award funds found to be not properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

NOTE 5 - Loan Programs:

Home Assisted Program Loans

In connection with the origination of its 1996 and 1997 Bond issues, **the Authority** subsidized mortgage loans and provided closing cost assistance with \$952,593 from the Home Investment Partnership Program, as administered and funded by HUD. 75% of each such Home Assisted Mortgage Loan was funded with proceeds of the Bonds, with the 25% funded by the Home Program. The loans were available to individuals who qualify as low income persons.

THE FINANCE AUTHORITY OF NEW ORLEANS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(CONTINUED)

NOTE 5 - Loan Programs, Continued:

Disbursements to Subrecipients:

During the fiscal year, **the Authority** entered into a new contract with the City of New Orleans to administer \$1,259,999 of Home Funds. **The Authority** was a pass-through entity for the Home Funds to the subrecipient “Cabbage Alley Partnership” in the form of a loan. The loan proceeds were utilized for the purpose of acquisition and renovation of low income rental housing. Ownership of the loan is vested in the grantor. Repayments are restricted and must be either remitted back to the City or recycled back into the program.

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
The Finance Authority of New Orleans

We have audited the Schedule of Expenditures of Federal Awards of **The Finance Authority of New Orleans (the Authority)** as of and for the year ended March 31, 1999, and have issued our report thereon dated September 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The accompanying Schedule of Expenditures of Federal Awards is not a part of **the Authority's** general-purpose financial statements for the year ended March 31, 1999. The general-purpose financial statements of **the Authority** were audited by another independent auditor and us.

Compliance

As part of obtaining reasonable assurance about whether **the Authority's** Schedule of Expenditures of Federal Awards is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of the Schedule of Expenditures of Federal Awards amounts. 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 no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

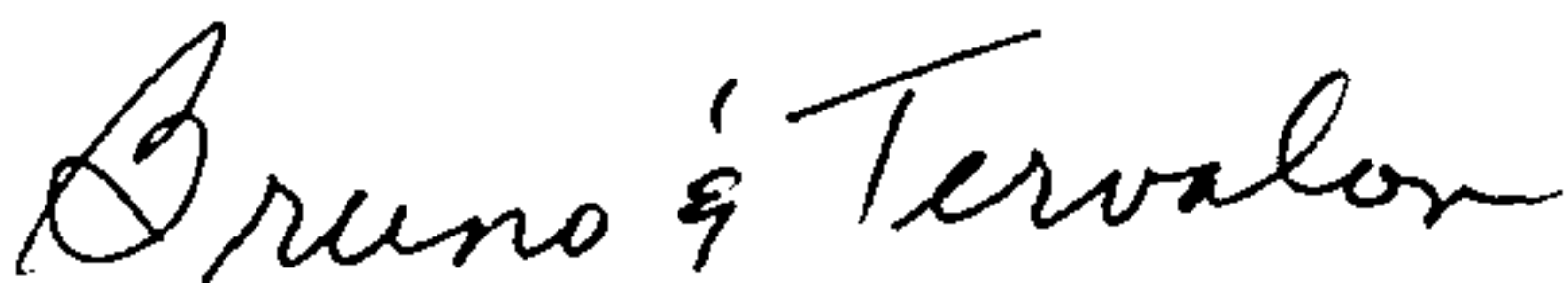
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **the Authority's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule of Expenditures of Federal Awards and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the Schedule of Expenditures of Federal Awards being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Trustees, management, 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.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 15, 1999

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
The Finance Authority of New Orleans

Compliance

We have audited the compliance of **The Finance Authority of New Orleans (the Authority)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended March 31, 1999. **The Authority's** major federal program is identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of **the Authority's** management. Our responsibility is to express an opinion on **the Authority's** compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

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 opinion. Our audit does not provide a legal determination on **the Authority's** compliance with those requirements.

In our opinion, **the Authority** complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended March 31, 1999. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as Item 99-01.

Internal Control Over Compliance

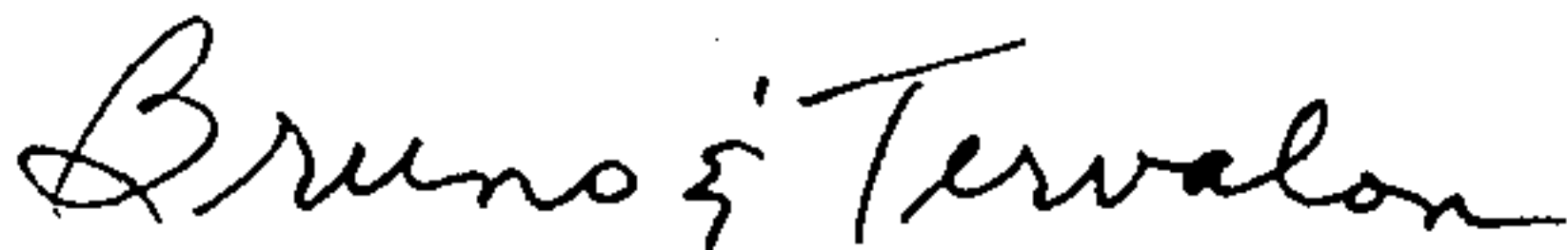
The management of **the Authority** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **the Authority's** internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect **the Authority's** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as Item Number 99-01.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

This report is intended solely for the information and use of the Board of Trustees, management 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.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

September 15, 1999

**THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS
FOR THE YEAR ENDED MARCH 31, 1999**

1. Type of report issued on the financial statements: **Unqualified**.
2. Did the audit disclose any reportable conditions in internal control: **No**.
3. Were any of the reportable conditions material weaknesses: **No**.
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization: **No**.
5. Did the audit disclose any reportable conditions in internal control over major programs: **Yes**.
6. Were any of the reportable conditions in internal control over major programs material weaknesses: **No**.
7. Type of report issued on compliance for major programs: **Unqualified**.
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a): **Yes**.
9. The following is an identification of major programs:

CFDA
Number

Federal Program

14.239

Department of Housing and Urban
Development - Home Investment
Partnership Program

**THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 1999**

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) is as follows:

<u>Program</u>	<u>Amount</u>
Type A	\$300,000

11. Did the auditee qualify as a low-risk auditee under OMB Circular A-133, Section 530:
No.

SCHEDULE II

**THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED MARCH 31, 1999**

There were no reportable conditions, material weaknesses and no instances of noncompliance related to the financial statements that were required to be reported in accordance with paragraphs 5.18 through 5.20 of Government Auditing Standards.

**THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 1999**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

<u>Audit Finding Reference Number</u>	<u>Questioned Costs</u>
99-01 Audit of Sub-recipient Activities	<u>\$-0-</u>

Federal Program and Specific Federal Award Identification

CFDA Title and Number

14.239 Home Investment Partnership Program (Home Program)

Federal Award Year

March 31, 1999

Federal Agencies

U.S. Department of Housing and Urban Development

Pass-Through Entity

City of New Orleans

Criteria

OMB Circular A-133 Compliance Supplement Part 3 Section stipulates that **the Finance Authority of New Orleans** is responsible for ensuring required audits are performed and that appropriate corrective action is performed on audit findings.

**THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 1999**

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

99-01 Audit of Sub-recipient Activities, Continued

Conditions and Perspectives

We noted during our audit that management of **the Finance Authority of New Orleans** failed to ensure that a required audit was performed for the Home grant program that was required to be submitted by a sub-recipient during the year ended March 31, 1999.

Cause

The management of **the Finance Authority of New Orleans** has not adhered to established procedures with regard to ensuring audits are performed on appropriate sub-recipients.

Questioned Costs

For purposes of these conditions, we are presently unable to assess whether the failure of **the Finance Authority of New Orleans** to ensure an audit was performed on the sub-recipient would result in any questioned costs.

THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED MARCH 31, 1999

INTERNAL CONTROL OVER COMPLIANCE AND FEDERAL COMPLIANCE

Audit Finding Reference Number

99-01 Audit of Sub-recipient Activities, Continued

Effect

The Finance Authority of New Orleans has not complied with Federal compliance requirements which specify that sub-recipients obtain an audit in accordance with OMB Circular A-133.

Recommendation

We recommend that management of **the Finance Authority of New Orleans** ensure that an independent audit is performed, the audit report is reviewed, a desk review of the independent audit report is performed to determine compliance with OMB Circular A-133 and corrective action is taken for instances of noncompliance within six months after receipt of the audit report. Additionally, **the Finance Authority of New Orleans** should ensure that sub-recipients who receive the federal designated amount of funds are audited and reports are received for resolution in a timely manner.

**THE FINANCE AUTHORITY OF NEW ORLEANS
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED MARCH 31, 1999**

1. Internal Control and Compliance Material to the Financial Statements

No prior year audit finding reported.

2. Internal Control and Compliance Material to Federal Awards

No prior year audit findings reported.

3. Management Letter

No prior year comments reported.

**THE FINANCE AUTHORITY OF NEW ORLEANS
CORRECTIVE ACTION PLAN - AUDIT FINDINGS
MARCH 31, 1999**

<u>AUDIT FINDING</u>	<u>PROPOSED CORRECTIVE ACTION</u>	<u>ANTICIPATED COMPLETED DATE</u>	<u>CONTACT PERSON</u>	<u>FEDERAL/ PASS-THROUGH AGENCY CONTACTED</u>
Audit Finding Reference Number 99-01 Audits of <u>Sub-recipient Activities</u> Management should insure independent audits are performed and corrective action is taken for any findings of non-compliance.	We will insure that annual audits are performed by the sub-recipient and remitted to us on a timely basis. Additionally, we will adopt A policy requiring the sub- Recipient to take corrective action for non-compliance Within 6 (6) months after The audit report has been received.	12/31/99	Rodney Lemon, CFO	Yes