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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998

- Reissued -

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.

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

Release Date SEP 15 1999

TABLE OF CONTENTS

	<u>PAGE</u>
MANAGEMENT'S EXECUTIVE SUMMARY	
INDEPENDENT AUDITORS' REPORT	1
COMBINED BALANCE SHEET--ALL FUND TYPES AND ACCOUNT GROUPS--SEPTEMBER 30, 1998 WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 1997.....	4
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES--FOR THE YEAR ENDED SEPTEMBER 30, 1998 WITH COMPARATIVE TOTALS FOR THE YEAR ENDED SEPTEMBER 30, 1997	5
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--ALL GOVERNMENTAL FUND TYPES--BUDGET AND ACTUAL--FOR THE YEAR ENDED SEPTEMBER 30, 1998	8
NOTES TO THE COMBINED FINANCIAL STATEMENTS	12
SUPPLEMENTARY INFORMATION:	
Independent Auditors' Report on Supplementary Information	33
EXHIBITS:	
EXHIBIT A - Combining Balance Sheet - Special Revenue Funds--September 30, 1998	35
EXHIBIT B - Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Special Revenue Funds--For the Year Ended September 30, 1998	37
EXHIBIT C - Year 2000 Disclosure Issues	39

TABLE OF CONTENTS, CONTINUED

PAGE

SUPPLEMENTARY INFORMATION, CONTINUED:

SCHEDULES:

SCHEDULE I	-	Combined Balance Sheet-HUD Basis-All Annual Contribution Contracts--September 30, 1998 with Comparative Totals September 30, 1997.....	40
SCHEDULE II	-	Combined Statement of Income and Expenses and Changes in Surplus-HUD Basis--All Annual Contribution Contracts--For the Year Ended September 30, 1998 with Comparative Totals For the Year Ended September 30, 1997	41
SCHEDULE III	-	Combining Balance Sheet-HUD Basis--All Annual Contribution Contracts--September 30, 1998	43
SCHEDULE IV	-	Combining Statement of Income and Expenses and Changes in Surplus-HUD Basis--All Annual Contribution Contracts--For the Year Ended September 30, 1998	44
SCHEDULE V	-	Combining Analysis of Surplus-HUD Basis--All Annual Contribution Contracts--For the Year Ended September 30, 1998	46
SCHEDULE VI	-	Combining Balance Sheet-HUD Basis-Annual Contribution Contracts FW-2053, FW-2201 and FW-2217--September 30, 1998	49
SCHEDULE VII	-	Combining Statement of Income and Expenses and Changes in Surplus-HUD Basis-Annual Contribution Contracts FW-2053, FW-2201 and FW-2217--For the Year Ended September 30, 1998	51
SCHEDULE VIII	-	Combining Analysis of Surplus-HUD Basis Annual Contribution Contracts FW-2053, FW-2201 and FW-2217--For the Year Ended September 30, 1998	53

TABLE OF CONTENTS, CONTINUED

PAGE

SUPPLEMENTARY INFORMATION, CONTINUED:

SCHEDULE IX	- Combining Balance Sheet-HUD Basis--Annual Contribution Contract FW-2053-- September 30, 1998	55
SCHEDULE X	- Combining Statement of Income and Expenses and Changes in Surplus-HUD Basis--Annual Contribution Contract FW-2053--For the Year Ended September 30, 1998	56
SCHEDULE XI	- Combining Analysis of Surplus-HUD Basis-- Annual Contribution Contract FW-2053 - For the Year Ended September 30, 1998	58
SCHEDULE XII	- Combining Balance Sheet-HUD Basis--Annual Contribution Contract FW-2201--September 30, 1998	60
SCHEDULE XIII	- Combining Statement of Income and Expenses and Changes in Surplus (Deficit)-HUD Basis--Annual Contribution Contract FW-2201--For the Year Ended September 30, 1998	61
SCHEDULE XIV	- Combining Analysis of Surplus-HUD Basis-- Annual Contribution Contract FW-2201--For the Year Ended September 30, 1998	62
SCHEDULE XV	- Computation of Residual Receipts and Accruing Annual Contribution--Annual Contribution Contract FW-1190--For the Year Ended September 30, 1998	64
SCHEDULE XVI	- Computation of Annual Contribution Earned and Project Account-Operating Reserve Changes-- Annual Contribution Contract FW-2053--For the Year Ended September 30, 1998	65

TABLE OF CONTENTS, CONTINUED

PAGE

SUPPLEMENTARY INFORMATION, CONTINUED:

SCHEDULE XVII	-	Computation of Annual Contribution Earned and Project Account-Operating Reserve Changes--Annual Contribution Contract FW-2201--For the Year Ended September 30, 1998	67
SCHEDULE XVIII	-	Computation of Annual Contribution Earned and Project Account-Operating Reserve Changes--Annual Contribution Contract FW-2217--For the Year Ended September 30, 1998	69
SCHEDULE XIX	-	Statement of Actual Development Costs-Annual Contribution Contract FW-1190--September 30, 1998	71
SCHEDULE XX	-	Statement of Actual Development Costs-Over Budget--Annual Contribution Contract FW-1190--September 30, 1998	74
SCHEDULE XXI	-	Statement of Development Costs - Not Completed--Annual Contribution Contract FW-1190--September 30, 1998	77
SCHEDULE XXII	-	Reconciliation of Development Funds Advanced With Costs--Annual Contribution Contract FW-1190--September 30, 1998	78
SCHEDULE XXIII	-	Statement of Actual Modernization Costs-Not Completed--Annual Contribution Contract FW-1190--September 30, 1998	81
SCHEDULE XXIV	-	Reconciliation of Modernization Funds Advanced With Costs--Annual Contribution Contract FW-1190--September 30, 1998.....	101

TABLE OF CONTENTS, CONTINUED

	<u>PAGE</u>
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS--FOR THE YEAR ENDED SEPTEMBER 30, 1998	102
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	103
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	106
SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 1998	110
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 1998	146
Section I - Summary of Auditors' Results	
Section II - Financial Statement Findings	
Section III - Federal Award Findings and Questioned Costs	
STATUS OF PRIOR YEAR'S AUDIT FINDINGS, REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS	149
EXIT CONFERENCE	156



EXECUTIVE SUMMARY

The Housing Authority of New Orleans (HANO) has made significant improvements in virtually every area of its operations and services. We have developed and implemented a series of bold new initiatives reflecting the Authority's mission to provide safe, decent, affordable housing to low-income citizens by creating and sustaining viable communities—and have witnessed HANO's transformation into a more efficient, high performing agency. This organizational progress is strongly evidenced by HANO's total weighted Public Housing Management Assessment Program (PHMAP) score of 85.16 for Fiscal Year 1998.

During the course of the past year, our operational efforts have been guided by the HANO *Continuous Improvement Plan*—a goal-driven strategic plan based on the philosophy and principles of “continuous quality improvement”. Initiatives have been implemented in areas of property management, security, human resources, information systems, audit and compliance, finance, and procurement. Maintenance operations have been decentralized, site-based operating procedures have been established, and the agency has embarked upon an unprecedented level of capital modernization and development. Resident initiatives have been expanded and special attention given to cultivating alliances in all sectors of the community.

HANO has made significant upgrades to its financial management and reporting systems and developed an asset management strategy to guide the transition from traditional public housing to a more diversified real estate portfolio. A key component of the Authority's asset management strategy is a financial management and reporting system that provides detailed data specific to each individual property in the organization's portfolio. In keeping with this objective, a general ledger conversion was implemented to facilitate the development of site-based financial statements. In addition, a standardized project-based reporting system was created to manage budget versus actual financial activity in accordance with all applicable HUD and HANO requirements. Monthly project-based financial statements and capital improvement reports are prepared for executive review.

Major efforts continue as HANO fine tunes every facet of its management structure to ensure optimal efficiency and quality service to residents. In working to bring about the physical transformation of our inventory, we embrace the reality that HANO public housing sites are a vital part of the New Orleans community and are intrinsically tied to their surrounding neighborhoods. We are proud of the agency's achievements to date and invigorated by the many partnerships that have been forged. Moving forward, HANO will build upon this tremendous foundation of accomplishment and support.

A handwritten signature in black ink, appearing to read "Michael P. Kelly", is written over a horizontal line.

Michael P. Kelly
Executive Director

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana

The Regional Inspector General
U.S. Department of Housing and
Urban Development

We have audited the general-purpose financial statements as listed in the Table of Contents of the **Housing Authority of New Orleans (HANO)**, New Orleans, Louisiana as of and for the year ended September 30, 1998. These general-purpose financial statements are the responsibility of **HANO's** management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

Except as discussed in the following paragraphs, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in NOTE 8, to the general-purpose financial statements, **HANO** is a defendant in various legal actions. Legal counsel estimates that exposure to **HANO** is approximately \$7,700,000. It is **HANO's** policy to record losses relating to self-insurance and legal actions based on the annual budget for such claims rather than recording estimated liabilities as required by generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana
Page 2

The Regional Inspector General
U.S. Department of Housing and
Urban Development

In addition, as more fully discussed in NOTE 1, to the general-purpose financial statements, the financial statements do not disclose the amount of the major classes of land, structures and equipment by nature or function. In our opinion, the omission of disclosures related to the amount of the major classes of land, structures and equipment by nature or function does not conform with generally accepted accounting principles.

Also, as discussed in NOTE 10, **HANO's** fixed liabilities are administered by the United States Department of Housing and Urban Development (HUD) and all fixed liability transactions are recorded by **HANO** based on HUD's directive. At September 30, 1998, **HANO** has been informed by HUD that \$44,632,519 of fixed liabilities inclusive of accrued interest on the notes are in the process of being forgiven. As of September 30, 1998 no adjustments have been made to the accompanying financial statements of **HANO** to reflect the debt forgiveness and related interest.

As further discussed in finding number 98-2 in the accompanying Schedule of Findings and Questioned Costs we were unable to extend our auditing procedures sufficient to satisfy ourselves about the validity of interfund activity at September 30, 1998.

In our opinion, except for the effects of not recording estimated liabilities for losses related to self-insurance and legal actions, the omission of disclosures related to the amount of the major classes of land, structures and equipment by nature or function, the HUD debt forgiveness and the effects of adjustments, if any, had we been able to resolve those matters related to interfund activity, the general-purpose financial statements present fairly, in all material respects, the financial position of the **Housing Authority of New Orleans**, New Orleans, Louisiana as of September 30, 1998 and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana
Page 3

The Regional Inspector General
U.S. Department of Housing and
Urban Development

In accordance with *Government Auditing Standards*, we have also issued our report dated July 2, 1999 on our consideration of HANO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

In our previous report dated May 10, 1999 on the 1998 financial statements, we referred to a scope limitation that did not enable us to express an opinion on the general-purpose financial statements. However, HANO subsequently provided the necessary data to resolve the scope limitation and enable us to express an opinion on the general-purpose financial statements in conformity with generally accepted accounting principles.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

July 2, 1999

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
SEPTEMBER 30, 1998

With Comparative Totals for the Year Ended September 30, 1997

	GOVERNMENTAL FUND TYPE					FIDUCIARY FUND TYPE			ACCOUNT GROUPS			Totals (Memorandum Only) 1997
	General	Special Revenue	Debt Service	Capital Projects	Agency	General Fixed Assets	Long-Term Debt	1998		1997		
								1998	1997			
ASSETS AND OTHER DEBITS												
Cash and temporary cash investments (NOTE 2)	\$ 11,136,268	\$ 3,155,475	\$ -0-	\$ -0-	\$ 1,558,958	\$ -0-	\$ -0-	\$ 15,850,701	\$ 11,079,226			
Deposit with HUD (NOTE 10)	-0-	-0-	2,260,112	-0-	-0-	-0-	-0-	2,260,112	2,260,112			
Accounts receivable (NOTE 3)	4,507,096	821,635	-0-	-0-	-0-	-0-	-0-	5,328,731	6,179,406			
Interest receivable	50,721	-0-	-0-	-0-	-0-	-0-	-0-	50,721	93,342			
Due from other funds (NOTE 4)	17,185,572	479,502	-0-	-0-	-0-	-0-	-0-	17,665,074	3,930,017			
Receivable from HUD for debt service (NOTE 10)	-0-	-0-	2,820,732	-0-	-0-	-0-	-0-	2,820,732	4,229,010			
Other assets (NOTE 5)	2,517,864	-0-	-0-	-0-	-0-	-0-	-0-	2,517,864	2,571,008			
Land, structures and equipment (NOTES 1 and 6)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	305,600,535	311,597,439			
Amounts to be provided by HUD for retirement of obligations	-0-	-0-	-0-	-0-	-0-	-0-	-0-	64,809,753	65,499,330			
Amounts available in debt service funds	-0-	-0-	-0-	-0-	-0-	-0-	-0-	5,080,844	6,489,122			
Total assets and other debits	\$ 35,397,521	\$ 4,456,612	\$ 5,080,844	\$ -0-	\$ 1,558,958	\$ 305,600,535	\$ 69,890,597	\$ 421,985,067	\$ 413,928,012			
LIABILITIES, OTHER CREDITS, FUND BALANCES AND FUND EQUITY												
Liabilities and other credits:												
Account payable (NOTE 7)	\$ 6,548,809	\$ 474,470	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 7,023,279	\$ 4,795,294			
Deposits held for tenants	621,150	-0-	-0-	-0-	1,558,958	-0-	-0-	2,180,108	1,868,412			
Accrued liabilities (NOTE 9)	2,258,239	-0-	-0-	-0-	-0-	-0-	1,456,741	3,714,980	3,259,742			
Due to other funds (NOTE 4)	13,090,143	1,161,249	-0-	-0-	-0-	-0-	-0-	14,251,392	3,930,017			
Deferred revenue	-0-	2,843,713	-0-	-0-	-0-	-0-	-0-	2,843,713	17,010			
Fixed liabilities (NOTE 10)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	66,783,329	69,180,271			
Compensated absences payable (NOTE 11)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	1,650,527	1,488,730			
Total liabilities and other credits	22,518,341	4,479,432	-0-	-0-	1,558,958	-0-	69,890,597	98,447,328	84,539,476			
Fund equity:												
Investment in general fixed assets	-0-	-0-	-0-	-0-	-0-	305,600,535	-0-	305,600,535	311,597,439			
Fund balances:												
Reserved (NOTES 10 and 17)	-0-	-0-	5,080,844	-0-	-0-	-0-	-0-	5,080,844	6,489,122			
Unreserved	12,879,180	(22,820)	-0-	-0-	-0-	-0-	-0-	12,856,360	11,301,975			
Total fund balances	12,879,180	(22,820)	5,080,844	-0-	-0-	-0-	-0-	17,937,204	17,791,097			
Total fund balances and fund equity	12,879,180	(22,820)	5,080,844	-0-	-0-	305,600,535	-0-	323,537,739	329,388,536			
Contingencies (NOTES 8 and 13)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-			
Total liabilities, other credits, fund balances and fund equity	\$ 35,397,521	\$ 4,456,612	\$ 5,080,844	\$ -0-	\$ 1,558,958	\$ 305,600,535	\$ 69,890,597	\$ 421,985,067	\$ 413,928,012			

The accompanying notes are an integral part of these combined financial statements.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1998
With Comparative Totals for the Year Ended September 30, 1997

	GOVERNMENTAL FUND TYPES				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
Revenues:						
Rental income	\$ 10,537,809	\$ -0-	\$ -0-	\$ -0-	\$ 10,537,809	\$ 10,262,069
Interest on operating reserve and general fund investments	358,221	18,867	-0-	-0-	377,088	537,587
Other income	<u>9,637,852</u>	<u>236</u>	<u>-0-</u>	<u>-0-</u>	<u>9,638,088</u>	<u>6,863,438</u>
Total revenues	<u>20,533,882</u>	<u>19,103</u>	<u>-0-</u>	<u>-0-</u>	<u>20,552,985</u>	<u>17,663,094</u>
Expenditures:						
Administration	8,387,172	1,658,821	-0-	-0-	10,045,993	8,881,781
Tenant services	4,041,159	2,668	-0-	-0-	4,043,827	2,723,911
Utilities	15,814,955	-0-	-0-	-0-	15,814,955	13,359,279
Ordinary maintenance	15,913,244	2,901	-0-	-0-	15,916,145	12,721,011
Protective services	1,863,582	-0-	-0-	-0-	1,863,582	4,733,517
General expenditures	8,980,709	314,878	-0-	-0-	9,295,587	7,515,147
Housing assistance payments	-0-	19,309,083	-0-	-0-	19,309,083	18,047,324
Capital outlays	-0-	-0-	-0-	45,968,853	45,968,853	29,897,834
Non-routine maintenance	<u>357,265</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>357,265</u>	<u>867,707</u>
Total expenditures	<u>55,358,086</u>	<u>21,288,351</u>	<u>-0-</u>	<u>45,968,853</u>	<u>122,615,290</u>	<u>98,747,511</u>
Operating deficit before other charges, HUD contributions, grants and other (debits) credits	<u>(34,824,204)</u>	<u>(21,269,248)</u>	<u>-0-</u>	<u>(45,968,853)</u>	<u>(102,062,305)</u>	<u>(81,084,417)</u>

The accompanying notes are an integral part of these combined financial statements.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES, CONTINUED
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1998
 With Comparative Totals for the Year Ended September 30, 1997

	GOVERNMENTAL FUND TYPES				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only) 1998	1997
Other charges:						
Interest on notes and bonds	\$ -0-	\$ -0-	\$ 1,330,519	\$ -0-	\$ 1,330,519	\$ 1,303,928
Total other charges	-0-	-0-	1,330,519	-0-	1,330,519	1,303,928
Excess (deficiency) of revenues over expenditures before HUD contributions, grants and other (debits) credits	(34,824,204)	(21,269,248)	(1,330,519)	(45,968,853)	(103,392,824)	(82,388,345)
HUD contributions, grants and other (debits) credits:						
Drug elimination grant	2,496,852	-0-	-0-	-0-	2,496,852	5,017,277
Annual contributions earned	-0-	21,154,995	-0-	-0-	21,154,995	19,710,657
Basic annual contribution	31,920,942	-0-	-0-	-0-	31,920,942	28,981,150
Modernization grants	3,870,122	-0-	-0-	45,339,987	49,210,109	29,897,834
Annual contribution for debt service	-0-	-0-	2,180,638	-0-	2,180,638	2,867,226
Principal payments on notes and bonds	-0-	-0-	(2,258,397)	-0-	(2,258,397)	(3,092,157)
Other (debits) credits	200,997	(512,217)	-0-	1,646,235	1,335,015	1,898,530
Total HUD contributions, grants and other (debits) credits	38,488,913	20,642,778	(77,759)	46,986,222	106,040,154	85,280,517

The accompanying notes are an integral part of these combined financial statements.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES. CONTINUED
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1998
 With Comparative Totals for the Year Ended September 30, 1997

	GOVERNMENTAL FUND TYPES				Totals	
	General	Special Revenue	Debt Service	Capital Projects	(Memorandum Only)	
					1998	1997
Excess (deficiency) of revenues over expenditures	<u>3,664,709</u>	<u>(626,470)</u>	<u>(1,408,278)</u>	<u>1,017,369</u>	<u>2,647,330</u>	<u>2,892,172</u>
Fund balances, beginning of year	11,044,202	1,012,887	6,489,122	(1,017,369)	17,528,842	18,433,762
Adjustments to beginning fund balances (NOTE 16)	<u>(1,829,731)</u>	<u>(409,237)</u>	<u>-0-</u>	<u>-0-</u>	<u>(2,238,968)</u>	<u>(3,797,092)</u>
Fund balances, beginning of year, as restated	<u>9,214,471</u>	<u>603,650</u>	<u>6,489,122</u>	<u>(1,017,369)</u>	<u>15,289,874</u>	<u>14,636,670</u>
Fund balances, end of year	<u>\$ 12,879,180</u>	<u>\$ (22,820)</u>	<u>\$ 5,080,844</u>	<u>\$ -0-</u>	<u>\$ 17,937,204</u>	<u>\$ 17,528,842</u>

The accompanying notes are an integral part of these combined financial statements.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	General Fund		Special Revenue Fund		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
Revenues:					
Rental income	\$ 10,479,252	\$ 10,537,809	\$ -0-	\$ -0-	\$ -0-
Interest on operating reserve and general fund investments	206,860	358,221	18,867	18,867	-0-
Other Income	6,896,260	9,637,852	236	236	-0-
Total revenues	17,582,372	20,533,882	19,103	19,103	-0-
Expenditures:					
Administration	8,202,633	8,387,172	1,658,821	1,658,821	-0-
Tenant services	2,081,393	4,041,159	2,668	2,668	-0-
Utilities	14,791,031	15,814,955	-0-	-0-	-0-
Ordinary Maintenance	15,574,960	15,913,244	2,901	2,901	-0-
Protective services	2,819,426	1,863,582	-0-	-0-	-0-
General expenditures	8,796,730	8,980,709	314,878	314,878	-0-
Housing assistance payments	-0-	-0-	19,309,083	19,309,083	-0-
Capital outlays	-0-	-0-	-0-	-0-	-0-
Non routine maintenance	420,710	357,265	-0-	-0-	-0-
Total expenditures	52,686,883	55,358,086	21,288,351	21,288,351	-0-
Operating deficit before other charges, HUD contributions, grants and other (debits) credits	(35,104,511)	(34,824,204)	(21,269,248)	(21,269,248)	-0-

The accompany notes are an integral part of these combined financial statements

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES-BUDGET AND ACTUAL, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	General Fund			Special Revenue Fund			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
Other charges:							
Interest on notes and bonds	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Total other charges	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Excess (deficiency) of revenues over expenditures before HUD contributions, grants and other (debits) credits	(35,104,511)	(34,824,204)	280,307	(21,269,248)	(21,269,248)	-0-	-0-
HUD contributions, grants and other (debits) credits:							
Drug elimination grant	2,496,852	2,496,852	-0-	-0-	-0-	-0-	-0-
Annual contributions earned	-0-	-0-	-0-	21,154,995	21,154,995	-0-	-0-
Basic annual contribution	31,920,942	31,920,942	-0-	-0-	-0-	-0-	-0-
Modernization grants	-0-	3,870,122	3,870,122	-0-	-0-	-0-	-0-
Annual contribution for debt service	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Principal payments on notes and bonds	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other (debits) credits	-0-	200,997	200,997	-0-	(512,217)	512,217	512,217
Total HUD contributions, grants and other (debits) credits	34,417,794	38,488,913	4,071,119	21,154,995	20,642,778	512,217	512,217
Excess (deficiency) of revenues over expenditures	\$ (686,717)	\$ 3,664,709	\$ 4,351,426	\$ 114,253	\$ (626,470)	\$ (512,217)	\$ (512,217)
Fund balances, beginning of year		11,044,202			1,012,887		
Adjustments to beginning fund balances		(1,829,731)			(409,237)		
Fund balances, beginning of year, as restated		9,214,471			603,650		
Fund balances, end of year	\$	\$ 12,879,180	\$	\$	\$ (22,820)	\$	\$

The accompany notes are an integral part of these combined financial statements

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Debt Service Fund			Capital Projects Fund			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
Revenues:							
Rental income	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	-0-
Interest on operating reserve and general fund investments	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Other income	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total revenues	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Expenditures:							
Administration	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Tenant services	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Utilities	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Ordinary Maintenance	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Protective services	-0-	-0-	-0-	-0-	-0-	-0-	-0-
General expenditures	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Housing assistance payments	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Capital outlays	-0-	-0-	-0-	45,993,087	45,968,853	24,234	24,234
Non routine maintenance	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total expenditures	-0-	-0-	-0-	45,993,087	45,968,853	24,234	24,234
Operating deficit before other charges, HUD contributions, grants and other (debits) credits	-0-	-0-	-0-	(45,993,087)	(45,968,853)	24,234	24,234

The accompany notes are an integral part of these combined financial statements

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES - BUDGET AND ACTUAL, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Debt Service Fund		Capital Projects Fund		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	
Other charges:					
Interest on notes and bonds	1,330,519	1,330,519	-0-	-0-	-0-
Total other charges	1,330,519	1,330,519	-0-	-0-	-0-
Excess (deficiency) of revenues over expenditures before HUD contributions, grants and other (debits) credits	(1,330,519)	(1,330,519)	(45,993,087)	(45,968,853)	24,234
HUD contributions, grants and other (debits) credits:					
Drug elimination grant	-0-	-0-	-0-	-0-	-0-
Annual contributions earned	-0-	-0-	-0-	-0-	-0-
Basic annual contribution	-0-	-0-	-0-	-0-	-0-
Modernization grants	-0-	-0-	45,339,987	45,339,987	-0-
Annual contributions for the debt service	2,180,638	2,180,638	-0-	-0-	-0-
Principal payments on notes and bonds	(2,258,397)	(2,258,397)	-0-	-0-	-0-
Other (debits) credits	-0-	-0-	-0-	1,646,235	1,646,235
Total HUD contributions, grants and other (debits) credits	(77,759)	(77,759)	45,339,987	46,986,222	1,646,235
Excess (deficiency) of revenues over expenditures	\$ (1,408,278)	(1,408,278)	\$ -0-	1,017,369	\$ 1,670,469
Fund balances, beginning of year		6,489,122		(1,017,369)	
Adjustments to beginning fund balances		-0-		-0-	
Fund balances, beginning of year, as restated		6,489,122		(1,017,369)	
Fund balances, end of year		\$ 5,080,844		\$ -0-	

The accompany notes are an integral part of these combined financial statements

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Policies:

General

The **Housing Authority of New Orleans (HANO)** was organized on September 29, 1936 to assist and provide housing to low-income residents in New Orleans. **HANO** was governed by a seven member Board of Commissioners and headed by an Executive Director until February 1996. At that time, the United States Department of Housing and Urban Development (HUD), through a cooperative endeavor agreement with the City of New Orleans, appointed a consultant to directly oversee the daily operations of **HANO**, including monitoring the work performed by the Executive Director and management. Also, the role of the Board of Commissioners was reduced to an advisory capacity.

Funding for the operations of **HANO** is provided by HUD through annual contribution contracts related to specific programs. At September 30, 1998, **HANO** had the following number of units in Active Development, Active Modernization, Community Development and Assistance Programs:

<u>Contract</u>	<u>Program</u>	<u>Number of Units</u>
FW-1190	PHA Owned	9,659
FW-1190	Homeownership	317
FW-2053	Section 8 - Rental Certificates	3,868
FW-2201	Section 8 - New Construction	190
FW-2217	Section 8 - Rental Vouchers	<u>516</u>
		<u>14,550</u>

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Basis of Presentation

As required by Louisiana State Reporting Law (LAS-R.S. 24:514) the general-purpose financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

The accounts of **HANO** are organized on the basis of funds or account groups, each of which is considered a separate accounting entity and is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

Accordingly, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles applied to governmental units.

Governmental Funds

Governmental funds are those through which most governmental functions of **HANO** are financed. The acquisition, use and balances of **HANO's** expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are **HANO's** governmental funds:

General Fund - The general fund is used to account for the financial resources of **HANO**, not accounted for in some other fund.

Special Revenue Funds - Special revenue funds are used by **HANO** to account for the collection and disbursement of specific revenue sources.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs by **HANO**. The Debt Service Fund includes amounts on deposit with fiscal agents or due from HUD to pay principal and interest on fixed liabilities.

Capital Projects Fund

This fund accounts for financial resources received and used by **HANO** for the acquisition, construction or improvement of capital facilities not reported in the other governmental funds.

Fiduciary Fund Type

Agency Fund - The Agency Fund is used to account for assets held by **HANO** in a trustee capacity or as an agent for individuals, such as tenants and homebuyers. The Agency Fund is accounted for in essentially the same manner as the Governmental Fund, except that the Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups

The account group is used to establish accounting control and accountability for **HANO's** general fixed assets and outstanding obligations. It is a self-balancing group of accounts that are concerned only with the measurement of financial position, not with the measurement of results of operations. The following is **HANO's** account groups:

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Account Groups, Continued

General Fixed Assets Account Group - This group of accounts is established to account for fixed assets of **HANO**. The fixed assets of the governmental fund are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized or reported in the general fixed assets account group.

General Long-Term Debt Account Group - This group of accounts is established to account for long-term obligations of **HANO**.

Basis of Accounting - All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., both measurable and available). Available means currently due and expected to be collected within the next twelve months. Revenues not considered available are recorded as deferred revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for vacation and sick leave and claims and judgments which are recognized when paid.

Investment earnings are recorded as earned since they are measurable and available.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. There are essentially two types of such revenues. In one, monies must be expended for the specific purpose or project before any amounts will be reimbursed to **HANO**; therefore, revenues are recognized based on the expenditures recorded.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

The other monies, are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. Such revenues are recognized at the time of receipt or earlier if the "susceptible to accrual" criteria are met.

Consistent with prior periods, **HANO** prepares its financial statements in conformity with accounting practices prescribed or permitted by HUD, as described in the Low Rent Accounting Handbook (IIM 7510.1), which is a comprehensive basis of accounting other than generally accepted accounting principles. Principal differences between **HANO's** policies and generally accepted accounting principles are (1) investments are reflected at cost, rather than the lower of cost or market; (2) accounts receivable are expensed upon approval of the **HANO** Board rather than using a valuation allowance to charge doubtful accounts to expenses; (3) long-term debt and land, structures and equipment are included on the balance sheet rather than in account groups; (4) when assets are retired or otherwise disposed of, any gain or loss is reflected in income for the period rather than as an adjustment of the account group; and (5) annual leave is expensed when taken rather than accrued as earned.

In addition, **HANO's** policy regarding accounting for estimated liabilities related to self-insurance and litigation does not conform to generally accepted accounting principles.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

The significant accounting practices followed by **HANO** are:

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Investments

Investments are non-negotiable instruments similar to deposits and are stated at cost which approximates market value.

Fair Value of Financial Instruments

The carrying amount of **HANO's** financial instruments at September 30, 1998 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

Allowance for Doubtful Accounts

Accounts receivable are expensed upon approval of the **HANO** Board of Commissioners rather than using a valuation allowance to charge doubtful accounts to expenditures as required by generally accepted accounting principles. At September 30, 1998, the allowance for doubtful accounts required is not material to the general-purpose financial statements as a whole.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Land Structures, and Equipment

Land, structures and equipment are accounted for under accounting practices prescribed or permitted by the U.S. Department of Housing and Urban Development. Those practices permit for the inclusion in land, structures and equipment certain cost that are not permitted under generally accepted accounting principles. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. Maintenance and repair costs are charged against income as they are incurred. Significant renewals and betterments are capitalized. The records of **HANO** do not allow for a disclosure of the major composition of land, structure and equipment. Depreciation expense has not been provided on general fixed assets. Structures and equipment are not depreciated in accordance with generally accepted accounting principles.

HANO has been and is currently involved in various demolition activities in conjunction with its modernization and development programs.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", **HANO** has at September 30, 1998 recognized in the accompanying financial statements, the impact of the demolition activities. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying value amount of the asset, an impairment loss should be recognized.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Fixed Liabilities

Major capital improvement projects were financed by issuing a series of short-term notes. HUD and HANO retired these notes through Annual Contribution Contracts as if the financing were long-term. Amounts are not segregated between current and noncurrent portions as required by generally accepted accounting principles, but in accordance with HUD prescribed practices.

In September 1984, HUD suspended the sale of project notes pending an Internal Revenue Service ruling on the tax-exempt status of the notes.

Deferred Charges

Inventories of supplies, materials and expendable equipment are recorded at cost using the first-in first-out method.

Debt Service Funds

HANO's bond and note debts are administered by HUD. Debt service funds are amounts on deposit with fiscal agents or due from HUD to pay principal and interest on the obligations of HANO and for such other purposes as may be provided in annual contribution contracts. The amount due from HUD is based on the maximum annual contribution during the fiscal year. The actual amount when received may differ depending on the amount required for payment of interest and principal.

Fund Balance

Fund balance is reported in the applicable annual contribution contract to indicate the amount established for a specific purpose.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Self-Insurance and Litigation

HANO recognizes losses related to self-insurance programs and litigation based on the annual budget for such claims rather than recording estimated liabilities when losses occur, as required by generally accepted accounting principles.

Annual Contribution Contracts

Annual Contribution Contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of **HANO's** financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by **HANO**.

Total Column on Financial Statements

The total columns on the accompanying financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Financial Statement Presentation

Certain reclassifications have been made to the prior year's financial statements to conform to the current year's presentation.

Cash and Temporary Cash Investments

HANO's cash and temporary cash investments is considered to be cash on-hand, demand deposits and certificates of deposit. **HANO** may invest in primarily U.S. obligations as dictated by HUD.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Budgetary Information

Annual budgets for the special revenue funds and the general fund are adopted on an annual basis consistent with generally accepted accounting principles. The capital fund budgets are adopted on a “project-length” basis.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, “the Financial Reporting Entity, (GASB 14)” established standards for defining and reporting on the financial entity.

GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

HANO was established as a separate, legal entity with a governing board which is separate and independent of any other governmental “reporting entity” as defined by GASB 14.

Accordingly, management has concluded that **HANO** is the financial reporting entity within the meaning of the provisions of GASB 14.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Temporary Cash Investments:

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal offices in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

At various times during 1998, deposits in excess of FDIC insurance coverage were collateralized by the securities previously described. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments considers these funds uncollateralized.

Even though these funds are considered to be uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposed a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

All bank balances and investments of **HANO** at September 30, 1998, some of which bear interest, are entirely insured or collateralized with securities held by its agent in **HANO's** name. Cash in excess of current requirements is invested.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Temporary Cash Investments, Continued:

At September 30, 1998 cash and temporary cash investments consist of the following:

	<u>General</u>	<u>Special Revenue</u>	<u>Agency</u>	<u>Total</u>	<u>Interest Rate</u>	<u>Maturity</u>
Demand deposits	\$ 4,886,268	\$ 3,155,475	\$ 692,524	\$ 8,734,267	Various	N/A
Certificates of deposit	<u>6,250,000</u>	<u>-0-</u>	<u>866,434</u>	<u>7,116,434</u>	Various	Various
Total cash and temporary cash investments	<u>\$11,136,268</u>	<u>\$ 3,155,475</u>	<u>\$1,558,958</u>	<u>\$15,850,701</u>		

The investment are categorized as Category 1. Also, at September 30, 1998, the carrying amount of HANO's deposit was \$15,850,701 and the bank balance was \$14,221,854.

NOTE 3 - Accounts Receivable:

Accounts receivable at September 30, 1998 consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Tenants	\$ 314,197	\$ -0-	\$ 314,197
HUD	3,870,122	585,337	4,455,459
Other (including various State and Federal sources)	<u>322,777</u>	<u>236,298</u>	<u>559,075</u>
Total accounts receivable	<u>\$4,507,096</u>	<u>\$ 821,635</u>	<u>\$ 5,328,731</u>

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Due from/to Other Funds:

Interfund activity at September 30, 1998 consist of the following:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$17,185,572	\$13,090,143
Special Revenue Funds	<u>479,502</u>	<u>1,161,249</u>
Total interfund receivables/payables	<u>\$17,665,074</u>	<u>\$14,251,392</u>

NOTE 5 - Other Assets:

Other assets at September 30, 1998 consist of the following:

	<u>General Fund</u>	<u>Total</u>
Prepaid insurance	\$ 327,780	\$ 327,780
Material and equipment	<u>2,190,084</u>	<u>2,190,084</u>
	<u>\$2,517,864</u>	<u>\$2,517,864</u>

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Land, Structures and Equipment:

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance October 1, 1997	<u>Additions</u>	<u>Deductions</u>	Balance September 30, 1998
Land, structures and equipment	<u>\$311,597,439</u>	<u>\$32,259,767</u>	<u>\$38,256,671</u>	<u>\$305,600,535</u>
	<u>\$311,597,439</u>	<u>\$32,259,767</u>	<u>\$38,256,671</u>	<u>\$305,600,535</u>

HANO has received approval from HUD for the demolition of several structures. **HANO** completed destruction of the structures with an estimated carrying value of \$37,528,672 for the year ended September 30, 1998. At September 30, 1998, the estimated carrying value of additional structures that have been approved for demolition but continue to be used for operations and receive subsidies from HUD is \$90,113,244. Management intends to record the write-off of these assets in the period the demolition occurs or when it is otherwise determined that the asset has no future value.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Accounts Payable:

Accounts payable at September 30, 1998 consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total</u>
Contracts retentions and performance deposits	\$1,289,429	\$ -0-	\$1,289,429
Vendors, contractors and other	5,172,643	199,151	5,371,794
HUD	<u>86,737</u>	<u>275,319</u>	<u>362,056</u>
Total accounts payable	<u>\$6,548,809</u>	<u>\$474,470</u>	<u>\$7,023,279</u>

NOTE 8 - Risk Management:

HANO is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which **HANO** is self-insured for general liability, workers' compensation claims, fire and extended coverages. In addition **HANO** is a defendant in various legal actions. Legal counsel estimates that exposure to **HANO** approximates \$7,700,000 as of May 10, 1999 and July 2, 1999. **HANO's** policy is to recognize losses related to the self-insurance programs and litigation based on the annual budget for such claims rather than recording the estimated liabilities when losses occur, as required by generally accepted accounting principles.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Accrued Liabilities:

Accrued liabilities consist of the following at September 30, 1998:

	<u>General Fund</u>	<u>General Long-term Debt Account Group</u>	<u>Total</u>
Accrued interest on notes and bonds	\$ -0-	\$1,456,741	\$1,456,741
Accrued utilities expense	1,946,818	-0-	1,946,818
Other liabilities	<u>311,421</u>	<u>-0-</u>	<u>311,421</u>
 Total accrued liabilities	 <u>\$2,258,239</u>	 <u>\$1,456,741</u>	 <u>\$3,714,980</u>

NOTE 10 - Fixed Liabilities:

The following is a summary of HANO's long-term debt transactions for the year ended September 30, 1998:

	<u>Balance at October 1, 1997</u>	<u>Retirements, Repayments and Other</u>	<u>Balance at September 30, 1998</u>
General Long-Term Debt Account Group:			
Project loan notes	\$ 3,728,968	\$ 1,254	\$ 3,727,714
Permanent notes- HUD	40,133,376	-0-	40,133,376
Federal financing bank notes	3,004,404	677,969	2,326,435
New housing authority bonds	<u>22,313,523</u>	<u>1,717,719</u>	<u>20,595,804</u>
 Total fixed liabilities	 <u>\$69,180,271</u>	 <u>\$2,396,942</u>	 <u>\$66,783,329</u>

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Fixed Liabilities, Continued:

Administrative control over the consolidated financing process is vested in HUD. **HANO** has participated in several consolidated bond issues and consolidated issues of short-term notes (six-month maturities). Active debt includes the Federal Financing Bank notes and the New Housing Authority Bonds. The Federal Financing Bank notes were issued in 1982 and 1983 for the modernization of the existing housing developments. The New Housing Authority bonds were issued between 1950 and 1973 to fund the original construction of certain housing developments.

These notes and bonds bear interest ranging from 2.125% to 5.75% and have various maturity dates. Interest and principal payments on these notes and bonds are made by HUD in accordance with the terms of the annual contribution contracts. **HANO** records all debt transactions upon the directive from HUD. This includes the portion of debt allocated to **HANO** and accounting entries to record payments made by HUD for principal and interest.

Debt service annual contributions ceased on April 1, 1996 for the project loan notes and the permanent notes - HUD. Under the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (P.L. 99-272 enacted April 7, 1986), the Secretary of Housing and Urban Development was authorized to forgive the outstanding principal and interest on the project loan notes and the permanent notes - HUD. The Reconciliation Amendments require the execution of a debt forgiveness amendment to the consolidated annual contribution contract. This amendment has been executed by HUD and **HANO**. It also requires the audits and approval of the Actual Development Cost Certificate or the Actual Modernization Cost Certificate which has not yet been completed for all projects. The balance of remaining notes to be forgiven was \$43,861,090 at September 30, 1998. The balance of accrued interest on the notes to be forgiven was \$771,429 at September 30, 1998.

Due to the current status pertaining to the debt forgiveness, and in conjunction with the nature of the accounting records of **HANO** pertaining to that forgiveness, we were unable to determine the current portion of the total fixed liabilities of \$66,783,329 as reflected in the accompanying financial statements.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Compensated Absences Payable:

HANO has established a policy (in accordance with State Civil Service) to pay each employee their accrued annual leave upon termination up to a maximum of 300 hours. The cost of current leave privileges computed in accordance with GASB codification Section C60, is recognized as a current year expenditure in the governmental fund when leave is actually taken or when employees or heirs are paid for accrued leave upon retirement or death. The cost of leave privileges not requiring resources is recorded in the general long-term debt account group.

HANO's policy is to pay up to 300 hours of accrued annual leave when employees terminate. At September 30, 1998 total leave to be paid upon termination was \$1,650,527.

NOTE 12 - Employee Pension Plan:

Plan Description

HANO has a pension plan which covers all full-time employees after one year of service. The plan is a money purchase plan whereby no actuarial determinations or valuations are made.

Funding Policy

HANO's contribution rate was one-half percent of the covered employees' salary until September 30, 1991. On October 1, 1991, the plan was amended to increase **HANO's** contribution rate to 5% of the covered employees' salary. Total contributions for the year ended September 30, 1998 amounted to \$559,500 (5% of total covered payroll for the year ended September 30, 1998).

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Concentration of Credit Risk:

HANO receives primarily all of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD fall below critical levels, **HANO's** operating results could be adversely affected.

NOTE 14 - Other Matters:

The U.S. Department of Housing and Urban Development (HUD) removed **HANO** from its list of "Troubled" Public Housing Authorities (PHAs) primarily resulting from **HANO's** improvements as measured by **HANO's** Public Housing Management Assessment Program (PHMAP) score for the year ended September 30, 1998 as determined by HUD. Our discussions with management have indicated the removal of **HANO** from HUD's list of "Troubled" PHAs does not alter the cooperative endeavor agreement with the City of New Orleans under which HUD has appointed a consultant to directly oversee that daily operations of **HANO**, including monitoring the work performed by the Executive Director nor will the role of the Board of Commissioner be elevated from its current advisory capacity.

NOTE 15 - Subsequent Events:

On August 8, 1998 **HANO** sold its current office building located at 918 Carondelet for \$828,000. In addition, a promissory note was executed with the buyer for the outstanding balance of the note of \$789,440 at a rate of interest of 8% which is due when **HANO** vacates the building.

In addition, **HANO** purchased two new office buildings for a total sum of \$2,050,000 on December 18, 1998. It is the intent of management to renovate and locate its current offices to the new location.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - Subsequent Events, Continued:

Subsequent to year end, a judgement has been entered by the court in favor of a deceased resident in the amount of \$380,000. It is HANO's intent to appeal the case. At September 30, 1998, May 10, 1999 and July 2, 1999 no provision has been made for the judgement amount.

NOTE 16 - Adjustments to Beginning Fund Balance:

Fund balance at the beginning of the 1998 fiscal year has been adjusted to correct various errors related to unreconciled differences between general ledger account balances and subsidiary records and ledgers. These errors had no effect on the excess (deficiency) of revenues over expenditures for the year ended September 30, 1998.

NOTE 17 - Reserved Fund Balance:

At September 30, 1998 the reserved fund balance, represents funds for the liquidation of principal and interest on HANO's fixed liabilities. (See NOTE 10).

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana

Regional Inspector General
U.S. Department of Housing and
Urban Development

Our report on our audit of the general purpose financial statements of the **Housing Authority of New Orleans (HANO)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole.

In our previous report dated May 10, 1999 on the 1998 financial statements, we referred to a scope limitation that did not enable us to express an opinion on the general-purpose financial statements. However, **HANO** subsequently provided the necessary data to resolve the scope limitation and enable us to express an opinion on the general-purpose financial statements in conformity with generally accepted accounting principles.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations" and is not a required part of the general-purpose financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general-purpose financial statements taken as a whole.

The supplementary information (Exhibits), except Exhibit C, which are prepared in accordance with generally accepted accounting principles, has been subjected to the procedures applied in the audit of the general-purpose financial statements and in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION
(CONTINUED)

The supplementary information (Schedules) which are prepared on a Comprehensive Basis of Accounting other than generally accepted accounting principles, has been subjected to the procedures applied in the audit of the general-purpose financial statements and, in our opinion, except for differences in fund accounting, facilities acquisition and/or construction, prior year adjustments, investments, allowance for doubtful accounts, long-term debt, land structures and equipment, and receipt of federal funds presented in accordance with HUD prescribed practices, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

The accompanying disclosure on Year 2000 issues (Exhibit C) is presented in accordance with the requirements of Governmental Accounting Standards Board Technical Bulletin 99-1 Disclosures about Year 2000 issues - an amendment of Technical Bulletin 98-1. We have applied certain limited procedures which consisted primarily of inquiries of management regarding the stages of assessment and presentation of the supplementary information. We did not audit the Year 2000 disclosure information and as such do not express an opinion on it.

Also, because of the unprecedented nature of the Year 2000 issue and its effects, the success of related remediation efforts will not be fully determinable until Year 2000 and thereafter. Management cannot assure that HANO is, or will be, Year 2000 ready, that its remediation efforts will be successful in whole, or in part, or that parties with whom HANO does business will be Year 2000 ready.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

July 2, 1999

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS
SEPTEMBER 30, 1998**

	<u>Housing Assistance Program FW-2053</u>	<u>Housing Assistance Program FW-2201</u>	<u>Voucher Program FW-2217</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$2,962,528	\$ 192,005	\$ 942	\$3,155,475
Accounts receivable	735,882	1,169	84,584	821,635
Due from other annual contribution contracts	<u>99,957</u>	<u>-0-</u>	<u>379,545</u>	<u>479,502</u>
Total assets	<u>\$3,798,367</u>	<u>\$ 193,174</u>	<u>\$ 465,071</u>	<u>\$4,456,612</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING BALANCE SHEET-SPECIAL REVENUE FUNDS, CONTINUED
SEPTEMBER 30, 1998

	<u>Housing Assistance Program FW-2053</u>	<u>Housing Assistance Program FW-2201</u>	<u>Voucher Program FW-2217</u>	<u>Total</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Due to other annual contribution contracts	\$ 922,909	\$ 238,340	\$ -0-	\$ 1,161,249
Accounts payable	252,754	169,310	52,406	474,470
Deferred credits	<u>2,428,704</u>	<u>-0-</u>	<u>415,009</u>	<u>2,843,713</u>
Total liabilities	<u>3,604,367</u>	<u>407,650</u>	<u>467,415</u>	<u>4,479,432</u>
Fund Balances:				
Unreserved fund balances	<u>194,000</u>	<u>(214,476)</u>	<u>(2,344)</u>	<u>(22,820)</u>
Total fund balances	<u>194,000</u>	<u>(214,476)</u>	<u>(2,344)</u>	<u>(22,820)</u>
Total liabilities and fund balances	<u>\$ 3,798,367</u>	<u>\$ 193,174</u>	<u>\$ 465,071</u>	<u>\$ 4,456,612</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	Housing Assistance Program FW-2053	Housing Assistance Program FW-2201	Voucher Program FW-2217	Total
Revenues:				
Interest on operating reserve and general fund investments	\$ 13,583	\$ 2,243	\$ 3,041	\$ 18,867
Other income	<u>236</u>	<u>-0-</u>	<u>-0-</u>	<u>236</u>
Total operating income	<u>13,819</u>	<u>2,243</u>	<u>3,041</u>	<u>19,103</u>
Operating expenditures:				
Administration	1,431,320	67,666	159,835	1,658,821
Tenant services	2,668	-0-	-0-	2,668
Maintenance and operation	2,901	-0-	-0-	2,901
Other	-0-	-0-	-0-	-0-
General expense	275,898	11,138	27,842	314,878
Housing assistance payments	<u>15,862,156</u>	<u>1,403,043</u>	<u>2,043,884</u>	<u>19,309,083</u>
Total operating expenditures	<u>17,574,943</u>	<u>1,481,847</u>	<u>2,231,561</u>	<u>21,288,351</u>
Operating deficit before HUD contributions and other (debits) credits	<u>(17,561,124)</u>	<u>(1,479,604)</u>	<u>(2,228,520)</u>	<u>(21,269,248)</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES, CONTINUED
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Housing Assistance Program FW-2053	Housing Assistance Program FW-2201	Voucher Program FW-2217	Total
HUD Contributions:				
Annual contributions earned	\$ <u>17,454,930</u>	\$ <u>1,435,350</u>	\$ <u>2,264,715</u>	\$ <u>21,154,995</u>
Total HUD contributions	<u>17,454,930</u>	<u>1,435,350</u>	<u>2,264,715</u>	<u>21,154,995</u>
Excess (deficiency) of revenues over expenditures before other (debits) credits	(106,194)	(44,254)	36,195	(114,253)
Other (debits) credits	<u>(510,137)</u>	<u>-0-</u>	<u>(2,080)</u>	<u>(512,217)</u>
Excess (deficiency) of revenues over expenditures	<u>(616,331)</u>	<u>(44,254)</u>	<u>34,115</u>	<u>(626,470)</u>
Fund balances, beginning of year	1,219,807	(159,203)	(47,717)	1,012,887
Adjustments to beginning fund balances	<u>(409,476)</u>	<u>(11,019)</u>	<u>11,258</u>	<u>(409,237)</u>
Fund balances, beginning of year, as restated	<u>810,331</u>	<u>(170,222)</u>	<u>(36,459)</u>	<u>603,650</u>
Fund balances, end of year	\$ <u>194,000</u>	\$ <u>(214,476)</u>	\$ <u>(2,344)</u>	\$ <u>(22,820)</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
YEAR 2000 DISCLOSURE ISSUES**

The Year 2000 issue is the result of short comings in many electronic data processing systems and other electronic equipment that may adversely affect **HANO's** operations.

HANO has completed an inventory of its computer systems and other electronic equipment that may be affected by the Year 2000 issue and that are necessary in conducting **HANO's** operations. **HANO** has identified such systems as being financial and accounting, reporting, payroll and employee benefits.

HANO has committed approximately \$60,000 of its Management Improvement funds to the year 2000 compliance activities.

HANO, in conjunction with its year 2000 compliance activities, (a) has outlined the compliance issues relative to **HANO** (b) has established a budget and project plan for dealing with the year 2000 issue; (c) has identified its electronic equipment and systems to review for compliance; (d) has obtained year 2000 disclosure statements evidencing compliance and/or the patches or links required to achieve compliance; (e) is making the necessary technological changes and/or the patches or links required to achieve compliance; and (f) is making the necessary technological changes and/or upgrades to make certain that its system will be year 2000 compliant.

Overall, **HANO** has undertaken and completed its awareness, assessment and remediation stages of the Year 2000 preparedness process. Currently, **HANO** has upgraded or updated the necessary systems and equipment to be Year 2000 compliant. The validation/testing stage is ongoing.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINED BALANCE SHEET-HUD BASIS
ALL ANNUAL CONTRIBUTION CONTRACTS
SEPTEMBER 30, 1998
WITH COMPARATIVE TOTALS FOR 1997**

<u>ASSETS</u>	<u>1998</u>	<u>1997</u>
Cash and temporary cash investments	\$ 15,850,701	\$ 11,079,226
Accounts receivable	1,509,330	6,272,748
Due from other annual contribution contracts	17,665,074	3,850,866
Debt service funds	5,080,844	6,489,122
Deferred charges	2,517,864	2,571,008
Land, structures and equipment	<u>368,163,483</u>	<u>355,845,572</u>
Total assets	\$ <u>410,787,296</u>	\$ <u>386,108,542</u>
 <u>LIABILITIES AND SURPLUS</u>		
Prepaid annual contributions	\$ 2,841,790	\$ -0-
Due to other annual contribution contracts	14,251,392	3,850,866
Accounts payable	7,550,420	6,099,362
Accrued liabilities	3,714,980	3,269,381
Trust and security deposits	1,652,968	564,344
Deferred credits	1,923	17,010
Fixed liabilities	<u>66,783,329</u>	<u>69,180,271</u>
Total liabilities	<u>96,796,802</u>	<u>82,981,234</u>
Surplus	<u>313,990,494</u>	<u>303,127,308</u>
Total liabilities and surplus	\$ <u>410,787,296</u>	\$ <u>386,108,542</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINED STATEMENT OF INCOME AND EXPENSES AND
CHANGES IN SURPLUS-HUD BASIS
ALL ANNUAL CONTRIBUTION CONTRACTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 1997**

	<u>1998</u>	<u>1997</u>
Operating income:		
Rental income	\$ 10,537,809	\$ 10,262,069
Other income	9,638,088	6,863,438
Interest on operating reserve and general fund investments	<u>377,088</u>	<u>537,587</u>
Total operating income	<u>20,552,985</u>	<u>17,663,094</u>
Operating expenses:		
Administration	10,045,993	7,142,384
Tenant services	4,043,827	2,723,911
Utilities	15,814,955	13,359,279
Ordinary maintenance	15,916,145	12,721,011
Protective services	1,863,582	4,733,517
General expense	9,295,587	7,893,467
Housing assistance payments	19,309,083	18,047,324
Non-routine maintenance	357,265	893,735
Capital expenditures	628,866	867,707
Prior year adjustments, net	<u>2,238,968</u>	<u>3,797,092</u>
Total operating expenses	<u>79,514,271</u>	<u>72,179,427</u>
Operating deficit before other charges and HUD contributions	<u>(58,961,286)</u>	<u>(54,516,333)</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMBINED STATEMENT OF INCOME AND EXPENSES AND
CHANGES IN SURPLUS-HUD BASIS, CONTINUED
ALL ANNUAL CONTRIBUTION CONTRACTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998 WITH COMPARATIVE TOTALS
FOR THE YEAR ENDED SEPTEMBER 30, 1997

	<u>1998</u>	<u>1997</u>
Other charges:		
Interest on notes and bonds	\$ 1,330,519	\$ 1,303,928
Loss from disposition of non-expendable equipment	<u>725,697</u>	<u>467,342</u>
Total other charges	<u>2,056,216</u>	<u>1,771,270</u>
Operating deficit before HUD contributions	<u>(61,017,502)</u>	<u>(56,287,603)</u>
HUD contributions:		
Operating subsidy	31,920,942	28,981,150
Annual contributions earned	21,154,995	19,710,657
Modernization and development	45,339,987	29,897,834
Drug elimination	<u>2,496,852</u>	<u>5,017,277</u>
Total HUD contributions	<u>100,912,776</u>	<u>83,606,918</u>
Excess of revenues over expenses	39,895,274	27,319,315
Surplus, beginning of year	303,127,308	284,396,726
Other changes in surplus, net	<u>(29,032,088)</u>	<u>(8,588,733)</u>
Surplus, end of year	<u>\$ 313,990,494</u>	<u>\$ 303,127,308</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING BALANCE SHEET-HUD BASIS
ALL ANNUAL CONTRIBUTION CONTRACTS
SEPTEMBER 30, 1998**

	PHA Owned and Homeownership Programs FW-1190	Leased and Housing Assistance Programs FW-2053, FW-2201, FW-2217	Total (Memorandum Only)
<u>ASSETS</u>			
Cash and temporary cash investments	\$ 12,695,226	\$ 3,155,475	\$ 15,850,701
Accounts receivable	687,695	821,635	1,509,330
Due from other annual contribution contracts	17,185,572	479,502	17,665,074
Debt service funds	5,080,844	-0-	5,080,844
Deferred charges	2,517,864	-0-	2,517,864
Land, structures and equipment	<u>367,630,123</u>	<u>533,360</u>	<u>368,163,483</u>
Total assets	<u>\$ 405,797,324</u>	<u>\$ 4,989,972</u>	<u>\$ 410,787,296</u>
<u>LIABILITIES AND SURPLUS</u>			
Prepaid annual contributions	\$ -0-	\$ 2,841,790	\$ 2,841,790
Due to other annual contribution contracts	13,090,143	1,161,249	14,251,392
Accounts payable	7,075,950	474,470	7,550,420
Accrued liabilities	3,714,980	-0-	3,714,980
Trust and security deposits	1,652,968	-0-	1,652,968
Deferred credits	-0-	1,923	1,923
Fixed liabilities	<u>66,783,329</u>	<u>-0-</u>	<u>66,783,329</u>
Total liabilities	<u>92,317,370</u>	<u>4,479,432</u>	<u>96,796,802</u>
Surplus	<u>313,479,954</u>	<u>510,540</u>	<u>313,990,494</u>
Total liabilities and surplus	<u>\$ 405,797,324</u>	<u>\$ 4,989,972</u>	<u>\$ 410,787,296</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMBINING STATEMENT OF INCOME AND EXPENSES AND
CHANGES IN SURPLUS-HUD BASIS
ALL ANNUAL CONTRIBUTION CONTRACTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	PHA Owned and Homeownership Programs <u>FW-1190</u>	Leased and Housing Assistance Programs FW-2053, <u>FW-2201, FW-2217</u>	Total (Memorandum Only) <u></u>
Operating income:			
Rental income	\$ 10,537,809	\$ -0-	\$ 10,537,809
Other income	9,637,852	236	9,638,088
Interest on operating reserve and general fund investments	<u>358,221</u>	<u>18,867</u>	<u>377,088</u>
Total operating income	<u>20,533,882</u>	<u>19,103</u>	<u>20,552,985</u>
Operating expenses:			
Administration	8,387,172	1,658,821	10,045,993
Tenant services	4,041,159	2,668	4,043,827
Utilities	15,814,955	-0-	15,814,955
Ordinary maintenance	15,913,244	2,901	15,916,145
Protective services	1,863,582	-0-	1,863,582
General expense	8,980,709	314,878	9,295,587
Housing assistance payments	-0-	19,309,083	19,309,083
Non-routine maintenance	357,265	-0-	357,265
Capital expenditures	628,866	-0-	628,866
Prior year adjustments	<u>1,829,731</u>	<u>409,237</u>	<u>2,238,968</u>
Total operating expenses	<u>57,816,683</u>	<u>21,697,588</u>	<u>79,514,271</u>
Operating deficit before other charges and HUD contributions	<u>(37,282,801)</u>	<u>(21,678,485)</u>	<u>(58,961,286)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 COMBINING STATEMENT OF INCOME AND EXPENSES AND
 CHANGES IN SURPLUS-HUD BASIS, CONTINUED
 ALL ANNUAL CONTRIBUTION CONTRACTS
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	PHA Owned and Homeownership Programs FW-1190	Leased and Housing Assistance Programs FW-2053, FW-2201, FW-2217	Total (Memorandum Only)
Other charges:			
Interest on notes and bonds	\$ 1,330,519	\$ -0-	\$ 1,330,519
Loss from disposition of non-expendable equipment	<u>725,697</u>	<u>-0-</u>	<u>725,697</u>
Total other charges	<u>2,056,216</u>	<u>-0-</u>	<u>2,056,216</u>
Operating deficit before HUD contributions	<u>(39,339,017)</u>	<u>(21,678,485)</u>	<u>(61,017,502)</u>
HUD contributions:			
Operating subsidy	31,920,942	-0-	31,920,942
Annual contributions earned	-0-	21,154,995	21,154,995
Modernization and development	45,339,987	-0-	45,339,987
Drug elimination	<u>2,496,852</u>	<u>-0-</u>	<u>2,496,852</u>
Total HUD contributions	<u>79,757,781</u>	<u>21,154,995</u>	<u>100,912,776</u>
Excess (Deficiency) of revenues over expenses	40,418,764	(523,490)	39,895,274
Surplus, beginning of year	301,714,817	1,412,491	303,127,308
Other changes in surplus, net	<u>(28,653,627)</u>	<u>(378,461)</u>	<u>(29,032,088)</u>
Surplus, end of year	\$ <u>313,479,954</u>	\$ <u>510,540</u>	\$ <u>313,990,494</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING ANALYSIS OF SURPLUS-HUD BASIS
ALL ANNUAL CONTRIBUTION CONTRACTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	PHA Owned and Homeownership Programs <u>FW-1190</u>	Leased and Housing Assistance Programs FW-2053, <u>FW-2201, FW-2217</u>	<u>Total</u>
<u>Unreserved Surplus</u>			
Balance at September 30, 1997	\$ (589,879,022)	\$ (301,763,782)	\$ (891,642,804)
Deficit for year ended September 30, 1998	(39,339,017)	(21,678,485)	(61,017,502)
Provision for operating reserve for year ended September 30, 1998	2,865,007	510,466	3,375,473
Provision for project account for year ended September 30, 1998	-0-	(13,327,579)	(13,327,579)
Other changes in unreserved surplus	<u>(31,283,633)</u>	<u>14,436,263</u>	<u>(16,847,370)</u>
Balance at September 30, 1998	<u>(657,636,665)</u>	<u>(321,823,117)</u>	<u>(979,459,782)</u>
<u>Reserved Surplus-Operating Reserve</u>			
Balance at September 30, 1997	10,358,105	1,179,316	11,537,421
Provision for (reduction of) operating reserve for year ended September 30, 1998	(2,865,007)	(510,466)	(3,375,473)
Provision for self-insurance reserve	449,368	-0-	449,368
Cash withdrawals from reserve	<u>-0-</u>	<u>(378,461)</u>	<u>(378,461)</u>
Balance at September 30, 1998	<u>7,942,466</u>	<u>290,389</u>	<u>8,232,855</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMBINING ANALYSIS OF SURPLUS-HUD BASIS, CONTINUED
ALL ANNUAL CONTRIBUTION CONTRACTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	PHA Owned and Homeownership Programs FW-1190	Leased and Housing Assistance Programs FW-2053, FW-2201, FW-2217	Total
<u>Reserved Surplus - Project Account</u>			
Balance at September 30, 1997	\$ -0-	\$ 54,302,024	\$ 54,302,024
Provision for (reduction of) project account for year ended September 30, 1998	-0-	13,327,579	13,327,579
Other changes in reserved surplus- project account	<u>-0-</u>	<u>(14,436,263)</u>	<u>(14,436,263)</u>
Balance at September 30, 1998	<u>-0-</u>	<u>53,193,340</u>	<u>53,193,340</u>
<u>Cumulative HUD Contribution</u>			
Balance at September 30, 1997	761,412,129	247,694,933	1,009,107,062
Accruing annual contribution for year ended September 30, 1998	2,180,638	-0-	2,180,638
Operating subsidy for year ended September 30, 1998	31,920,942	-0-	31,920,942
Basic annual contribution earned for year ended September 30, 1998	-0-	21,154,995	21,154,995
Drug elimination subsidy	<u>2,496,852</u>	<u>-0-</u>	<u>2,496,852</u>
Balance at September 30, 1998	<u>798,010,561</u>	<u>268,849,928</u>	<u>1,066,860,489</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING ANALYSIS OF SURPLUS-HUD BASIS, CONTINUED
ALL ANNUAL CONTRIBUTION CONTRACTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	PHA Owned and Homeownership Programs FW-1190	Leased and Housing Assistance Programs FW-2053, FW-2201, FW-2217	Total
<u>Cumulative Donation</u>			
Balance at September 30, 1997	\$ <u>8,982,233</u>	\$ <u>-0-</u>	\$ <u>8,982,233</u>
Balance at September 30, 1998	<u>8,982,233</u>	<u>-0-</u>	<u>8,982,233</u>
<u>Cumulative HUD Development and Modernization Grants</u>			
Balance at September 30, 1997	110,219,074	-0-	110,219,074
HUD grants for the year ended September 30, 1998	<u>45,339,987</u>	<u>-0-</u>	<u>45,339,987</u>
Balance at September 30, 1998	<u>155,559,061</u>	<u>-0-</u>	<u>155,559,061</u>
<u>Cumulative Proceeds from Sale of Dwellings</u>			
Balance at September 30, 1997	622,298	-0-	622,298
Cumulative proceeds for year ended September 30, 1998	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Balance at September 30, 1998	<u>622,298</u>	<u>-0-</u>	<u>622,298</u>
Total Surplus	<u>\$ 313,479,954</u>	<u>\$ 510,540</u>	<u>\$ 313,990,494</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING BALANCE SHEET-HUD BASIS
ANNUAL CONTRIBUTION CONTRACTS FW-2053, FW-2201 AND FW-2217
SEPTEMBER 30, 1998

	<u>Housing Assistance Program FW-2053</u>	<u>Housing Assistance Program FW-2201</u>	<u>Voucher Program FW-2217</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ 2,962,528	\$192,005	\$ 942	\$ 3,155,475
Accounts receivable	735,882	1,169	84,584	821,635
Due from other annual contribution contracts	99,957	-0-	379,545	479,502
Land, structures and equipment	<u>533,360</u>	<u>-0-</u>	<u>-0-</u>	<u>533,360</u>
Total assets	<u>\$ 4,331,727</u>	<u>\$193,174</u>	<u>\$ 465,071</u>	<u>\$4,989,972</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMBINING BALANCE SHEET-HUD BASIS, CONTINUED
ANNUAL CONTRIBUTION CONTRACTS FW-2053, FW-2201 AND FW-2217
SEPTEMBER 30, 1998

	Housing Assistance Program <u>FW-2053</u>	Housing Assistance Program <u>FW-2201</u>	Voucher Program <u>FW-2217</u>	<u>Total</u>
Pre-paid annual contributions	\$2,426,781	\$ -0-	\$415,009	\$2,841,790
Due to other annual contribution contracts	922,909	238,340	-0-	1,161,249
Accounts payable	252,754	169,310	52,406	474,470
Deferred credits	<u>1,923</u>	<u>-0-</u>	<u>-0-</u>	<u>1,923</u>
Total liabilities	<u>3,604,367</u>	<u>407,650</u>	<u>467,415</u>	<u>4,479,432</u>
Surplus (deficit)	<u>727,360</u>	<u>(214,476)</u>	<u>(2,344)</u>	<u>510,540</u>
Total liabilities and surplus	<u>\$ 4,331,727</u>	<u>\$193,174</u>	<u>\$465,071</u>	<u>\$4,989,972</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

**COMBINING STATEMENT OF INCOME AND EXPENSES AND CHANGES IN SURPLUS-HUD BASIS
ANNUAL CONTRIBUTION CONTRACTS FW-2053, FW-2201 AND FW-2217
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	Housing Assistance Program FW-2053	Housing Assistance Program FW-2201	Voucher Program FW-2217	<u>Total</u>
Operating income:				
Interest on operating reserve and general fund investments	\$ 13,583	\$ 2,243	\$ 3,041	\$ 18,867
Other income	<u>236</u>	<u>-0-</u>	<u>-0-</u>	<u>236</u>
Total operating income	<u>13,819</u>	<u>2,243</u>	<u>3,041</u>	<u>19,103</u>
Operating expenses:				
Administration	1,431,320	67,666	159,835	1,658,821
Tenant services	2,668	-0-	-0-	2,668
Maintenance and operation	2,901	-0-	-0-	2,901
Prior year adjustments	409,476	11,019	(11,258)	409,237
Other	-0-	-0-	-0-	-0-
General expense	275,898	11,138	27,842	314,878
Housing assistance payments	<u>15,862,156</u>	<u>1,403,043</u>	<u>2,043,884</u>	<u>19,309,083</u>
Total operating expense	<u>17,984,419</u>	<u>1,492,866</u>	<u>2,220,303</u>	<u>21,697,588</u>
Operating deficit before HUD contributions	<u>(17,970,600)</u>	<u>(1,490,623)</u>	<u>(2,217,262)</u>	<u>(21,678,485)</u>

See Independent Auditors' Report on Supplemental Information.

SCHEDULE VII

Page 2 of 2

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

COMBINING STATEMENT OF INCOME AND EXPENSES AND CHANGES IN SURPLUS-HUD BASIS
ANNUAL CONTRIBUTION CONTRACTS FW-2053, FW-2201 AND FW-2217
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	Housing Assistance Program FW-2053	Housing Assistance Program FW-2201	Voucher Program FW-2217	Total
HUD Contributions:				
Annual contributions earned	\$ <u>17,454,930</u>	\$ <u>1,435,350</u>	\$ <u>2,264,715</u>	\$ <u>21,154,995</u>
Total HUD contributions	<u>17,454,930</u>	<u>1,435,350</u>	<u>2,264,715</u>	<u>21,154,995</u>
Excess (deficiency) of revenues over expenses	(515,670)	(55,273)	47,453	(523,490)
Surplus (deficit), beginning of year	1,619,411	(159,203)	(47,717)	1,412,491
Other changes in surplus, net	<u>(376,381)</u>	<u>-0-</u>	<u>(2,080)</u>	<u>(378,461)</u>
Surplus (deficit), end of year	\$ <u><u>727,360</u></u>	\$ <u><u>(214,476)</u></u>	\$ <u><u>(2,344)</u></u>	\$ <u><u>510,540</u></u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 COMBINING ANALYSIS OF SURPLUS-HUD BASIS
 ANNUAL CONTRIBUTION CONTRACTS FW-2053, FW-2201 AND FW-2217
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>Annual Contribution Contracts</u>		
	<u>FW-2053</u>	<u>FW-2201</u>	<u>FW-2217</u>
			<u>Total</u>
<u>Unreserved Surplus</u>			
Balance at September 30, 1997	\$(237,205,126)	\$(27,289,442)	\$(301,763,782)
Deficit for year ended September 30, 1998 (Provision for) reduction of operating reserve for year ended September 30, 1998	(17,970,600)	(1,490,623)	(21,678,485)
	515,670	42,249	(47,453)
(Provision for) reduction of project account for year ended September 30, 1998	(11,354,313)	149,190	(2,122,106)
Other changes in unreserved surplus	<u>170,401</u>	<u>(4,060)</u>	<u>14,269,922</u>
Balance at September 30, 1998	<u>(265,843,968)</u>	<u>(28,592,686)</u>	<u>(321,822,767)</u>
<u>Reserved Surplus - Operating Reserve</u>			
Balance at September 30, 1997	1,122,424	42,249	1,179,316
Provision for operating reserve for year ended September 30, 1998	(515,670)	(42,249)	(510,466)
Cash withdrawals from reserve	<u>(376,381)</u>	<u>-0-</u>	<u>(378,461)</u>
Balance at September 30, 1998	<u>230,373</u>	<u>-0-</u>	<u>290,389</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
COMBINING ANALYSIS OF SURPLUS-HUD BASIS, CONTINUED
ANNUAL CONTRIBUTION CONTRACTS FW-2053, FW-2201 AND FW-2217
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>Annual Contribution Contracts</u>			
	<u>FW-2053</u>	<u>FW-2201</u>	<u>FW-2217</u>	<u>Total</u>
<u>Reserved Surplus - Project Account</u>				
Balance at September 30, 1997	\$ 34,271,314	\$ 1,738,698	\$ 18,292,012	\$ 54,302,024
Provision for (reduction of) project account for year ended September 30, 1998	11,354,313	(149,190)	2,122,106	13,327,229
Other changes in reserved surplus-project account	<u>(170,401)</u>	<u>4,060</u>	<u>(14,269,922)</u>	<u>(14,436,263)</u>
Balance at September 30, 1998	<u>45,455,226</u>	<u>1,593,568</u>	<u>6,144,196</u>	<u>53,192,990</u>
<u>Cumulative HUD Contribution</u>				
Balance per books at September 30, 1997	203,430,799	25,349,292	18,914,842	247,694,933
Basic annual contribution earned for year ended September 30, 1998	<u>17,454,930</u>	<u>1,435,350</u>	<u>2,264,715</u>	<u>21,154,995</u>
Balance at September 30, 1998	<u>220,885,729</u>	<u>26,784,642</u>	<u>21,179,557</u>	<u>268,849,928</u>
Total surplus (deficit)	<u>\$ 727,360</u>	<u>\$ (214,476)</u>	<u>\$ (2,344)</u>	<u>\$ 510,540</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE IX

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING BALANCE SHEET-HUD BASIS
ANNUAL CONTRIBUTION CONTRACT FW-2053
SEPTEMBER 30, 1998

<u>ASSETS</u>	<u>LA48-E001-004-018</u>	<u>LA001-SRO001</u>	<u>LA001CE0C02</u>	<u>Total</u>
Cash	\$2,962,528	\$ -0-	\$ -0-	\$2,962,528
Accounts receivable	698,066	-0-	37,816	735,882
Due from other annual contribution contracts	-0-	86,083	13,874	99,957
Land, structures and equipment	<u>533,360</u>	<u>-0-</u>	<u>-0-</u>	<u>533,360</u>
Total assets	<u>\$4,193,954</u>	<u>\$86,083</u>	<u>\$51,690</u>	<u>\$4,331,727</u>
<u>LIABILITIES AND SURPLUS</u>				
Pre-paid annual contributions	\$2,406,987	\$19,794	\$ -0-	\$2,426,781
Due from other annual contribution contracts	922,909	-0-	-0-	922,909
Accounts payable	134,316	66,289	52,149	252,754
Deferred revenue	<u>1,923</u>	<u>-0-</u>	<u>-0-</u>	<u>1,923</u>
Total liabilities	<u>3,466,135</u>	<u>86,083</u>	<u>52,149</u>	<u>3,604,367</u>
Surplus (deficit)	<u>727,819</u>	<u>-0-</u>	<u>(459)</u>	<u>727,360</u>
Total liabilities and surplus	<u>\$4,193,954</u>	<u>\$86,083</u>	<u>\$51,690</u>	<u>\$4,331,727</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMBINING STATEMENT OF INCOME AND EXPENSES AND CHANGES IN SURPLUS-HUD BASIS
ANNUAL CONTRIBUTION CONTRACT FW-2053
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>LA48-E001-004-018</u>	<u>LA001-SRO001</u>	<u>LA001CE0C02</u>	<u>Total</u>
Operating income:				
Interest on operating reserve and general fund investments	\$ 13,583	\$ -0-	\$ -0-	\$13,583
Other income	<u>236</u>	<u>-0-</u>	<u>-0-</u>	<u>236</u>
Total operating income	<u>13,819</u>	<u>-0-</u>	<u>-0-</u>	<u>13,819</u>
Operating expenses:				
Administration	1,430,950	-0-	370	1,431,320
Tenant services	2,668	-0-	-0-	2,668
Maintenance and operation	2,901	-0-	-0-	2,901
Prior year adjustments	409,476	-0-	-0-	409,476
Other	-0-	-0-	-0-	-0-
General expense	275,811	-0-	87	275,898
Housing assistance payments	<u>15,500,981</u>	<u>82,159</u>	<u>279,016</u>	<u>15,862,156</u>
Total operating expense	<u>17,622,787</u>	<u>82,159</u>	<u>279,473</u>	<u>17,984,419</u>
Operating deficit before HUD contributions	<u>(17,608,968)</u>	<u>(82,159)</u>	<u>(279,473)</u>	<u>(17,970,600)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING STATEMENT OF INCOME AND EXPENSES AND CHANGES IN SURPLUS-HUD BASIS, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-2053
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>LA48-E001-004-018</u>	<u>LA001-SR0001</u>	<u>LA001CE0C02</u>	<u>Total</u>
HUD Contributions:				
Annual contributions earned	<u>\$17,093,755</u>	<u>\$82,159</u>	<u>\$279,016</u>	<u>\$17,454,930</u>
Total HUD contributions	<u>17,093,755</u>	<u>82,159</u>	<u>279,016</u>	<u>17,454,930</u>
Excess (deficiency) of revenues over expenses	(515,213)	-0-	(457)	(515,670)
Surplus, beginning of year	1,619,411	-0-	-0-	1,619,411
Other changes in surplus, net	<u>(376,379)</u>	<u>-0-</u>	<u>(2)</u>	<u>(376,381)</u>
Surplus, end of year	<u>\$ 727,819</u>	<u>\$ -0-</u>	<u>\$ (459)</u>	<u>\$ 727,360</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING ANALYSIS OF SURPLUS-HUD BASIS
ANNUAL CONTRIBUTION CONTRACT FW-2053
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>LA48-E001-004-018</u>	<u>LA001-SRO001</u>	<u>LA001CE0C02</u>	<u>Total</u>
<u>Unreserved Surplus</u>				
Balance at September 30, 1997	\$(237,034,726)	\$(170,400)	\$ -0-	\$(237,205,126)
Deficit for year ended September 30, 1998 (Provision for) reduction of operating reserve for year ended September 30, 1998	(17,608,968)	(82,159)	(279,473)	(17,970,600)
(Provision for) reduction of project account for year ended September 30, 1998	515,213	-0-	457	515,670
Other changes in unreserved surplus	(11,266,072)	-0-	(88,241)	(11,354,313)
	<u>-0-</u>	<u>170,400</u>	<u>1</u>	<u>170,401</u>
Balance at September 30, 1998	<u>(265,394,553)</u>	<u>(82,159)</u>	<u>(367,256)</u>	<u>(265,843,968)</u>
<u>Reserved Surplus - Operating Reserve</u>				
Balance at September 30, 1997	1,122,424	-0-	-0-	1,122,424
Provision for (reduction of) operating reserve for the year ended September 30, 1998	(515,213)	-0-	(457)	(515,670)
Cash withdrawals from reserve	<u>(376,379)</u>	<u>-0-</u>	<u>(2)</u>	<u>(376,381)</u>
Balance at September 30, 1998	<u>230,832</u>	<u>-0-</u>	<u>(459)</u>	<u>230,373</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING ANALYSIS OF SURPLUS-HUD BASIS, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-2053
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>LA48-E001-004-018</u>	<u>LA001-SRO001</u>	<u>LA001CE0C02</u>	<u>Total</u>
<u>Reserved Surplus-Project Account</u>				
Balance at September 30, 1997	\$34,100,914	\$170,400	\$ -0-	\$34,271,314
Provision for (reduction of) project account for year ended September 30, 1998	11,266,072	-0-	88,241	11,354,313
Other changes in reserved surplus- project account	<u>-0-</u>	<u>(170,400)</u>	<u>(1)</u>	<u>(170,401)</u>
Balance at September 30, 1998	<u>45,366,986</u>	<u>-0-</u>	<u>88,240</u>	<u>45,455,226</u>
<u>Cumulative HUD Contribution</u>				
Balance at September 30, 1997	203,430,799	-0-	-0-	203,430,799
Basic annual contribution earned for year ended September 30, 1998	<u>17,093,755</u>	<u>82,159</u>	<u>279,016</u>	<u>17,454,930</u>
Balance at September 30, 1998	<u>220,524,554</u>	<u>82,159</u>	<u>279,016</u>	<u>220,885,729</u>
Total surplus	<u>\$ 727,819</u>	<u>\$ -0-</u>	<u>\$ (459)</u>	<u>\$ 727,360</u>

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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING BALANCE SHEET-IHUD BASIS
ANNUAL CONTRIBUTION CONTRACT FW-2201
SEPTEMBER 30, 1998**

	<u>LA48-0060-001</u>	<u>LA48-0060-005</u>	<u>Total</u>
<u>ASSETS</u>			
Cash	\$30,692	\$161,313	\$192,005
Accounts receivable	<u>-0-</u>	<u>1,169</u>	<u>1,169</u>
Total assets	<u>\$30,692</u>	<u>\$162,482</u>	<u>\$193,174</u>
<u>LIABILITIES AND SURPLUS (DEFICIT)</u>			
Due to other annual contribution contracts	\$ 5,309	\$233,031	\$238,340
Accounts payable	<u>-0-</u>	<u>169,310</u>	<u>169,310</u>
Total liabilities	<u>5,309</u>	<u>402,341</u>	<u>407,650</u>
Surplus (deficit)	<u>25,383</u>	<u>(239,859)</u>	<u>(214,476)</u>
Total liabilities and surplus	<u>\$30,692</u>	<u>\$162,482</u>	<u>\$193,174</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 COMBINING STATEMENT OF INCOME AND EXPENSES AND
 CHANGES IN SURPLUS (DEFICIT)-HUD BASIS
 ANNUAL CONTRIBUTION CONTRACT FW-2201
 FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>LA48-0060-001</u>	<u>LA48-0060-005</u>	<u>Total</u>
Operating income:			
Interest on operating reserve and general fund investments	\$ <u>350</u>	\$ <u>1,893</u>	\$ <u>2,243</u>
Total operating income	<u>350</u>	<u>1,893</u>	<u>2,243</u>
Operating expenses:			
Administration	4,900	62,766	67,666
Prior year adjustments	12,314	(1,295)	11,019
General expense	-0-	11,138	11,138
Housing assistance payments	<u>-0-</u>	<u>1,403,043</u>	<u>1,403,043</u>
Total operating expense	<u>17,214</u>	<u>1,475,652</u>	<u>1,492,866</u>
Operating deficit before HUD contributions	<u>(16,864)</u>	<u>(1,473,759)</u>	<u>(1,490,623)</u>
HUD contributions:			
Annual contributions earned	<u>-0-</u>	<u>1,435,350</u>	<u>1,435,350</u>
Total HUD contributions	<u>-0-</u>	<u>1,435,350</u>	<u>1,435,350</u>
Excess (deficiency) of revenues over expenses	(16,864)	(38,409)	(55,273)
Surplus, (deficit) beginning of year	42,249	(201,452)	(159,203)
Other changes in surplus, net	<u>(2)</u>	<u>2</u>	<u>-0-</u>
Surplus, (deficit) end of year	<u>\$25,383</u>	<u>\$(239,859)</u>	<u>\$(214,476)</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING ANALYSIS OF SURPLUS-HUD BASIS
ANNUAL CONTRIBUTION CONTRACT FW-2201
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>LA48-0060-001</u>	<u>LA48-0060-005</u>	<u>Total</u>
<u>Unreserved Surplus</u>			
Balance at September 30, 1997	\$(8,604,629)	\$(18,684,813)	\$(27,289,442)
Deficit for year ended September 30, 1998	(16,864)	(1,473,759)	(1,490,623)
(Provision for) reduction of operating reserve for year ended September 30, 1998	16,864	25,385	42,249
(Provision for) reduction of project account for year the ended September 30, 1998	-0-	149,190	149,190
Other changes	<u>1</u>	<u>(4,061)</u>	<u>(4,060)</u>
Balance at September 30, 1998	<u>(8,604,628)</u>	<u>(19,988,058)</u>	<u>(28,592,686)</u>
<u>Reserved Surplus-Operating Reserve</u>			
Balance at September 30, 1997	42,249	-0-	42,249
Provision for (reduction of) operating reserve for year ended September 30, 1998	(16,864)	(25,385)	(42,249)
Other changes	<u>(2)</u>	<u>2</u>	<u>-0-</u>
Balance at September 30, 1998	<u>25,383</u>	<u>(25,383)</u>	<u>-0-</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMBINING ANALYSIS OF SURPLUS-HUD BASIS. CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-2201
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>LA48-0060-001</u>	<u>LA48-0060-005</u>	<u>Total</u>
<u>Reserved Surplus - Project Account</u>			
Balance at September 30, 1997	\$1,401,448	\$337,250	\$1,738,698
Provision for (reduction of) project account for year ended September 30, 1998	-0-	(149,190)	(149,190)
Other changes	<u>(1)</u>	<u>4,061</u>	<u>4,060</u>
 Balance at September 30, 1998	 <u>1,401,447</u>	 <u>192,121</u>	 <u>1,593,568</u>
<u>Cumulative HUD Contribution</u>			
Balance at September 30, 1997	7,203,181	18,146,111	25,349,292
Basic annual contribution earned for year ended September 30, 1998	<u>-0-</u>	<u>1,435,350</u>	<u>1,435,350</u>
 Balance at September 30, 1998	 <u>7,203,181</u>	 <u>19,581,461</u>	 <u>26,784,642</u>
 Total surplus (deficit)	 <u>\$ 25,383</u>	 <u>\$ (239,859)</u>	 <u>\$ (214,476)</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE XV

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMPUTATION OF RESIDUAL RECEIPTS AND
ACCRUING ANNUAL CONTRIBUTION
ANNUAL CONTRIBUTION CONTRACT FW-1190
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>PHA Owned and Homeownership Programs FW-1190</u>
<u>Computation of Residual Receipts</u>	
Operating receipts:	
Operating income	\$ 20,533,882
Drug elimination subsidy-Schedule V	2,496,852
Contribution earned-operating subsidy--Schedule V	<u>31,920,942</u>
Total operating receipts	<u>54,951,676</u>
Operating expenditures:	
Operating expenses	57,187,817
Capital expenditures:	
Replacement of non-expendable equipment	548,962
Property betterments and additions	<u>79,904</u>
Total operating expenditures	<u>57,816,683</u>
Residual receipts (deficit) from operation	<u>\$(2,865,007)</u>
Residual receipts (deficit) per audit	\$(2,865,007)
Audit adjustments, net added back	<u>(1,495,051)</u>
Residual receipts (deficit) before provision for reserve per PHA	(4,360,058)
Provision for operating reserve per PHA	<u>4,360,058</u>
Residual receipts (deficit) per PHA	<u>\$ -0-</u>
<u>Computation of Accruing Annual Contribution</u>	
Fixed annual contribution--Schedule V	<u>\$2,180,638</u>

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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND
PROJECT ACCOUNT - OPERATING RESERVE CHANGES
ANNUAL CONTRIBUTION CONTRACT FW-2053
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>LA48-E001-004-018</u>	<u>LA001-SRO001</u>	<u>LA001CE0C02</u>	<u>Total</u>
<u>Maximum Contribution Available</u>				
Maximum annual contribution authorized	\$28,360,423	\$170,400	\$241,200	\$28,772,023
Project account balance at beginning of fiscal year	34,100,914	170,400	-0-	34,271,314
Adjustment to project account	-0-	(170,400)	-0-	(170,400)
Adjustment to annual contribution authorized	<u>-0-</u>	<u>-0-</u>	<u>37,816</u>	<u>37,816</u>
Total annual contribution available	<u>\$62,461,337</u>	<u>\$170,400</u>	<u>\$279,016</u>	<u>\$62,910,753</u>
<u>Annual Contribution Required</u>				
Housing assistance payments	\$15,500,981	\$82,159	\$279,016	\$15,862,156
Administrative fee	1,606,593	-0-	-0-	1,606,593
Project receipts other than annual contribution	<u>(13,819)</u>	<u>-0-</u>	<u>-0-</u>	<u>(13,819)</u>
Total annual contribution required	<u>\$17,093,755</u>	<u>\$82,159</u>	<u>\$279,016</u>	<u>\$17,454,930</u>
<u>Project Account Change</u>				
Provision for project account	<u>\$11,266,072</u>	<u>\$ -0-</u>	<u>\$ 88,241</u>	<u>\$11,354,313</u>
<u>Annual Contribution Earned</u>				
Lesser of contribution available or contribution required	<u>\$17,093,755</u>	<u>\$82,159</u>	<u>\$279,016</u>	<u>\$17,454,930</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND
PROJECT ACCOUNT - OPERATING RESERVE CHANGES, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-2053
FOR THE YEAR ENDED SEPTEMBER 30, 1998

	<u>LA48-E001-004-018</u>	<u>LA001-SRO001</u>	<u>LA001CE0C02</u>	<u>Total</u>
<u>Operating Reserve Change</u>				
Operating receipts:				
Operating income	\$ 13,819	\$ -0-	\$ -0-	\$ 13,819
Annual contribution earned	<u>17,093,755</u>	<u>82,159</u>	<u>279,016</u>	<u>17,454,930</u>
Total operating receipts	<u>17,107,574</u>	<u>2,159</u>	<u>279,016</u>	<u>17,468,749</u>
Operating expenditures:				
Operating expenses	1,712,330	-0-	-0-	1,712,330
Prior year adjustments affecting residual receipts	409,476	-0-	-0-	409,476
Housing assistance payments	<u>15,500,981</u>	<u>82,159</u>	<u>279,016</u>	<u>15,862,156</u>
Total operating expenditures	<u>17,622,787</u>	<u>82,159</u>	<u>279,016</u>	<u>17,983,962</u>
Net operating deficit	\$ <u>(515,213)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>(515,213)</u>
Reduction of operating reserve	\$ <u>(15,213)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>(515,213)</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND
PROJECT ACCOUNT - OPERATING RESERVE CHANGES
ANNUAL CONTRIBUTION CONTRACT FW-2201
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>LA 48-0060-001</u>	<u>LA 48-0060-005</u>	<u>Total</u>
<u>Maximum Contribution Available</u>			
Maximum annual contribution authorized	\$ -0-	\$1,286,160	\$1,286,160
Project account balance at beginning of fiscal year	1,401,797	337,250	1,739,047
Adjustment to project account	<u>(1)</u>	<u>4,061</u>	<u>4,060</u>
 Total annual contribution available	 <u>\$1,401,796</u>	 <u>\$1,627,471</u>	 <u>\$3,029,267</u>
<u>Annual Contribution Required</u>			
Housing assistance payments	\$ -0-	\$1,403,043	\$1,403,043
Receipts other than annual contribution	-0-	(1,893)	(1,893)
Administrative fee	<u>-0-</u>	<u>34,200</u>	<u>34,200</u>
 Total annual contribution required	 <u>\$ -0-</u>	 <u>\$1,435,350</u>	 <u>\$1,435,350</u>
<u>Project Account Change</u>			
Provision for (reduction of) project account	<u>\$ -0-</u>	<u>\$ 149,190</u>	<u>\$ 149,190</u>
<u>Annual Contribution Earned</u>			
Lesser of contribution available or contribution required	<u>\$ -0-</u>	<u>\$1,435,350</u>	<u>\$1,435,350</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND
PROJECT ACCOUNT - OPERATING RESERVE CHANGES, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-2201
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

	<u>LA 48-0060-001</u>	<u>LA 48-0060-005</u>	<u>Total</u>
<u>Operating Reserve Change</u>			
<u>Operating receipts</u>			
Operating income	\$ 350	\$ 1,893	\$ 2,243
Annual contribution earned	<u>-0-</u>	<u>1,435,350</u>	<u>1,435,350</u>
Total operating receipts	<u>350</u>	<u>1,437,243</u>	<u>1,437,593</u>
<u>Operating expenditures</u>			
Operating expenses	4,900	73,904	78,804
Prior year adjustments affecting residual receipts	12,314	(1,295)	11,019
Housing assistance payments	<u>-0-</u>	<u>1,403,043</u>	<u>1,403,043</u>
Total operating expenditures	<u>17,214</u>	<u>1,475,652</u>	<u>1,492,866</u>
Net operating deficits	<u>(16,864)</u>	<u>(38,409)</u>	<u>(55,273)</u>
Provision for operating reserve	<u>\$16,864</u>	<u>\$ 25,385</u>	<u>\$ 42,249</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND
PROJECT ACCOUNT - OPERATING RESERVE CHANGES
ANNUAL CONTRIBUTION CONTRACT FW-2217
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Maximum Contribution Available

Maximum annual contribution authorized	\$ 4,386,821
Project account balance at beginning of fiscal year	18,292,012
Adjustments to project account	<u>(14,269,922)</u>
Total annual contribution available	\$ <u>8,408,911</u>

Annual Contribution Required

Housing assistance payments	\$ 2,043,884
Administrative fee	223,872
Project receipts other than annual contribution	<u>(3,041)</u>
Total annual contribution required	\$ <u>2,264,715</u>

Project Account Change

Provision for project account	\$ <u>2,122,106</u>
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Annual Contribution Earned

Lesser of contribution available or contribution required	\$ <u>2,264,715</u>
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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
COMPUTATION OF ANNUAL CONTRIBUTION EARNED AND
PROJECT ACCOUNT - OPERATING RESERVE CHANGES, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-2217
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Operating Reserve Change

Operating receipts:	
Operating income	\$ 3,041
Annual contribution earned	<u>2,264,715</u>
Total operating receipts	<u>2,267,756</u>
Operating expenditures:	
Operating expenses	187,377
Prior year adjustments affecting residual receipts	(11,258)
Housing assistance payments	<u>2,043,884</u>
Total operating expenditures	<u>2,220,003</u>
Net operating receipts	\$ <u>47,453</u>
(Reduction of) operating reserve	\$ <u>47,453</u>

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HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL DEVELOPMENT COSTS
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

Classification	Projects									
	La 1-18	La 1-19	La 1-21	La 1-22	La 1-23	La 1-24	La 1-25a	La 1-26	La 1-27	
Administration	\$ 4,261	\$ 28,778	\$ 1,642	\$ 6,160	\$ 3,247	\$ 9,655	\$ 43,463	\$ 6,484	\$ 2,797	
Liquidated damages	-0-	(3,292)	-0-	-0-	-0-	-0-	-0-	-0-	-0-	
Interest, net	63,034	432,689	21,442	101,651	9,461	85,709	639,419	64,875	23,492	
Initial operating deficit	-0-	-0-	-0-	-0-	4,532	-0-	-0-	-0-	-0-	
Planning	18	158,474	363	1,880	19,656	6,371	57,020	18,358	8,351	
Site acquisition	71,099	369,501	33,026	116,727	161,580	408,368	511,613	174,439	47,675	
Site improvements	3,200	8,848	7,150	55,350	34,147	28,314	163,000	100,000	40,000	
Dwelling construction	287,201	1,529,414	108,270	503,430	212,223	-0-	1,908,131	617,040	219,066	
Dwelling equipment	-0-	-0-	-0-	-0-	936	-0-	-0-	-0-	-0-	
Nondwelling construction	-0-	-0-	-0-	543	-0-	-0-	4,305	-0-	-0-	
Nondwelling equipment	2,439	-0-	-0-	-0-	-0-	-0-	1,716	-0-	2,536	
Interim management	-0-	-0-	-0-	-0-	-0-	1,849	-0-	-0-	-0-	
Relocation	<u>1,019</u>	<u>-0-</u>	<u>-0-</u>	<u>1,019</u>	<u>90</u>	<u>153,249</u>	<u>3,286</u>	<u>-0-</u>	<u>-0-</u>	
Total costs	<u>\$432,271</u>	<u>\$2,524,412</u>	<u>\$171,893</u>	<u>\$786,760</u>	<u>\$445,872</u>	<u>\$693,515</u>	<u>\$3,331,953</u>	<u>\$981,196</u>	<u>\$343,917</u>	
Total costs through September 30, 1997	\$432,271	\$2,524,412	\$171,893	\$786,760	\$445,872	\$693,515	\$3,331,953	\$981,196	\$343,917	
Changes, October 1, 1997 through September 30, 1998	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	
Total costs	<u>\$432,271</u>	<u>\$2,524,412</u>	<u>\$171,893</u>	<u>\$786,760</u>	<u>\$445,872</u>	<u>\$693,515</u>	<u>\$3,331,953</u>	<u>\$981,196</u>	<u>\$343,917</u>	

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL DEVELOPMENT COSTS, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

Classification	Projects						
	La I-30	La I-30(1)	La I-32	La I-32(1)	La I-39	La I-44	La I-49
Administration	\$ 3,905	\$ 10,042	\$ 5,997	\$ 17,989	\$ 23,923	\$ 10,575	\$ 14,870
Liquidated damages	-0-	-0-	-0-	-0-	-0-	-0-	(3,584)
Interest, net	49,559	127,438	55,908	167,696	85,474	49,057	24,247
Initial operating deficit	2,398	6,166	-0-	-0-	-0-	4,018	108
Planning	13,311	34,229	10,268	30,800	6,136	19,758	37,031
Site acquisition	133,057	342,145	107,018	321,001	548,446	210,126	106,157
Site improvements	107,117	300,688	105,392	316,177	102,500	122,461	-0-
Dwelling construction	957,541	2,462,249	795,358	2,386,174	1,826,497	788,844	165
Dwelling equipment	9,817	-0-	621	1,862	66,455	103,269	-0-
Nondwelling construction	23,625	60,748	20,349	61,047	4,055	1,813	-0-
Nondwelling equipment	1,028	2,643	-0-	-0-	-0-	-0-	473,154
Interim management	24,749	63,634	19,405	58,216	-0-	-0-	-0-
Relocation	-0-	-0-	-0-	-0-	241,036	-0-	-0-
Total costs	\$1,326,107	\$3,409,982	\$1,120,316	\$3,360,962	\$2,904,522	\$1,309,921	\$652,148
Total costs through September 30, 1997	\$1,326,107	\$3,409,982	\$1,120,316	\$3,360,962	\$2,904,522	\$1,309,921	\$652,148
Changes, from October 1, 1997 through September 30, 1998	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Total costs	\$1,326,107	\$3,409,982	\$1,120,316	\$3,360,962	\$2,904,522	\$1,309,921	\$652,148

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL DEVELOPMENT COSTS, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998**

<u>Classification</u>	<u>Projects</u>	
	<u>La 1-51</u>	<u>La 1-52</u>
Contract work-in-process	\$ 29,788	\$ 20,682
Interest, net	38,991	98,755
Planning	38,969	52,134
Site acquisition	458,514	97,858
Site improvements	66,365	-0-
Dwelling structures	316,150	-0-
Other developer's costs	126,725	-0-
Relocation	21,806	-0-
Contract work-in-progress	<u>-0-</u>	<u>572,865</u>
 Total costs	 <u>\$1,097,308</u>	 <u>\$842,294</u>
 Total costs through September 30, 1997	 \$1,097,308	 \$842,294
 Changes, from October 1, 1997 through September 30, 1998	 <u>-0-</u>	 <u>-0-</u>
 Total costs	 <u>\$1,097,308</u>	 <u>\$842,294</u>

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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL DEVELOPMENT COSTS-OVER BUDGET
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998**

<u>Classification</u>	<u>Actual Cost</u>	<u>Approved Budget</u>	<u>Over Budget</u>
<u>Project La 1-18</u>			
Dwelling construction	\$ 287,201	\$ 9,401	\$277,800
Total construction and equipment	292,840	19,840	273,000
<u>Project La 1-19</u>			
Site improvements	8,848	3,551	5,297
Total construction and equipment	1,538,262	1,532,965	5,297
<u>Project La 1-21</u>			
Site improvements	7,150	-0-	7,150
Dwelling construction	108,270	-0-	108,270
Total administration	1,642	1,603	39
Total planning	363	44	319
Total site acquisition	33,026	3,947	29,079
<u>Project La 1-22</u>			
Site improvements	55,350	888	54,462
Dwelling construction	503,430	2,892	500,538
Total interest	101,651	94,012	7,639
Total planning	1,880	393	1,487
Total development costs	786,760	777,631	9,129
<u>Project La 1-23</u>			
Site improvements	34,147	-0-	34,147
Dwelling construction	212,223	-0-	212,223
Dwelling equipment	936	-0-	936
Total construction and equipment	247,306	246,744	562

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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
STATEMENT OF ACTUAL DEVELOPMENT COSTS-OVER BUDGET, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

<u>Classification</u>	<u>Actual Cost</u>	<u>Approved Budget</u>	<u>Over Budget</u>
<u>Project La 1-24</u>			
Total planning	\$ 6,371	\$ 5,019	\$ 1,352
Nondwelling equipment	1,849	-0-	1,849
Total development costs	693,515	692,171	1,344
<u>Project La 1-25a</u>			
Total interest, net	639,419	598,226	41,193
Total development costs	3,331,953	3,291,060	40,893
<u>Project La 1-26</u>			
Site acquisition	174,439	-0-	174,439
Site improvements	100,000	6,875	93,125
Dwelling construction	617,040	-0-	617,040
Total administration	6,484	6,411	73
<u>Project La 1-27</u>			
Site acquisition	47,675	-0-	47,675
Site improvements	40,000	-0-	40,000
Dwelling construction	219,066	-0-	219,066
Total administration	2,797	2,724	73
<u>Project La 1-32</u>			
Site acquisition	107,018	105,000	2,018
Site improvements	105,392	90,637	14,755
Dwelling construction	795,358	684,987	110,371
Nondwelling construction	20,349	17,500	2,849
Total administration	5,997	5,995	2
Total planning	10,268	10,266	2

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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
STATEMENT OF ACTUAL DEVELOPMENT COSTS-OVER BUDGET, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

<u>Classification</u>	<u>Actual Cost</u>	<u>Approved Budget</u>	<u>Over Budget</u>
<u>Project La 1-32(1)</u>			
Site improvements	\$ 316,177	\$ 271,911	\$ 44,266
Dwelling construction	2,386,174	2,054,963	331,211
Nondwelling construction	61,047	52,500	8,547
Total developer's price	3,078,385	3,078,374	11
<u>Project La 1-39</u>			
Total planning	6,136	6,076	60
Total site acquisition	548,445	527,964	20,481
Total construction and equipment	1,999,506	1,933,854	65,652
Total development costs	2,904,521	2,837,033	67,488
<u>Project La 1-44</u>			
Total development costs	1,309,921	1,305,585	4,336

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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS
STATEMENT OF DEVELOPMENT COSTS - NOT COMPLETED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998**

<u>Classification</u>	<u>La 1-28</u>
Administration	\$ 47,138
Interest, net	758,427
Planning	132,447
Site acquisition	566,683
Site improvements	34,259
Relocation	<u>253,553</u>
Total costs	<u>\$1,792,507</u>
Total costs through September 30, 1997	\$1,792,507
Changes from October 1, 1997 through September 30, 1998	<u>-0-</u>
Total costs	<u>\$1,792,507</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 RECONCILIATION OF DEVELOPMENT FUNDS ADVANCED WITH COSTS
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	<u>La 1-18</u>	<u>La 1-19</u>	<u>La 1-21</u>	<u>La 1-22</u>	<u>La 1-23</u>	<u>La 1-24</u>	<u>La 1-25a</u>
Advances:							
Housing Authority Bonds	\$ 447,000	\$ 2,680,126	\$ 169,000	\$ 753,000	\$ -0-	\$ -0-	\$ 3,243,679
Permanent notes	-0-	-0-	2,893	33,760	459,010	692,171	-0-
Excess (deficiency) of funds provided	<u>-0-</u>	<u>(180,945)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>82,112</u>
Total advances	447,000	2,499,181	171,893	786,760	459,010	692,171	3,325,791
Development costs	<u>(432,271)</u>	<u>(2,524,412)</u>	<u>(171,893)</u>	<u>(786,760)</u>	<u>(445,872)</u>	<u>(693,515)</u>	<u>(3,331,953)</u>
Excess (deficiency) of funds provided	14,729	(25,231)	-0-	-0-	13,138	(1,344)	(6,162)
Transfers to advance amortization	<u>(14,729)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net excess (deficiency) of funds provided	\$ <u>-0-</u>	\$ <u>(25,231)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>13,138</u>	\$ <u>(1,344)</u>	\$ <u>(6,162)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 RECONCILIATION OF DEVELOPMENT FUNDS ADVANCED WITH COSTS, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	<u>La 1-26</u>	<u>La 1-27</u>	<u>La 1-28</u>	<u>Projects</u>			<u>La 1-32(1)</u>
				<u>La 1-30</u>	<u>La 1-32</u>	<u>La 1-32(1)</u>	
Advances:							
Housing Authority Bonds	\$ 950,000	\$ 331,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Permanent notes	31,196	12,917	1,823,016	1,326,107	3,409,982	1,120,316	3,360,962
Excess (deficiency) of funds provided	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total advances	981,196	343,917	1,823,016	1,326,107	3,409,982	1,120,316	3,360,962
Development costs	<u>(981,196)</u>	<u>(343,917)</u>	<u>(1,792,507)</u>	<u>(1,326,107)</u>	<u>(3,409,982)</u>	<u>(1,120,316)</u>	<u>(3,360,962)</u>
Excess (deficiency) of funds provided	-0-	-0-	30,509	-0-	-0-	-0-	-0-
Transfers to advance amortization	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net excess (deficiency) of funds provided	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 30,509</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
RECONCILIATION OF DEVELOPMENT FUNDS ADVANCED WITH COSTS, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Projects					
	La 1-39	La 1-44	La 1-49	La 1-51	La 1-52	Total
Advances:						
Housing Authority Bonds	\$ 2,985,000	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 11,558,805
Permanent notes	-0-	1,305,606	652,148	1,097,308	773,345	16,100,737
Excess (deficiency) of funds provided	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(98,833)</u>
Total advances	2,985,000	1,305,606	652,148	1,097,308	773,345	27,560,709
Development costs	<u>(2,904,522)</u>	<u>(1,309,921)</u>	<u>(652,148)</u>	<u>(1,097,308)</u>	<u>(842,294)</u>	<u>(27,527,856)</u>
Excess (deficiency) of funds provided	80,478	(4,315)	-0-	-0-	(68,949)	32,853
Transfers to advance amortization	<u>(80,478)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(95,207)</u>
Net excess (deficiency) of funds provided	<u>\$ -0-</u>	<u>\$ (4,315)</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (68,949)</u>	<u>\$ (62,354)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1987						
	<u>La 1-1</u>	<u>La 1-2</u>	<u>La 1-3</u>	<u>La 1-4</u>	<u>La 1-5</u>	<u>La 1-7</u>	<u>Page Total</u>
Funds approved	\$ 5,901,156	\$ 158,000	\$ 182,168	\$ 230,205	\$ 485,107	\$ 167,415	\$ 7,124,051
Funds expended	<u>(5,901,156)</u>	<u>(158,000)</u>	<u>(182,168)</u>	<u>(230,205)</u>	<u>(485,107)</u>	<u>(167,415)</u>	<u>(7,124,051)</u>
Excess (deficiency) of funds approved	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Funds advanced:							
Grant funding	<u>\$ 5,901,156</u>	<u>\$ 158,000</u>	<u>\$ 182,168</u>	<u>\$ 230,205</u>	<u>\$ 485,107</u>	<u>\$ 167,415</u>	<u>\$ 7,124,051</u>
Total funds advanced	5,901,156	158,000	182,168	230,205	485,107	167,415	7,124,051
Funds expended	<u>(5,901,156)</u>	<u>(158,000)</u>	<u>(182,168)</u>	<u>(230,205)</u>	<u>(485,107)</u>	<u>(167,415)</u>	<u>(7,124,051)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information..

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1987					Page Total
	<u>La 1-8</u>	<u>La 1-9</u>	<u>La 1-10</u>	<u>La 1-11</u>	<u>La 1-12</u>	<u>La 1-13</u>
Funds approved	\$ 1,120,741	\$ 12,465	\$ 126,371	\$ 54,823	\$ 164,781	\$ 17,321
Funds expended	<u>(1,120,741)</u>	<u>(12,465)</u>	<u>(126,371)</u>	<u>(54,823)</u>	<u>(164,781)</u>	<u>(17,321)</u>
Excess (deficiency) of funds approved	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Funds advanced:						
Grant funding	<u>\$ 1,120,741</u>	<u>\$ 12,465</u>	<u>\$ 126,371</u>	<u>\$ 54,823</u>	<u>\$ 164,781</u>	<u>\$ 17,321</u>
Total funds advanced	1,120,741	12,465	126,371	54,823	164,781	17,321
Funds expended	<u>(1,120,741)</u>	<u>(12,465)</u>	<u>(126,371)</u>	<u>(54,823)</u>	<u>(164,781)</u>	<u>(17,321)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
						<u>\$ 1,496,502</u>
						<u>(1,496,502)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1987					Page Total	
	<u>La 1-14</u>	<u>La 1-15</u>	<u>La 1-16</u>	<u>La 1-18</u>	<u>La 1-19</u>		<u>La 1-20</u>
Funds approved	\$ 3,076,593	\$ 878,484	\$ 1,104,767	\$ 6,986	\$ 93,646	\$ 224,088	\$ 5,384,564
Funds expended	<u>(3,076,593)</u>	<u>(878,484)</u>	<u>(1,104,767)</u>	<u>(6,986)</u>	<u>(93,646)</u>	<u>(224,088)</u>	<u>(5,384,564)</u>
Excess (deficiency) of funds approved	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Funds advanced:							
Grant funding	<u>\$ 3,076,593</u>	<u>\$ 878,484</u>	<u>\$ 1,104,767</u>	<u>\$ 6,986</u>	<u>\$ 93,646</u>	<u>\$ 224,088</u>	<u>\$ 5,384,564</u>
Total funds advanced	3,076,593	878,484	1,104,767	6,986	93,646	224,088	5,384,564
Funds expended	<u>(3,076,593)</u>	<u>(878,484)</u>	<u>(1,104,767)</u>	<u>(6,986)</u>	<u>(93,646)</u>	<u>(224,088)</u>	<u>(5,384,564)</u>
Excess (deficiency) of funds advanced	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
 NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1987					Page Total
	La 1-21	La 1-22	La 1-23	La 1-25	La 1-25a	La 1-26
Funds approved	\$ 1,780	\$ 11,699	\$ 69,238	\$ 152,449	\$ 60,601	\$ 20,471
Funds expended	(1,780)	(11,699)	(69,238)	(152,449)	(60,601)	(20,471)
Excess (deficiency) of funds approved	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Funds advanced:						
Grant funding	\$ 1,780	\$ 11,699	\$ 69,238	\$ 152,449	\$ 60,601	\$ 20,471
Total funds advanced	1,780	11,699	69,238	152,449	60,601	20,471
Funds expended	(1,780)	(11,699)	(69,238)	(152,449)	(60,601)	(20,471)
Excess (deficiency) of funds advanced	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
						316,238
						(316,238)

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
 NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1987					Page Total	
	La 1-27	La 1-31	La 1-32H	La 1-32R	La 1-36		La 1-39
Funds approved	\$ 3,505	\$ 3,817	\$ 7,453	\$ 12,214	\$ 7,025	\$ 43,161	\$ 77,175
Funds expended	<u>(3,505)</u>	<u>(3,817)</u>	<u>(7,453)</u>	<u>(12,214)</u>	<u>(7,025)</u>	<u>(43,161)</u>	<u>(77,175)</u>
Excess (deficiency) of funds approved	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Funds advanced:							
Grant funding	\$ 3,505	\$ 3,817	\$ 7,453	\$ 12,214	\$ 7,025	\$ 43,161	\$ 77,175
Total funds advanced	3,505	3,817	7,453	12,214	7,025	43,161	77,175
Funds expended	<u>(3,505)</u>	<u>(3,817)</u>	<u>(7,453)</u>	<u>(12,214)</u>	<u>(7,025)</u>	<u>(43,161)</u>	<u>(77,175)</u>
Excess (deficiency) of funds advanced	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1987				Page Total	Total
	La 1-44	La 1-49	La 1-51	La 1-52		
Funds approved	\$ 233,816	\$ 6,018	\$ 3,722	\$ 4,843	\$ 248,399	\$ 14,646,929
Funds expended	(233,816)	(6,018)	(3,722)	(4,843)	(248,399)	(14,646,929)
Excess (deficiency) of funds approved	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Funds advanced:						
Grant funding	\$ 233,816	\$ 6,018	\$ 3,722	\$ 4,843	\$ 248,399	\$ 14,646,929
Total funds advanced	233,816	6,018	3,722	4,843	248,399	14,646,929
Funds expended	(233,816)	(6,018)	(3,722)	(4,843)	(248,399)	(14,646,929)
Excess (deficiency) of funds advanced	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1988					Page Total
	La 1-5	La 1-8	La 1-14	La 1-15	La 1-19	
Funds approved	\$ 546,224	\$ 1,324,978	\$ 100,000	\$ 2,134,957	\$ 135,295	\$ 4,241,454
Funds expended	(533,874)	(1,321,472)	(98,844)	(2,005,703)	(135,295)	(4,095,188)
Excess (deficiency) of funds approved	<u>\$ 12,350</u>	<u>\$ 3,506</u>	<u>\$ 1,156</u>	<u>\$ 129,254</u>	<u>\$ -0-</u>	<u>\$ 146,266</u>
Funds advanced:						
Grant funding	<u>\$ 533,874</u>	<u>\$ 1,319,288</u>	<u>\$ 93,489</u>	<u>\$ 2,134,957</u>	<u>\$ 135,295</u>	<u>\$ 4,216,903</u>
Total funds advanced	533,874	1,319,288	93,489	2,134,957	135,295	4,216,903
Funds expended	<u>(533,874)</u>	<u>(1,321,472)</u>	<u>(98,844)</u>	<u>(2,005,703)</u>	<u>(135,295)</u>	<u>(4,095,188)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ (2,184)</u>	<u>\$ (5,355)</u>	<u>\$ 129,254</u>	<u>\$ -0-</u>	<u>\$ 121,715</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED. CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	Fiscal Year 1988				Page Total	Total
	La 1-25	La 1-25a	La 1-26	La 1-27		
Funds approved	\$ 185,820	\$ 144,515	\$ 45,253	\$ 17,013	\$ 35,304	\$ 4,669,359
Funds expended	(193,228)	(144,515)	(45,253)	(17,013)	(35,304)	(4,530,501)
Excess (deficiency) of funds approved	\$ (7,408)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 138,858
Funds advanced:						
Grant funding	\$ 155,850	\$ 144,515	\$ 45,253	\$ 17,013	\$ 35,304	\$ 4,614,838
Total funds advanced	155,850	144,515	45,253	17,013	35,304	4,614,838
Funds expended	(193,228)	(144,515)	(45,253)	(17,013)	(35,304)	(4,530,501)
Excess (deficiency) of funds advanced	\$ (37,378)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 84,337

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1989										Total
	La 1-1	La 1-2	La 1-3	La 1-5	La 1-7	La 1-8	La 1-9	La 1-10	La 1-13		
Funds approved	\$ 166,358	\$ 2,432,227	\$ 151,443	\$ 109,500	\$ 36,868	\$ 181,360	\$ 660	\$ 2,701,380	\$ 8,469	\$ 5,788,265	
Funds expended	<u>(166,358)</u>	<u>(2,432,227)</u>	<u>(151,443)</u>	<u>(109,500)</u>	<u>(36,868)</u>	<u>(181,360)</u>	<u>(660)</u>	<u>(2,701,380)</u>	<u>(8,469)</u>	<u>(5,788,265)</u>	
Excess (deficiency) of funds approved	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	
Funds advanced: Grant funding	\$ <u>166,358</u>	\$ <u>2,432,227</u>	\$ <u>151,443</u>	\$ <u>109,500</u>	\$ <u>36,868</u>	\$ <u>181,360</u>	\$ <u>660</u>	\$ <u>2,701,380</u>	\$ <u>8,469</u>	\$ <u>5,788,265</u>	
Total funds advanced	166,358	2,432,227	151,443	109,500	36,868	181,360	660	2,701,380	8,469	5,788,265	
Funds expended	<u>(166,358)</u>	<u>(2,432,227)</u>	<u>(151,443)</u>	<u>(109,500)</u>	<u>(36,868)</u>	<u>(181,360)</u>	<u>(660)</u>	<u>(2,701,380)</u>	<u>(8,469)</u>	<u>(5,788,265)</u>	
Excess (deficiency) of funds advanced	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1990						Total	
	<u>La 1-7</u>	<u>La 1-12</u>	<u>La 1-16</u>	<u>La 1-18</u>	<u>La 1-25</u>	<u>S/S 1-30a</u>		<u>S/S 1-30b</u>
Funds approved	\$ 23,774	\$ 9,375	\$ 8,071,172	\$ 563,879	\$ 5,309,272	\$ 820,446	\$ 202,082	\$ 15,000,000
Funds expended	<u>(23,774)</u>	<u>(9,375)</u>	<u>(8,071,172)</u>	<u>(563,879)</u>	<u>(5,309,272)</u>	<u>(820,446)</u>	<u>(202,082)</u>	<u>(15,000,000)</u>
Excess (deficiency) of funds approved	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Funds advanced:								
Grant funding	<u>\$ 23,774</u>	<u>\$ 9,375</u>	<u>\$ 8,071,172</u>	<u>\$ 563,879</u>	<u>\$ 5,309,272</u>	<u>\$ 820,446</u>	<u>\$ 202,082</u>	<u>\$ 15,000,000</u>
Total funds advanced	23,774	9,375	8,071,172	563,879	5,309,272	820,446	202,082	15,000,000
Funds expended	<u>(23,774)</u>	<u>(9,375)</u>	<u>(8,071,172)</u>	<u>(563,879)</u>	<u>(5,309,272)</u>	<u>(820,446)</u>	<u>(202,082)</u>	<u>(15,000,000)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1991							Page Total
	La 1-2	La 1-3	La 1-4	La 1-5	La 1-7	La 1-10	La 1-11	
Funds approved	\$13,500,221	\$ 421,860	\$153,016	\$ 708,931	\$ 4,354,208	\$ 1,412,091	\$ 34,545	\$ 20,584,872
Funds expended	<u>(3,168,856)</u>	<u>(421,860)</u>	<u>(73,780)</u>	<u>(699,781)</u>	<u>(4,021,527)</u>	<u>(2,009,595)</u>	<u>(113,781)</u>	<u>(10,509,180)</u>
Excess (deficiency) of funds approved	\$ <u>10,331,365</u>	\$ <u>-0-</u>	\$ <u>79,236</u>	\$ <u>9,150</u>	\$ <u>332,681</u>	\$ <u>(597,504)</u>	\$ <u>(79,236)</u>	\$ <u>10,075,692</u>
Funds advanced:								
Grant funding	\$ <u>2,979,999</u>	\$ <u>421,860</u>	\$ <u>81,857</u>	\$ <u>673,931</u>	\$ <u>3,489,958</u>	\$ <u>1,569,787</u>	\$ <u>34,545</u>	\$ <u>9,251,937</u>
Total funds advanced	2,979,999	421,860	81,857	673,931	3,489,958	1,569,787	34,545	9,251,937
Funds expended	<u>(3,168,856)</u>	<u>(421,860)</u>	<u>(73,780)</u>	<u>(699,781)</u>	<u>(4,021,527)</u>	<u>(2,009,595)</u>	<u>(113,781)</u>	<u>\$(10,509,180)</u>
Excess (deficiency) of funds advanced	\$ <u>(188,857)</u>	\$ <u>-0-</u>	\$ <u>8,077</u>	\$ <u>(25,850)</u>	\$ <u>(531,569)</u>	\$ <u>(439,808)</u>	\$ <u>(79,236)</u>	\$ <u>(1,257,243)</u>

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HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1991							Page Total
	La 1-12	La 1-14	La 1-16	La 1-19	La 1-20	La 1-21	La 1-22	
Funds approved	\$ 3,446,195	\$ 1,340,464	\$ 1,420,516	\$ 1,545,478	\$ 1,167,353	\$ 256,775	\$ 751,029	\$ 9,927,810
Funds expended	(2,870,584)	(1,309,718)	(1,420,516)	(1,545,958)	(1,177,191)	(255,181)	(748,360)	(9,327,508)
Excess (deficiency) of funds approved	\$ 575,611	\$ 30,746	\$ -0-	\$ (480)	\$ (9,838)	\$ 1,594	\$ 2,669	\$ 600,302
Funds advanced:								
Grant funding	\$ 1,793,561	\$ 1,340,464	\$ 1,420,516	\$ 1,566,148	\$ 963,429	\$ 156,396	\$ 787,811	\$ 8,028,325
Total funds advanced	1,793,561	1,340,464	1,420,516	1,566,148	963,429	156,396	787,811	8,208,325
Funds expended	(2,870,584)	(1,309,718)	(1,420,516)	(1,545,958)	(1,177,191)	(255,181)	(748,360)	(9,327,508)
Excess (deficiency) of funds advanced	\$(1,077,023)	\$ 30,746	\$ -0-	\$ 20,190	\$ (213,762)	\$ (98,785)	\$ 39,451	\$ (1,299,183)

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
 NEW ORLEANS, LOUISIANA
 STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
 ANNUAL CONTRIBUTION CONTRACT FW-1190
 SEPTEMBER 30, 1998

	<u>Fiscal Year 1991</u>			<u>Total</u>
	<u>La 1-23</u>	<u>La 1-29</u>	<u>La 1-44</u>	
Funds approved	\$ 199,577	\$ 176,852	\$ 1,030,393	\$ 1,406,822
Funds expended	<u>(276,168)</u>	<u>(176,852)</u>	<u>(1,030,200)</u>	<u>(1,483,220)</u>
Excess (deficiency) of funds approved	<u>\$ (76,591)</u>	<u>\$ -0-</u>	<u>\$ 193</u>	<u>\$ 10,599,596</u>
Funds advanced:				
Grant funding	<u>\$ 225,463</u>	<u>\$ 176,852</u>	<u>\$ 1,038,537</u>	<u>\$ 1,440,852</u>
Total funds advanced	225,463	176,852	1,038,537	1,440,852
Funds expended	<u>(276,168)</u>	<u>(176,852)</u>	<u>(1,030,200)</u>	<u>(1,483,220)</u>
Excess (deficiency) of funds advanced	<u>\$ (50,705)</u>	<u>\$ -0-</u>	<u>\$ 8,337</u>	<u>\$ (2,598,794)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1992								Page Total
	<u>La 1-1</u>	<u>La 1-2</u>	<u>La 1-3</u>	<u>La 1-4</u>	<u>La 1-5</u>	<u>La 1-7</u>	<u>La 1-8</u>		
Funds approved	\$ 14,355	\$ 11,880	\$ 13,365	\$ 6,797	\$ 13,365	\$ 11,385	\$ 11,880	\$ 83,027	
Funds expended	(6,244)	(10,168)	(8,009)	(6,142)	-0-	(10,319)	(8,832)	(49,714)	
Excess (deficiency) of funds approved	<u>\$ 8,111</u>	<u>\$ 1,712</u>	<u>\$ 5,356</u>	<u>\$ 655</u>	<u>\$ 13,365</u>	<u>\$ 1,066</u>	<u>\$ 3,048</u>	<u>\$ 33,313</u>	
Funds advanced:									
Grant funding	<u>\$ 6,244</u>	<u>\$ 10,168</u>	<u>\$ 8,009</u>	<u>\$ 6,142</u>	<u>\$ -0-</u>	<u>\$ 10,319</u>	<u>\$ 8,832</u>	<u>\$ 49,714</u>	
Total funds advanced	6,244	10,168	8,009	6,142	-0-	10,319	8,832	49,714	
Funds expended	<u>(6,244)</u>	<u>(10,168)</u>	<u>(8,009)</u>	<u>(6,142)</u>	<u>-0-</u>	<u>(10,319)</u>	<u>(8,832)</u>	<u>(49,714)</u>	
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1992						
	<u>La 1-9</u>	<u>La 1-10</u>	<u>La 1-11</u>	<u>La 1-12</u>	<u>La 1-13</u>	<u>La 1-14</u>	<u>Page Total</u>
Funds approved	\$ 9,900	\$ 11,385	\$ 4,660	\$ 13,365	\$ 11,880	\$ 22,770	\$ 73,960
Funds expended	<u>(3,515)</u>	<u>(7,718)</u>	<u>(4,397)</u>	<u>(7,900)</u>	<u>(7,600)</u>	<u>(11,175)</u>	<u>(42,305)</u>
Excess (deficiency) of funds approved	<u>\$ 6,385</u>	<u>\$ 3,667</u>	<u>\$ 263</u>	<u>\$ 5,465</u>	<u>\$ 4,280</u>	<u>\$ 11,595</u>	<u>\$ 31,655</u>
Funds advanced:							
Grant funding	<u>\$ 3,515</u>	<u>\$ 7,718</u>	<u>\$ 4,397</u>	<u>\$ 7,900</u>	<u>\$ 7,600</u>	<u>\$ 11,175</u>	<u>\$ 42,305</u>
Total funds advanced	3,515	7,718	4,397	7,900	7,600	11,175	42,305
Funds expended	<u>(3,515)</u>	<u>(7,718)</u>	<u>(4,397)</u>	<u>(7,900)</u>	<u>(7,600)</u>	<u>(11,175)</u>	<u>(42,305)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1992					Page Total
	<u>La 1-15</u>	<u>La 1-16</u>	<u>La 1-18</u>	<u>La 1-19</u>	<u>La 1-20</u>	
Funds approved	\$14,355	\$14,850	\$ 2,180	\$ 4,880	\$ 2,450	\$ 1,280
Funds expended	(8,960)	(8,590)	(2,180)	-0-	(2,450)	(1,280)
Excess (deficiency) of funds approved	<u>\$ 5,395</u>	<u>\$ 6,260</u>	<u>\$ -0-</u>	<u>\$ 4,880</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Funds advanced:						
Grant funding	<u>\$ 8,960</u>	<u>\$ 8,590</u>	<u>\$ 2,180</u>	<u>\$ -0-</u>	<u>\$ 2,450</u>	<u>\$ 1,280</u>
Total funds advanced	8,960	8,590	2,180	-0-	2,450	1,280
Funds expended	<u>(8,960)</u>	<u>(8,590)</u>	<u>(2,180)</u>	<u>-0-</u>	<u>(2,450)</u>	<u>(1,280)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1992						Page Total
	<u>La 1-22</u>	<u>La 1-23</u>	<u>La 1-25</u>	<u>La 1-26</u>	<u>La 1-27</u>	<u>La 1-30</u>	
Funds approved	\$ 2,450	\$ 1,955	\$ 20,695	\$ 2,450	\$ 1,595	\$ 2,450	\$ 31,595
Funds expended	<u>(2,450)</u>	<u>(1,955)</u>	<u>(20,695)</u>	<u>(2,450)</u>	<u>(1,595)</u>	<u>(2,450)</u>	<u>(31,595)</u>
Excess (deficiency) of funds approved	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Funds advanced:							
Grant funding	<u>\$ 2,450</u>	<u>\$ 1,955</u>	<u>\$ 20,695</u>	<u>\$ 2,450</u>	<u>\$ 1,595</u>	<u>\$ 2,450</u>	<u>\$ 31,595</u>
Total funds advanced	2,450	1,955	20,695	2,450	1,595	2,450	31,595
Funds expended	<u>(2,450)</u>	<u>(1,955)</u>	<u>(20,695)</u>	<u>(2,450)</u>	<u>(1,595)</u>	<u>(2,450)</u>	<u>(31,595)</u>
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATEMENT OF ACTUAL MODERNIZATION COSTS-NOT COMPLETED, CONTINUED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	Fiscal Year 1992										Total
	La 1-All	La 1-31	La 1-32H	La 1-36	La 1-39	La 1-44	La 1-49	La 1-51	La 1-52	Page Total	
Funds approved	\$ -0-	\$ 1,460	\$ 2,475	\$ 1,460	\$ 3,035	\$ 2,970	\$ 2,320	\$ 1,550	\$ 1,153	\$ 16,423	\$ 245,000
Funds expended	(78,492)	(1,460)	(2,450)	-0-	(3,035)	(2,970)	(2,320)	(1,550)	(1,153)	(93,430)	(240,504)
Excess (deficiency) of funds approved	<u>\$ (78,492)</u>	<u>\$ -0-</u>	<u>\$ 25</u>	<u>\$ 1,460</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (77,007)</u>	<u>\$ 4,496</u>
Funds advanced: Grant funding	\$ 78,492	\$ 1,460	\$ 2,450	\$ -0-	\$ 3,035	\$ 2,970	\$ 2,320	\$ 1,550	\$ 1,153	\$ 93,430	\$ 240,504
Total funds advanced	78,492	1,460	2,450	-0-	3,035	2,970	2,320	1,550	1,153	93,430	240,504
Funds expended	(78,492)	(1,460)	(2,450)	-0-	(3,035)	(2,970)	(2,320)	(1,550)	(1,153)	(93,430)	(240,504)
Excess (deficiency) of funds advanced	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATE OF ACTUAL MODERNIZATION COSTS - COMPREHENSIVE GRANT PROGRAMS-NOT COMPLETED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	LA48P00170192	LA48P00170193	LA48P00170194	LA48P00170195	LA48P00170196	LA48P00170197	TOTAL
Funds approved	\$ 30,664,933 \$	28,422,606 \$	33,658,151 \$	33,954,510 \$	27,790,559 \$	52,803,786 \$	207,294,545
Funds expended	(23,745,298)	(20,166,682)	(21,595,483)	(11,284,982)	(9,146,646)	(4,014,005)	89,953,096
Excess (deficiency) of funds approved	\$ 6,919,635 \$	8,255,924 \$	12,062,668 \$	22,669,528 \$	18,643,913 \$	48,789,781 \$	117,341,449
Funds advanced	\$ 23,281,118 \$	17,945,120 \$	20,636,168 \$	10,914,781 \$	11,019,118 \$	5,325,927 \$	89,122,232
Funds expended	(23,745,298)	(20,166,682)	(21,595,483)	(11,284,982)	(9,146,646)	(4,014,005)	(89,953,096)
Excess (deficiency) of funds advanced	\$ (464,180) \$	(2,221,562) \$	(959,315) \$	(370,201) \$	1,872,472 \$	1,311,922 \$	(830,864)

See Independent Auditors Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

STATE OF ACTUAL MODERNIZATION COSTS -- OTHER GRANTS-NOT COMPLETED
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	LA48VRP001194	LA48URD0011194	LA06UYC00100195	LA48P001054	TOTAL
Funds approved	\$ 8,500,000	\$ 44,255,908	\$ 250,000	\$ 1,788,234	\$ 54,794,142
Funds expended	(5,440,706)	(709,579)	(226,769)	(1,531,353)	(7,908,407)
Excess (deficiency) of funds approved	\$ 3,059,294	\$ 43,546,329	\$ 23,231	\$ 256,881	\$ 46,885,735
Funds advanced	\$ 5,128,407	\$ 704,006	\$ 239,973	\$ 1,311,220	\$ 7,383,606
Funds expended	(5,440,706)	(709,579)	(226,769)	(1,531,353)	(7,908,407)
Excess (deficiency) of funds advanced	\$ (312,299)	\$ (5,573)	\$ 13,204	\$ (220,133)	\$ (524,801)

See Independent Auditors Report on Supplementary Information.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

RECONCILIATION OF MODERNIZATION FUNDS ADVANCED WITH COSTS
ANNUAL CONTRIBUTION CONTRACT FW-1190
SEPTEMBER 30, 1998

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	Total
HUD Funds:												
Funds approved	\$ 14,646,929	\$ 4,669,359	\$ 5,788,265	\$ 15,000,000	\$ 31,919,504	\$ 245,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 72,269,057
Funds expended	(14,646,929)	(4,530,501)	(5,788,265)	(15,000,000)	(21,319,908)	(240,504)	(-)	(-)	(-)	(-)	(-)	(61,526,107)
Excess (deficiency) of funds approved	\$ -	\$ 138,858	\$ -	\$ -	\$ 10,599,596	\$ 4,496	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,742,950
Funds advanced:												
Permanent notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Grant funding	\$ 14,646,929	\$ 4,614,838	\$ 5,788,265	\$ 15,000,000	\$ 18,721,114	\$ 240,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,011,650
Total funds advanced	\$ 14,646,929	\$ 4,614,838	\$ 5,788,265	\$ 15,000,000	\$ 18,721,114	\$ 240,504	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,011,650
Funds expended	(14,646,929)	(4,530,501)	(5,788,265)	(15,000,000)	(21,319,908)	(240,504)	(-)	(-)	(-)	(-)	(-)	(61,526,107)
Excess (deficiency) of funds advanced	\$ -	\$ 84,337	\$ -	\$ -	\$ (2,598,794)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,514,457)
Comprehensive Grant Program:												
Funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,664,933	\$ 28,422,606	\$ 33,658,151	\$ 33,954,510	\$ 27,790,559	\$ 52,803,786	\$ 207,294,545
Funds expended	(-)	(-)	(-)	(-)	(-)	(23,745,298)	(20,166,682)	21,595,483	11,284,982	(9,146,646)	(4,014,005)	(89,953,096)
Excess (deficiency) of funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,919,635	\$ 8,255,924	\$ 12,062,668	\$ 22,669,528	\$ 18,643,913	\$ 48,789,781	\$ 117,341,449
Funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,281,118	\$ 17,945,120	\$ 20,636,168	\$ 10,914,781	\$ 11,019,118	\$ 5,325,927	\$ 89,122,232
Funds expended	(-)	(-)	(-)	(-)	(-)	(23,745,298)	(20,166,682)	(21,595,483)	(11,284,982)	(9,146,646)	(4,014,005)	(89,953,096)
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (464,180)	\$ (2,221,562)	\$ (959,315)	\$ (370,201)	\$ 1,872,472	\$ 1,311,922	\$ (830,864)
Other Grants:												
Funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 52,755,908	\$ 250,000	\$ -	\$ 1,788,234	\$ 54,794,142
Funds expended	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(6,150,285)	(226,769)	(-)	(1,531,353)	(7,908,407)
Excess (deficiency) of funds approved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 46,605,623	\$ 23,231	\$ -	\$ 256,881	\$ 46,885,735
Funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,832,413	\$ 239,973	\$ -	\$ 1,311,220	\$ 7,383,606
Funds expended	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(6,150,285)	(226,769)	(-)	(1,531,353)	(7,908,407)
Excess (deficiency) of funds advanced	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (317,872)	\$ 13,204	\$ -	\$ (220,133)	\$ (524,801)
Total excess (deficiency) of funds advanced	\$ -	\$ 84,337	\$ -	\$ -	\$ (2,598,794)	\$ (464,180)	\$ (2,221,562)	\$ (1,277,187)	\$ (356,997)	\$ 1,872,472	\$ 1,091,789	\$ (3,870,122)

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Contract Number</u>	<u>Federal Expenditures</u>
U. S. Department of Housing and Urban Development:			
<u>Direct Awards</u>			
Public and Indian Housing- Operating Subsidy	14.850	FW-1190	\$ 31,920,942
Section 8 Rental Certificate Program	14.857	FW-2053	17,454,930
Section 8 Rental Voucher Program	14.855	FW-2217	2,264,715
Section 8 New Construction	14.182	FW-2201	1,435,350
Public and Indian Housing Drug Elimination Program	14.854	LA48DEP00101	2,496,852
Public and Indian Housing Comprehensive Grant Program	14.859	LA48P00170192	7,710,729
	14.859	LA48P00170293	9,121,456
	14.859	LA48P00170394	10,415,566
	14.859	LA48P00170495	2,994,944
	14.859	LA48P00170596	4,600,260
	14.859	LA48P00170697	5,324,143
Public and Indian Housing Comprehensive Improvement Assistance Program	14.852	FW-1190	1,529,115
Vacancy Reduction Program	N/A	LA48VRP001194	2,523,446
Urban Revitalization Program	N/A	LA48VRD001194	1,226
Urban Youth Corps Program	N/A	LA06UYC00100195	6,487
Project Development Grant	N/A	LA48P001054	<u>1,112,615</u>
Total expenditures of federal awards			<u>\$100,912,776</u>

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of HANO and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See Independent Auditors' Report on Supplementary Information.

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MICHAEL B. BRUNO, CPA
ALCIDO 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 FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana

Regional Inspector General
U.S. Department of Housing
and Urban Development

We have audited the general-purpose financial statements of the **Housing Authority of New Orleans (HANO)**, New Orleans, Louisiana as of and for the year ended September 30, 1998, and have issued our report thereon dated July 2, 1999. We expressed a qualified opinion on the general-purpose financial statements because the general-purpose financial statements are affected by departures from generally accepted accounting principles as more fully discussed in NOTES 1, 8 and 10 to the general-purpose financial statements. Except as previously discussed, 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.

In our previous report dated May 10, 1999 on the 1998 financial statements, we referred to a scope limitation that did not enable us to express an opinion on the general-purpose financial statements. However, **HANO** subsequently provided the necessary data to resolve the scope limitation and enable us to express an opinion on the general-purpose financial statements in conformity with generally accepted accounting principles.

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

(CONTINUED)

Compliance

As part of obtaining reasonable assurance about whether **HANO's** general-purpose financial statements are free of material misstatement, we performed test 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 financial statement 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 test disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 98-4, 98-7, 98-8, 98-9, 98-10, 98-11, 98-12, 98-13, 98-14, 98-15 and 98-16.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **HANO's** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **HANO's** ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 98-2, 98-3, 98-4, 98-5, 98-6, 98-14, 98-15 and 98-16.

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

(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 misstatements in amounts that would be material in relation to the general-purpose financial statements 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 internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses. However, of the reportable conditions described above we consider items 98-1, 98-2, 98-4, 98-5, and 98-16 to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the U.S. Department of Housing and Urban Development and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be used by anyone other than the specified users.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

July 2, 1999

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

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana

Regional Inspector General
U.S. Department of Housing
and Urban Development

Compliance

We have audited the compliance of the **Housing Authority of New Orleans (HANO)**, New Orleans, Louisiana, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and Public and Indian Housing (PIH) Notice 96-32 Compliance Supplement for Annual Audits of Public Housing Agencies and Indian Housing Authorities by Independent Auditors* that are applicable to its major federal programs for the year ended September 30, 1998. **HANO's** major federal programs are identified in the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **HANO's** management. Our responsibility is to express an opinion on **HANO's** compliance based on our audit.

In our previous report dated May 10, 1999 on the 1998 financial statements, we referred to a scope limitation that did not enable us to express an opinion on the general-purpose financial statements. However, **HANO** subsequently provided the necessary data to resolve the scope limitation and enable us to express an opinion on the general-purpose financial statements in conformity with generally accepted accounting principles.

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

(CONTINUED)

Compliance, Continued

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and PIH Notice 96-32, *Compliance Supplement for Annual Audits of Public Housing Agencies and Indian Housing Authorities by Independent Auditors*. Those standards, OMB Circular A-133 and PIH Notice 96-32 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 HANO'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 HANO's compliance with those requirements.

As described in items 98-1, 98-4, 98-5, 98-6, 98-7, 98-8, 98-9, 98-10, 98-11, 98-13, 98-14, 98-15 and 98-16 in the accompanying Schedule of Findings and Questioned Cost, HANO did not comply with the requirements regarding Section 15 - Books of Account, Records, and Government Access of the Consolidated Annual Contributions Contract (ACC) between HANO and the U. S. Department of Housing and Urban Development (HUD), 24 CFR parts 812, 813, 882, 887 and 982, and 24 CFR part 901 and related PHMAP handbook 7460.5 that are applicable to ACC FW-1190 and FW-2053. Compliance with such requirements, is necessary in our opinion, for HANO to comply with requirements applicable to those programs.

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

(CONTINUED)

Compliance, Continued

In our opinion, except for the noncompliance described in the preceding paragraph, **HANO** complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1998.

Internal Control Over Compliance

The management of **HANO** 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 **HANO'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 certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. 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 **HANO's** ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 98-1, 98-2, 98-3, 98-4, 98-5, 98-6, 98-7, 98-12 and 98-16.

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

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

(CONTINUED)

Internal Control Over Compliance, Continued

assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider items 98-1, 98-2, 98-4, 98-5 and 98-16 to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the U.S. Department of Housing and Urban Development and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than the specified users.

Bruno & Tervalon

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

July 2, 1999

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-1

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects of the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits."

Condition

- Subsidiary ledgers for significant accounts (such as land, structures and equipment) are not maintained and/or reconciled to the applicable general ledger control accounts on a monthly basis;
- We noted balance sheet accounts in the general ledger for which management was unaware of the detail composition or purpose; and
- Financial reports prepared and submitted to HUD for September 30, 1998 did not agree to the financial books and records.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Reference Number, Continued

98-1

Questioned Costs

NONE.

Context

Not applicable.

Effect

Non-compliance with the requirements of Section 15 of the Consolidated Annual Contributions Contracts.

Cause

Lack of adequate controls over financial reporting.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-1

Recommendation

We recommend that management establish subsidiary ledgers for all significant accounts and perform monthly reconciliations of the balances in these accounts as reflected on the subsidiary ledgers to the applicable general ledger control account. The reconciliation process should include identification of the detail composition of the accounts. The reconciliations should be prepared in writing and all reconciling items should be documented and the necessary corrections made to the subsidiary ledgers or journal entries prepared and posted to the general ledger on a timely basis.

Furthermore, all financial reports prepared for submission to HUD should be reviewed and reconciled to the applicable source documents at a level independent of the report preparation process to ensure propriety and clerical accuracy.

Management's Response

The Housing Authority of New Orleans has detailed subledgers, which are reconciled for the following major accounts:

- Tenant Accounts Receivable
- Security Deposits
- Vendors and Contractors Payable
- Contract Retainage
- Capital Improvement Programs
- Inventory

The Housing Authority of New Orleans is in the process of completing research of the remaining major accounts. This task should be completed by September 30, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-2

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects of the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits."

Condition

At September 30, 1998 the general ledger reflected net advances of \$2,874,261 for which we were unable to ascertain its validity.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-2

Context

Not applicable.

Effect

Complication of the reconciliation of advances and out-of-balance intercompany activity.

Cause

Lack of computer system controls over intercompany generated transactions.

Recommendation

We recommend that all advances be reconciled and reviewed on a monthly basis. The review process should also include the assessment of and timely reimbursement or accuracy of interfund borrowings.

Furthermore, the appropriate computer system controls should be implemented to prevent future occurrence of the above condition.

Management's Response

The Housing Authority of New Orleans is working with a consultant in an effort to reconcile interfund activity. It should be noted that computer system controls have been implemented October 1, 1998 to prevent out of balance interfund activity. The 1999 Fiscal Year activity is in balance.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-3

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Not applicable.

Condition

No documented evidence of periodic internal monitoring of the adequacy of collateral for all cash deposits and certificates of deposit in excess of \$100,000 (FDIC coverage) to prevent the potential risk of loss.

Questioned Cost

NONE.

Context

Not applicable.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-3

Effect

Potential risk of loss of funds.

Cause

Lack of an established written procedure for periodic monitoring of the adequacy of collateral.

Recommendation

We recommend that **HANO** establish a system to ensure the timely and periodic monitoring of collateral as well as adherence to the requirements of its executed HUD depository agreements with all financial institutions holding deposits and certificates on behalf of **HANO**.

Management's Response

The Housing Authority of New Orleans does review the adequacy of collateral on a periodic basis. This review is completed upon request of the Financial Institution to release the current collateral with or without substitution. Procedures are being implemented to provide written documentation of this review process.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-4

Federal Programs

Annual Contribution Contracts FW-1190, FW-2053 and FW-2217.

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits".

Condition

Our review of bank account reconciliations at September 30, 1998 revealed the following conditions:

- Noted mathematical errors on the self-insurance bank account reconciliation;
- No bank reconciliation was available for the Safe Home checking account;
- The self-insurance and modernization bank accounts lacked an indication of supervisory review; and
- Unrecorded electronic funds deposit from HUD in the amount of \$2,841,790.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-4

QUESTIONED COST

NONE.

Context

Three of nineteen bank accounts.

Effect

Non-compliance with the requirements of Section 15 of the Consolidated Annual Contributions Contracts.

Cause

Lack of adequate controls over the bank reconciliation function.

Recommendation

HANO should continue to provide the necessary training and management oversight to ensure the completeness and accuracy of the bank reconciliation function.

Management's Response

The Housing Authority of New Orleans is in the process of completing written policy and procedures manuals for all major accounting areas. Staff training is provided on an on going basis and a formal training session will be held upon completion of the written procedures. The policy and procedures manual will be completed by December 1999. Supervision and review of the bank reconciliation is provided monthly.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-5

Federal Programs

Annual Contribution Contract FW-1190.

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits".

Condition

Our review of general ledger accounts revealed the following condition:

- Unidentified amounts included in deferred charges under the Homeownership program at September 30, 1998 of \$842,929.

At September 30, 1998, we are unable to ascertain the validity, collectibility and realization of the above amount.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-5

Questioned Cost

NONE.

Context

Not applicable.

Effect

Completeness and/or accuracy of financial statements.

Cause

Non-compliance with requirements of Section 15 of the Annual Contributions Contracts.

Recommendation

Management should develop and implement written procedures to immediately address the current condition. In addition, management should continue in its efforts to analyze the account to ascertain its validity and/or realization.

Management's Response

The Housing Authority of New Orleans is in the process of reviewing all unreconciled accounts. This process should be completed by September 30, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-6

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Constitutions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits".

Condition

Our testing of twenty (25) payroll disbursements revealed the following:

- In five (5) instances, the approved employee leave request forms were not available for inspection;
- In one (1) instance the required IRS Form W-4 and Louisiana Form L-4 for tax withholding were not in the employees' file;
- In one (1) instance the "SFI" form was not in the employees file; and
- In one (1) instance, the budget approved code for allocation of payroll cost, did not agree to the cost center used on the timesheet. We noted no documentation to suggest a change in the budgeted position or cost center.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Reference Number, Continued

98-6

Questioned Costs

NONE

Context

Eight of twenty-five payroll items selected.

Effect

Lack of support for withholdings, leave used and cost center charged with cost.

Cause

Lack of procedure to ensure completeness of employee files.

Recommendation

We recommend that each employee file contain the required documents to support compensation and related withholdings. In addition, a reconciliation of the approved budgeted position to the cost center charged be undertaken periodically.

Management's Response

Management disagrees with this finding. All documentation is maintained and available for inspection.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-7

Federal Programs

Section 8 Rental, New Construction, Certificate and Voucher Programs. (see Schedule of Expenditures of Federal Awards).

Criteria

Compliance with the provisions and requirements of 24 CFR parts 812, 813, 882, 887 and 982, as applicable to housing assistance payments and reporting.

Condition

Our review of compliance with the requirements of 24 CFR on thirty (30) certificate and voucher participant and owner files revealed in one (1) instance, that the participant was "underhoused".

Based on our review of the tenant's file and through discussion with staff at HANO, the tenant was certified for a three bedroom unit on January 7, 1994, and for a four bedroom on November 1, 1998. Furthermore, our review revealed that the tenant has a total family size of five. However, it is our understanding that the tenant elected to occupy a two bedroom unit, and that request was honored by HANO accordingly. Subsequent to year end it is our understanding through discussion that the tenant has been certified for a four bedroom unit and also transferred to a new parish.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-7

Questioned Costs

NONE

Context

One of thirty participants selected.

Effect

Non-compliance with the requirements of the Annual Contributions Contract and 24 CFR.

Cause

Weakness in existing accountability system.

Recommendation

None because the tenant has transferred to a new parish with a four bedroom certificate subsequent to year end.

Management's Response

We concur with the criteria of 98-7. However, exception is taken to the condition, questioned costs, effect, and cause cited by the Auditor.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-7

Management's Response, CONTINUED

Section 5 C. Changes in Certificates/Vouchers Size of HANO's HAPHOP Administrative Plan address the concerns of under-house families. In fact, this section states in part that "If a unit does not meet HQS space standards due to an increase in family size, (unit too small), the HA will issue a new certificate or voucher and assist the family in locating a suitable unit."

Section 5 D. Unit Size Selected of HANO's HAPHOP Administrative Plan states in part that "the family may select a different size dwelling than that listed on the certificate or voucher. The HA does not determine who shares a bedroom sleeping room."

Moreover, 24CFR part 982.401 Housing Quality Standards (HQS) allow two persons per living/sleeping room. In this case a living room can be used as a living/sleeping area.

We (HANO) are complying with 24 CFR part 982.401 and policies and procedures set forth in the Administrative Plan. In this case, the Family even though they were issued three (3) bedroom assistance under this program, chose to live in a two(2) bedroom unit. In this connection, the family exercised their option of using the living room as a living/sleeping area.

In effect, the family was issued adequate assistance based on HANO's subsidy standards and the family unit size selections did not violate HQS requirements with respect to space and security.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Reference Number

98-8

Federal Programs

Annual Contributions Contract FW-1190 (see Schedule of Expenditures of Federal Awards).

Criteria

The provisions of 24 CFR part 901 and "PHMAP" handbook 7460.5 regarding the maintenance of supporting documents/records for certification.

Condition

Our review of the September 30, 1998 "PHMAP" certification documents prepared and submitted to HUD by **HANO** revealed differences in management reports and amounts as per the final general ledger versus the amounts on the submitted information for indicators 5 for total number of buildings and 6 for cash reserves, respectively.

Additionally we noted that **HANO** reported \$245,088, which represents the total amount of tenant's accounts receivable rather than the short-term portion (collected within 30 days) in its calculation of PHMAP indicator number 6 - Financial Management. **HANO** did not have documentation to show what portion of these receivables were applicable to the short-term portion. We were unable to determine the effect of this condition on **HANO's** overall PHMAP score.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-8

Context

Not applicable.

Effect

Non-compliance with the provisions and requirements of 24 CFR pertaining to "PHMAP" certification.

Cause

Timely closing of year-end records, and submission of PHMAP report to HUD.

Recommendation

We recommend the institution of an on-going review and analysis of the monthly financial statements. Such procedure should facilitate the timely preparation and execution of year-end closing process as well as the complete and timely preparation of financial statements and related reports. Additionally, we recommend that all PHMAP calculations be performed in accordance with HUD requirements.

Management's Response

The building data under indicator #5 has been corrected in the database under the CCS system.

The Housing Authority of New Orleans has instituted complete monthly/year-end closing processes. A complete review of the monthly financial statements is up-to-date and current.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-9

Federal Programs

Section 8 Rental Certificate Program. (See Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to the Annual Contributions Contracts and 24 CFR parts 812, 813, 882, 887 and 982:

"Housing Authorities are required to certify and document rent reasonableness of units leased under the rental certificate program by comparing the rent to rents for comparable unassisted units, including comparable units owned by the same owner".

Furthermore, the CFR states that "at all times during the assisted tenancy, the rent to owner may not exceed the reasonable rent as most recently determined".

Condition

Our review of thirty (30) tenant files revealed the absence of certified and/or documented rent reasonableness determination in tenant files. It is our understanding through discussion with management that the certification process is primarily undertaken by **HANO** at the inception of the initial contract.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-9

Context

Not applicable.

Effect

Non-compliance with the requirements of the Annual Contributions Contracts and 24CFR.

Cause

Lack of a procedure to ensure the adequate documentation requirements as dictated by 24CFR parts 812, 813, 882, 887 and 982, as applicable.

Recommendation

We recommend that management of HANO re-evaluate its current procedures to ensure that tenant files contain all required documentation relative to rent reasonableness in relation to rents currently being charged for comparable units in the private unassisted market.

Management's Response

We concur with the criteria of 98-9. However, exception is taken to the condition, effect, cause, and recommendation cited by the Auditor.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-9

Management's Response, CONTINUED

In effect, 24 CFR part 882.106 address concerns regarding initial contract rents. Under paragraph 9(b) of this section rent reasonableness limitation is discussed in detail. Moreover, 24CFR part 882.108 address concerns regarding rent adjustments. Paragraph (a) of this section states in part that "Contract Rents shall be adjusted as provided in paragraphs (a) (1) and (2) of this section upon request to the PHA by the owner. However, the unit must be in Decent, Safe and Sanitary condition and the owner must otherwise be in compliance with the terms of the lease and the contract. Subject to the foregoing and paragraph 882.106(b) (the rent reasonableness limitations) adjustments to contract rents shall be as follows:

- (1) Annual adjustments, (i) annual adjustments as of any anniversary date shall be determined by using the applicable Section 8 Annual Adjustment Factor (24 CFR part 888) most recently published by HUD in the Federal Register.

(ii) Contract Rents may be adjusted upward or downward, as may be appropriate. However in no case shall the adjusted rent be less than the Contract Rent on the effective date of the Contract".

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-9

Management's Response, CONTINUED

Moreover, **Section 11D Rent Reasonableness Determination** of HANO's HAPHOP Administrative Plan states in part that "Rent Reasonableness determinations are made when units are placed under HAP Contract for the first time, when owners request annual or special contract rent adjustments under the Certificate Program, and when an owner requests a rent increase for the voucher program. Also, rent reasonableness will be performed when the regulations require it if there has been at least a 5% decrease in the FMR that is in effect 60 days prior to the HAP Contract anniversary date vs. the FMR that was in effect one year prior to the anniversary date of the HAP Contract.

We (HANO) are complying with the 24CFR parts 882 and 982 and its policy and procedures set forth in the Administrative Plan. To this end, all annual rectifications including annual HQS inspections and rent adjustments are approved by the case workers and inspector's supervisors. Additionally, we perform quality control on 10% of all transactions stated above.

In effect, rent reasonableness determination documentation was present in all thirty (30) files reviewed by the Auditors.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Reference Number

98-10

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Louisiana Revised Statute 24:513 requires that all reports be completed and submitted within six months of year-end.

Condition

The September 30, 1998 audit report of HANO was not submitted to the Legislative Auditor of the State of Louisiana within the timeframe established by Louisiana Revised Statute 24:513.

Questioned Costs

NONE.

Context

Not applicable.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-10

Effect

Non-compliance with requirements of Louisiana Revised Statute 24:513.

Cause

The untimely year-end closing, preparation of financial statements and related ledgers for **HANO** coupled with the nature of its accounting records.

Recommendation

We recommend that management undertake the necessary actions to ensure the timely submission of **HANO**'s annual audit report.

Management's Response

The Housing Authority of New Orleans, conducted a timely solicitation of an IPA to perform the annual audit. However, the absence of key personnel due to serious illness in the finance department during crucial reporting periods and the change of the personnel in the position of Chief Financial Officer contributed to unforeseen and unusual delays.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-11

Federal Programs

Annual Contributions Contract FW-1190 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section II of the Consolidated Annual Contributions Contract:

"The HA shall submit a calculation of operating subsidy eligibility in the manner prescribed by HUD in regulations in 24 CFR...."

Condition

Our testwork of the Performance Funding System (PFS) information submitted by HANO to HUD, revealed the lack of supporting documentation for the allowable utilities expenses component of the PFS calculation.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-11

Questioned Costs

NONE.

Context

Not applicable.

Effect

Non-compliance with the requirements of Section II of the Consolidated Annual Contributions Contract hence potentially impacting the level of subsidy eligibility.

Cause

Inadequate record retention procedures and supervisory oversight.

Recommendation

Management should re-evaluate its current record retention and report submission policies and procedures. Such a process should be aimed at the elimination of the condition previously discussed.

Management's Response

The Housing Authority of New Orleans has implemented a record retention policy and is currently maintained. In addition, complete working files are being maintained for all current year reports.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-12

Federal Programs

Annual Contributions Contract FW-1190 (see Schedule of Expenditures of Federal Awards).

Criteria

Section 4.11 subsections 3, 4, 5 and 6 and 5.3 of HANO's Procurement manual as it relates to emergency purchases and contract execution authority.

Condition

Our review of selected contracts awarded revealed the following conditions:

- In one (1) instance the award of a contract was undertaken without adequate documentation of adherence to HANO's procurement process as it relates to emergency purchases; and
- We noted in three (3) instances, the execution of purchase orders outside of the dollar threshold authority established by HANO for the designated person. However, the goods and services were properly procured for by the procurement department.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-12

Questioned Costs

NONE

Context

Four instances of twelve files reviewed.

Effect

Non-compliance with HANO's established procurement policy.

Cause

Unable to determine.

Recommendation

Adherence to HANO's established procurement policies and procedures.

Management's Response

Management is in the process of developing and implementing a monitoring system for the bi-monthly random review of approved purchase orders in excess of \$10,000 for proper signatory authority.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-13

Federal Programs

Annual Contributions Contract FW-1190 (see Schedule of Expenditures of Federal Awards).

Criteria

24 CFR parts 813, 913, 882 and 982 and 7465.1 Rev.2 (Occupancy Handbook) as applicable to the determination of eligibility, order of selection, income and rent.

Condition

In one (1) instance of ten (10) files reviewed, relating to occupancy, we noted that a tenants file did not contain a HUD form 50058.

Questioned Costs

NONE.

Context

Not applicable.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-13

Effect

Non-compliance with the provisions of 24 CFR.

Cause

Weakness in file maintenance system.

Recommendation

Management should re-evaluate its current file maintenance system, to facilitate the timely filing of all required documents.

Management's Response

A new system has been created under the standard operating procedures which addresses HUD Form 50058. Compliance with this procedure is reviewed on an ongoing basis.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-14

Federal Programs

Annual Contributions Contracts FW-1190 and FW-2053 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits".

Condition

We were unable to inspect the cancelled check and related invoices for purchases totalling \$148,497. In addition, a stop payment issued for a check in the amount of \$41,600 was unavailable for our review.

Questioned Costs

\$148,497

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-14

Context

Not applicable.

Effect

Accountability for all disbursements made.

Cause

Document maintenance system.

Recommendation

We recommend that all documents in support of financial transactions be properly maintained to ensure the assurance and propriety in recorded amounts.

Management's Response

The Housing Authority of New Orleans has implemented a record retention policy and is currently maintained. In addition, complete working files are being maintained for all current year reports.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-15

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contract.

"The HIA must maintain complete and accurate books of account for the projects of the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits".

Condition

Cost allocated to the various programs (primarily payroll) managed by HANO was without the benefit of a cost allocation plan or documented methodology to support the amounts charged to the respective programs.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, Continued

98-15

Context

Total payroll cost is approximately \$22,000,000

Effect

Unsupported allocation of cost to respective programs.

Cause

Lack of an established cost allocation methodology.

Recommendation

It is our understanding that subsequent to year-end, management has instituted a supportable cost allocation plan for the current fiscal year ending on September 30, 1999.

Management's Response

The Housing Authority of New Orleans has implemented a complete documented cost allocation methodology effective October 1, 1998.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number

98-16

Federal Programs

Annual Contributions Contract FW-1190 (Home Ownership Program)

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain a complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits."

Condition

During the course of various phases of the audit we noted the following conditions:

- Untimely reconciliation of the subsidiary investment report to the applicable corresponding general ledger account balances;
- An unreconciled difference of approximately \$76,000 between subsidiary investment report and the applicable general ledger account balances at September 30, 1998;
- No reconciliation of funds maintained on deposit for potential home buyers to a corresponding homebuyer reserve account subsidiary ledger balances;
- Tenants with significant delinquent receivable balances for which collection/eviction has not been pursued nor have tenants been counseled and subsequently transferred to conventional housing units; and

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Reference Number, CONTINUED

98-16

Condition, Continued

- Failure to maintain an accurate detailed potential home buyer reserve account subsidiary ledger.

Questioned Costs

None

Context

Not applicable.

Effect

Non-compliance with the requirements of the Annual Contributions Contract and HUD 7510.1 Low-Rent Accounting Handbook.

Cause

Lack of internal controls coupled with inadequate staffing particularly in the of tenant accounting section of the accounting department.

Recommendation

We recommend the internal controls be strengthened and staffing increased relating to home ownership tenant accounting.

Management's Response

The Housing Authority of New Orleans is working with a consultant in an effort to reconcile the home ownership tenant accounting subledgers with the general ledger. This task will be completed for the fiscal year ending September 30, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Qualified

Internal Control Over Financial Reporting:

- Material weakness(es) identified Yes
- Reportable condition(s) identified that are not considered to be material weaknesses? Yes

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal Control Over Major Programs:

- Material weakness(es) identified? Yes
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section I - Summary of Auditors' Results, Continued

Identification of Major Programs

<u>Federal Grantor/Program Title</u>	<u>CFDA Numbers</u>
U. S. Department of Housing and Urban Development:	
<u>Direct Awards</u>	
Public and Indian Housing- Operating Subsidy	14.850
Section 8 Rental Certificate Program	14.857
Public and Indian Housing Comprehensive Grant Program	14.859
 Dollar threshold to distinguish between Type A and Type B programs:	 \$3,000,000
 Auditee qualified as low-risk auditee?	 No

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

See Schedule of Findings and Questioned Costs pages 110 through 145 in the accompanying report for the federal program, criteria, condition, questioned cost, context, effect, cause, recommendation and management's response to the following financial statement findings.

REFERENCE NUMBERS

98-1, 98-2, 98-3, 98-4, 98-5, 98-6, 98-14, 98-15 and 98-16.

Section III - Federal Award Findings and Questioned Costs

See Schedule of Findings and Questioned Cost pages 110 through 145 in the accompanying report for the federal program, criteria, condition, questioned cost, context, effect, cause, recommendation and management's response to the following federal award findings and questioned costs.

REFERENCE NUMBERS

98-1, 98-4, 98-5, 98-6, 98-7, 98-8, 98-9, 98-10, 98-11, 98-12, 98-13, 98-14, 98-15 and 98-16.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS**

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>STATUS</u>		
		<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
96-1	Maintain supporting documentation for all accounting transactions. Improve the administrative filing and retention of important documentation.		X(*)	
96-3	Designate a person in each department to monitor compliance with laws and regulations.	X		
96-4	Review all receivable balances periodically for collectibility.		X(*)	
96-5	Maintain subsidiary ledgers for all significant general ledger accounts. Perform monthly reconciliations of subsidiary ledgers to the general ledger.		X(*)	
96-6	Reconcile the interfund receivable and payable balances monthly.		X(*)	
96-7	Reconcile the homebuyers investment and liability accounts.		X(*)	
96-8	Maintain a current ledger of all contract retentions.		X(*)	

NOTE: In two separate correspondence dated August 18, 1999 and October 21, 1998, the Department of Housing and Urban Development cleared the findings/recommendations noted in the September 30, 1996 and 1997 independent audits based on the promised actions of the Housing Authority of New Orleans. The referenced status reflects our reviews and discussion with staff of the findings/recommendations in connection with the September 30, 1998 audit through our report date of July 2, 1999.

(*) Repeated

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER	DESCRIPTION	STATUS		
		FULLY CORRECTED	PARTIALLY CORRECTED	NOT CORRECTED
96-9	Ensure that bank reconciliations are prepared properly and that reconciling items are resolved timely.		X	
96-11	Ensure that modernization programs are officially closed out on a timely basis.			X
96-12	Maintain copies of the pledged collateral reports from financial institutions.		X(*)	
96-13	HANO did not provide sufficient documentation of compliance with contract provisions and competitive bidding requirements for one disbursement of the sixty disbursements selected for testing to the Modernization Program.	X		
96-14	Construction contract and architect contract files were inconsistent and incomplete in some instances.	X		

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER	DESCRIPTION	STATUS		
		FULLY CORRECTED	PARTIALLY CORRECTED	NOT CORRECTED
96-15	Of the sixty disbursements selected from the Section 8 program, cancelled checks for two disbursement could not be provided by HANO to adequately support the participant costs.	X		
96-16	HANO did not submit revised budgets to HUD for the Section 8 Program as required by HUD Notice PIH 94-6.	X		
96-17	HANO did not electronically submit Form HUD-50058 for Section 8 participants as required by HUD Notice PIH 96-20.	X		
96-18	HANO did not obtain an audit performed in accordance with the <u>Public and Indian Housing (PIH) Compliance Supplement</u> (PIH Number 95-31) for the year ended September 30, 1996.		X	

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>STATUS</u>		
		<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-1	At September 30, 1997 numerous bank reconciliations reflected out-of-balance conditions from the respective general ledger accounts.	X		
97-2	General Depository Agreements for all bank accounts maintained by HANO were unavailable.	X		
97-3	A tenant's account receivable aged trial balance was not prepared to support the general ledger balance of tenants accounts receivable as reflected on the general ledger at September 30, 1997 in the amount of \$516,601.	X		
97-4	Subsidiary ledgers are not maintained and/or reconciled to the applicable general ledger control accounts for investments, Homeownership, accounts receivable/payable, payroll expense, accrued liabilities, surplus, modernization and development expenditures.		X(*)	
97-5	The financial reports as of and for the year ended September 30, 1997 prepared and submitted to HUD, did not agree to the financial books and records.			X(*)

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>STATUS</u>		
		<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-6	Interfund advances are not reimbursed by the borrowing fund on a timely basis nor is interfund advances reconciled on a timely basis.			X(*)
97-7	At September 30, 1997, the homebuyers investment account did not agree to the corresponding liability and general ledger control accounts.			X(*)
	Proceeds from sales by homeownership units for the year ended September 30, 1997 as reflected on the general ledger did not agree to the supporting sales documents.			X(*)
97-8	No established procedures for calculating and recording the carrying value of demolished units.	X		
97-9	Compliance with Louisiana Revised Statute 24:514 regarding the preparation of financial statements in accordance with GAAP.	X		
97-10	Lack of a system to ensure the efficient flow of accounting data.		X	

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>STATUS</u>		
		<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-11	Cash Disbursements reviewed lacked the proper supporting documentation, and in one instance the disbursement was incorrectly coded.		X(*)	
97-12	Payroll disbursements tested revealed the lack of job description and executed Employee Handbook Acknowledgment Form.	X		
97-13	Recommendation to award contract was not supported by a completed evaluation form.	X		
97-14	Lack of supporting documents for performance funding system calculation.		X(*)	
97-15	Public Housing Management Assessment certification lacked supporting documentation for indicates 5, 6, 1c and 1e.		X(*)	
97-16	Noncompliance with the housing quality (HQS) and HUD Form 50058 reporting.	X		

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEAR'S AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

<u>REFERENCE NUMBER</u>	<u>DESCRIPTION</u>	<u>STATUS</u>		
		<u>FULLY CORRECTED</u>	<u>PARTIALLY CORRECTED</u>	<u>NOT CORRECTED</u>
97-17	Failure to submit audit report within six months of the close of HANO's fiscal year.			X
97-18	Unposted predecessor auditors' adjustments.		X	
97-19	Untimely submission of reimbursement report for Congregate Housing Program.	X		
97-20	Recurrence of audit findings and reportable conditions in the following areas: - Maintenance of subsidiary ledgers for all significant general ledger accounts; and timely preparation of bank reconciliations.			X(*)
97-21	Subsidiary ledger for land, structures and equipment acquired via CIAP and CGP funds has not been updated and does not indicate, the composition of the amount by descriptive categories.			X(*)

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

EXIT CONFERENCE

SEPTEMBER 30, 1998

An exit conference was held on Tuesday, August 10, 1999. The findings and recommendations mentioned were discussed. The individuals attending the exit conference were as follows:

HOUSING AUTHORITY OF NEW ORLEANS

Mr. Michael Kelly	- Executive Director - HANO
Ms. Renee' Johnson	- Internal Audit Supervisor - HANO
Ms. Connie Hill	- Chief Financial Officer - HANO
Mr. Michael Mosley	- Accountant Administrator 3 - HANO

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael B. Bruno, CPA, CGFM	- Managing Partner
Mr. Paul K. Andoh, Sr., CPA, CGFM	- Senior Manager
Mr. Armand Pinkney	- Audit Supervisor

We appreciate the courtesies extended to us by the management and staff of HANO during the audit.

Bruno & Tervalon
**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

July 2, 1999



August 24, 1999

Bruno & Tervalon
Certified Public Accountants
Suite 203
650 S. Pierce Street
New Orleans, LA 70119

Dear Bruno & Tervalon:

Enclosed is the corrective action plan developed by the Housing Authority of New Orleans, in response to the audit findings for the fiscal year ending 1998. The plan includes the corrective action, the names of the contact person responsible for corrective action, and the anticipated completion date where applicable.

Also included is a report on the status of the prior audit findings for the fiscal years ending September 30, 1997 and September 30, 1996.

If any further information is required, do not hesitate to contact me at 582-7683.

Sincerely,

A handwritten signature in cursive script, appearing to read "Connie Hill", is written over the word "Sincerely,".

Connie Hill
Chief Financial Officer

CH/RLJ

Enclosures

cc: Michael P. Kelly, Executive Director
Ronald Mason, Jr., Executive Monitor
Benjamin R. Bell, Deputy Executive Director for Housing Management
Brenda Breaux, Deputy Executive Director for Administration
Gary P. LeBlanc, Director of HAP/HOP
Rencé L. Johnson, Internal Audit Supervisor

**HOUSING AUTHORITY OF NEW ORLEANS
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDING SEPTEMBER 30, 1998**

General Comment

As a result of issues raised in the audit of the fiscal year ending September 30, 1997, the Housing Authority of New Orleans recognized the need for an improvement plan in the Finance Division. A team was assembled to develop and implement this improvement plan as of June, 1998. Many of the issues identified here below are included in the overall improvement plan and have been addressed.

Reference Number

98-1

Management's Response

The Housing Authority of New Orleans has detailed subledgers, which are reconciled for the following major accounts:

Tenant Accounts Receivable
Security Deposits
Vendors and Contractors Payable
Contract Retainage
Capitol Improvement Programs
Inventory

The Housing Authority of New Orleans is in the process of completing research of the remaining major accounts. This task should be completed by September 30, 1999.

Contact Person

Connie Hill

Reference Number

98-2

Management Response

The Housing Authority of New Orleans is working with a consultant in an effort to reconcile interfund activity. It should be noted that computer system controls have been implemented October 1, 1998 to prevent out of balance interfund activity. The 1999 Fiscal Year activity is in balance.

Contact Person

Connie Hill

Reference Number

98-3

Management Response

The Housing Authority of New Orleans does review the adequacy of collateral on a periodic basis. This review is completed upon request of the Financial Institution to release the current collateral with or without substitution. Procedures are being implemented to provide written documentation of this review process.

Contact Person

Connie Hill

Reference Number

98-4

Management Response

The Housing Authority of New Orleans is in the process of completing written policy and procedures manuals for all major accounting areas. Staff training is provided on an on going basis and a formal training session will be held upon completion of the written procedures. The policy and procedures manual will be completed by December 1999. Supervision and review of the bank reconciliations is provided monthly.

Contact Person

Connie Hill

Reference Number

98-5

Management Response

The Housing Authority of New Orleans is in the process of reviewing all unreconciled accounts. This process should be completed by September 30, 1999.

Contact Person

Connie Hill

Reference Number

98-6

Management Response

Management disagrees with this finding. All documentation is maintained and available for inspection.

Contact Person

Connie Hill

Reference Number

98-7

Management Response

We concur with the criteria of 98-7. However, exception is taken to the condition, questioned costs, effect, cause and recommendation cited by the Auditor.

Section 5 C. Changes in Certificates/Vouchers Size of HANO's HAPHOP Administrative Plan address the concerns of under-housed families. In fact, this section states in part that "If a unit does not meet HQS space standards due to an increase in family size, (unit too small), the HA will issue a new certificate or voucher and assist the family in locating a suitable unit."

Section 5 D. Unit Size Selected of HANO's HAPHOP Administrative Plan states in part that "the family may select a different size dwelling than that listed on the certificate or voucher. The HA does not determine who shares a bedroom sleeping room."

Moreover, 24 CFR part 982.401 Housing Quality Standards (HQS) allow two persons per living/sleeping room. In this case a living room can be used as a living/sleeping area.

We (HANO) are complying with 24 CFR part 982.401 and policies and procedures set forth in the Administrative Plan. In this case, the Family even though they were issued three (3) bedroom assistance under this program, chose to live in a two (2) bedroom unit. In this connection, the family exercised their option of using the living room as a living/sleeping area.

In effect, the family was issued adequate assistance based on HANO's subsidy standards and the family unit size selections did not violate HQS requirements with respect to space and security.

Contact Person

Gary LeBlanc

Reference Number

98-8

Management Response

The building data under indicator #5 has been corrected in the database under the CCS system.

The Housing Authority of New Orleans has instituted complete monthly/year-end closing processes. A complete review of the monthly financial statements is up-to-date and current.

Contact Person(s)

Benjamin Bell, Connie Hill

Reference Number

98-9

Management Response

We concur with the criteria of 98-9. However, exception is taken to the condition, effect, cause, and recommendation cited by the Auditor.

In effect, 24 CFR part 882.106 address concerns regarding initial contract rents. Under paragraph (b) of this section rent reasonableness limitation is discussed in detail. Moreover, 24 CFR part 882.108 address concerns regarding rent adjustments. Paragraph (a) of this section states in part that "Contract Rents shall be adjusted as provided in paragraphs (a) (1) and (2) of this section upon request to the PHA by the owner. However, the unit must be in Decent, Safe and Sanitary condition and the owner must otherwise be in compliance with the terms of the lease and the contract. Subject to the foregoing and paragraph 882.106 (b) (the rent reasonableness limitations) adjustments to contract rents shall be as follows:

- (1) Annual adjustments, (i) annual adjustments as of any anniversary date shall be determined by using the applicable Section 8 Annual Adjustment Factor (24 CFR part 888) most recently published by HUD in the Federal Register.
- (ii) Contract Rents may be adjusted upward or downward, as may be appropriate. However in no case shall the adjusted rent be less than the Contract Rent on the effective date of the Contract".

Moreover, **Section 11 D Rent Reasonableness Determination** of HANO's HAPHOP Administrative Plan states in part that "Rent Reasonableness determinations are made when units are placed under HAP Contract for the first time, when owners request annual or special contract rent adjustments under the Certificate Program, and when an owner requests a rent increase for the voucher program. Also, rent reasonableness will be performed when the regulations require it if there has been at least a 5% decrease in the FMR that is in effect 60 days prior to the HAP Contract anniversary date vs. the FMR that was in effect one year prior to the anniversary date of the HAP Contract.

We (HANO) are complying with the 24 CFR parts 882 and 982 and its policy and procedures set forth in the Administrative Plan. To this end, all annual re-certifications including annual HQS inspections and rent adjustments are approved by the case workers and inspectors supervisors. Additionally, we perform quality control on 10% of all transactions stated above.

In effect, rent reasonableness determination documentation was present in all thirty (30) files reviewed by the Auditors.

Contact Person

Gary LeBlanc

Reference Number

98-10

Management Response

The Housing Authority of New Orleans, conducted a timely solicitation of an IPA to perform the annual audit. However, the absence of key personnel due to serious illness in the finance department during crucial reporting periods and the change of the personnel in the position of Chief Financial Officer contributed to unforeseen and unusual delays.

Contact Person

Reneé Johnson

Reference Number

98-11

Management Response

The Housing Authority of New Orleans has implemented a record retention policy and is currently maintained. In addition complete working files are being maintained for all current year reports.

Contact Person

Connie Hill

Reference Number

98-12

Management Response

Management is in the process of developing and implementing a monitoring system for the bi-monthly random review of approved purchase orders in excess of \$10,000 for proper signatory authority.

Contact Person

Brenda Breaux

Reference Number

98-13

Management Response

A new system has been created under the standard operating procedures, which addresses HUD Form 50058. Compliance with this procedure is reviewed on an ongoing basis.

Contact Person

Benjamin Bell

Reference Number

98-14

Management Response

The Housing Authority of New Orleans has implemented a record retention policy and is currently maintained. In addition, complete working files are being maintained for all current year reports.

Contact Person

Connie Hill

Reference Number

98-15

Management Response

The Housing Authority of New Orleans has implemented a complete documented cost allocation methodology effective October 1, 1998.

Contact Person

Connie Hill

Reference Number

98-16

Management Response

The Housing Authority of New Orleans is working with a consultant in an effort to reconcile the home ownership tenant accounting subledgers with the general ledger. This task will be completed for the fiscal year ending September 30, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
STATUS OF AUDIT FINDINGS
FOR
FISCAL YEAR ENDING SEPTEMBER 30, 1997

Listed below are the findings for the fiscal year ending September 30, 1997. All findings relative to material weaknesses, reportable conditions and other recommendations were cleared by the Department of Housing and Urban Development (HUD) as of August 18, 1999.

Reference Number

97-1

Status

Cleared.

Reference Number

97-2

Status

Cleared.

Reference Number

97-3

Status

Cleared.

Reference Number

97-4

Status

Cleared.

Recommendation

We recommend that management establish subsidiary ledgers for all significant accounts and perform monthly reconciliations of the balances in these accounts as reflected on the subsidiary ledgers to the applicable general ledger control account. The reconciliation process should include identification of the composition of the accounts. The reconciliations should be prepared in writing and all reconciling items should be documented and the necessary corrections made to

the subsidiary ledgers or journal vouchers prepared and posted to the general ledger as applicable on a timely basis.

Management's Response

The Housing Authority of New Orleans is working with a consultant in an effort to establish subsidiary ledgers for all significant accounts. This task should be completed by December 31, 1998.

Update

The work on the subsidiary ledgers is still in process. This task should be completed by September 30, 1999.

Reference Number

97-5

Status

Cleared.

Recommendation

We recommend that the set-up and configuration of the summary reports used to prepare the HUD financial statements be reviewed for propriety and that the HUD reports when completed be reconciled to the Trial Balance Fund Detail. Additionally, we recommend that the reports be reviewed by a designated person at a supervisory level independent of the report preparation process to ensure propriety and clerical accuracy.

Additionally, we recommend that the financial management staff verify that there are no unposted accounting transactions existing in the various accounting software modules utilized by HANO prior to closing to ensure the completeness of its financial statements.

Management's Response

The Housing Authority of New Orleans has instituted measures to insure the accuracy of reports and the completed posting of all monthly activity.

Update

On going.

Reference Number

97-6

Status

Cleared.

Recommendation

We recommend that interfund advances (receivables/payables) be reviewed by a designated individual on a monthly basis and reimbursed on a timely basis.

Management's Response

An Accountant Supervisor reviews interfund receivables/payables. The reimbursement of funds is done monthly.

Update

An Accountant Supervisor reviews interfund receivables/payables. The reimbursement of funds is done monthly.

Reference Number

97-7

Status

Cleared.

Recommendation

We recommend that HANO's current accounting policies and procedures utilized for the Homeownership program be evaluated for adequacy and that those procedures include but not limited to:

- o Monthly reconciliation of the homebuyers investment account to the corresponding liability account;
- o Monthly reconciliation of the detail of homebuyers investments to the applicable general ledger control account;
- o Periodic reconciliation of the proceeds from the sale of homeownership units as reflected on the general ledger to the supporting sales documents; and
- o Timely recordation to remove the carrying value of homeownership units sold from the books and records of HANO.

Management's Response

The Housing Authority of New Orleans agrees with this recommendation and will institute recommended changes immediately.

Update

The Housing Authority of New Orleans is still in the process of reconciling the Homebuyers accounts. Upon completion of the reconciliations the recommended changes will be instituted. The reconciliation will be completed by May 31, 1999.

Reference Number

97-8

Status

Cleared.

Recommendation

We recommend that HANO establish procedures for the valuation of demolished units and the proper recordation thereof.

Management's Response

The Finance Department of the Housing Authority of New Orleans has reviewed and accepted the valuation method prescribed by its IPA performing the 1996 annual audit. The same basis shall be used to write off any future buildings that are demolished.

Update

Ongoing.

Reference Number

97-9

Status

Cleared.

Update

The Department of Housing and Urban Development has mandated that all housing agencies convert to the GAAP method of accounting as of September 30, 1999.

Reference Number

97-10

Status

Cleared.

Recommendation

We recommend that management institute procedures to improve the flow of accounting data to ensure the accuracy and timeliness in recordation of accounting transactions. Furthermore, periodic review of the various reports prepared to include financial statements should minimize the untimely identification of material transactions requiring resolution.

Management's Response

The Housing Authority of New Orleans has contracted with a consultant to establish procedures that will ultimately address this recommendation.

Update

The Housing Authority of New Orleans has contracted with a consultant to establish procedures that will ultimately address this recommendation.

Reference Number

97-11

Status

Cleared.

Recommendation

We recommend supporting documentation be retained for all cash disbursements and be attached to the cash disbursement voucher and properly filed. Additionally, general ledger account coding should be reviewed for propriety.

Management's Response

Accounts payable procedures are already in place to address this recommendation.

Update

On going.

Reference Number

97-12

Status

Cleared.

Reference Number

97-13

Status

Cleared.

Reference Number

97-14

Status

Cleared.

Recommendation

We recommend that all documentation to support the PFS Operating Subsidy calculation be retained. Procedures should be implemented to ensure that HANO's PFS subsidy is calculated in accordance with HUD Handbook 7475.13.

In addition, the process should ensure the accuracy of information submitted to HUD via the necessary supervisory reviews.

Management's Response

A hard copy as well as a computerized copy of supporting documentation will be maintained to support calculations of the other income component of PFS subsidy calculation.

Update

Procedures have been implemented to insure that all supporting documentation is reviewed for accuracy and maintained.

Reference Number

97-15

Status

Cleared.

Recommendation

We recommend that supporting documentation be retained and reconciled to all related aspects of the PHMAP Certification.

Management's Response

Supporting documentation for all cash reserves related to PHMAP are currently kept in the Accounting Department.

Update

Maintenance of supporting documentation for cash reserves related to PHMAP is on going.

Reference Number

97-16

Status

Cleared.

Reference Number

97-17

Status

Cleared.

Recommendation

We recommend that the necessary process be instituted to facilitate the timely submission of future reports.

Management's Response

The Housing Authority of New Orleans, conducted a timely solicitation of an IPA to perform the annual audit. Staff produced its unaudited reports within the deadline required by its funding source the Department of Housing and Urban Development. However, the logistics of changing IPAs and the relocation of its former IPA out of the state of Louisiana caused unforeseen and unusual delays. This problem will not occur for the 1998 audit since the IPA is already procured and is currently performing the 1997 audit.

Update

The Housing Authority of New Orleans, conducted a timely solicitation of an IPA to perform the annual audit. The submission of future reports is not anticipated to present a delay of this magnitude. Changes in key positions of finance personnel has occurred which has coincided with crucial reporting periods. The correction of errors has caused the subsequent revision of unaudited reports. HANO staff is currently revising and implementing processes to mitigate circumstances which lead to a delay in the submission of future reports.

Reference Number

97-18

Status

Cleared.

Recommendation

We recommend that management record all proposed audit adjustments on a timely basis and any concerns regarding proposed audit adjustments be resolved prior to management's authorization for release of those audited financial statements. Additionally, it is recommended that management reconcile the balances in those reports to its books and records

Management's Response

We agree with this recommendation and will institute procedures to insure timely posting of all audit adjustments as well as reconcile audit reports to the general ledger.

Update

On going.

Reference Number

97-19

Status

Cleared.

Reference Number

97-20

Status

Cleared.

Recommendation

We recommend that management evaluate the effectiveness of the finance department toward preventing recurrences of audit findings and reportable conditions and to achieve significant improvement in internal control.

Management's Response

The Housing Authority of New Orleans has contracted with a consultant to address proactive approaches to eliminate audit findings.

Update

On going.

Reference Number

97-21

Status

Cleared.

Recommendation

We recommend that a land, structures and equipment subsidiary ledger be maintained inclusive of all land, structures and equipment and that the subsidiary ledger amount be reconciled to all applicable general ledger control account amounts.

Management's Response

The Land, Structures, and Equipment account has always had a subsidiary ledger that is reconciled on a monthly basis.

Update

Ongoing.

HOUSING AUTHORITY OF NEW ORLEANS
STATUS OF PRIOR AUDIT FINDINGS
FISCAL YEAR ENDING 1996

Listed below are the findings for the fiscal year ending September 30, 1996. All findings relative to material weakness, reportable conditions and other recommendations were cleared by the Department of Housing and Urban Development (HUD) as of October 21, 1998.

Reference Number

96-1

Status

Cleared.

Recommendation

Maintain supporting documentation for all accounting transactions. Improve the administrative filing and retention of important documentation.

Reference Number

96-2

Status

Cleared.

Recommendation

Improve communication between the finance and budgeting departments to ensure that all financial information and plans are accurate.

Reference Number

96-3

Status

Cleared.

Recommendation

Designate a person in each department to monitor compliance with laws and regulations.

Reference Number

96-4

Status

Cleared.

Recommendation

Review all receivable balances periodically for collectibility.

Reference Number

96-5

Status

Cleared.

Recommendation

Maintain subsidiary ledgers for all general ledger accounts. Perform monthly reconciliations of subsidiary ledgers to the general ledger.

Reference Number

96-6

Status

Cleared.

Recommendation

Reconcile the interfund receivable and payable balances monthly.

Reference Number

96-7

Status

Cleared.

Recommendation

Reconcile the homebuyers investment and liability accounts.

Reference Number

96-8

Status

Cleared.

Recommendation

Maintain a current ledger of all contract retentions.

Reference Number

96-9

Status

Cleared.

Recommendation

Ensure that bank reconciliations are prepared properly and that reconciling items are resolved timely.

Reference Number

96-10

Status

Cleared.

Recommendation

Ensure that all unused bank accounts are closed on a timely basis.

Reference Number

96-11

Status

Cleared.

Recommendation

Ensure that modernization programs are officially closed out on a timely basis.

Reference Number

96-12

Status

Cleared.

Recommendation

Maintain copies of the pledged collateral reports from financial institutions.

Reference Number

96-13

Status

Cleared.

Recommendation

Maintain comprehensive contract files on all contracted services, including evidence of competitive bidding, invoices, purchase orders, receiving reports, etc.

Reference Number

96-14

Status

Cleared.

Recommendation

Implement procedures to ensure that all contract administration processes are completely and uniformly performed and documented.

Reference Number

96-15

Status

Cleared.

Recommendation

Ensure that all supporting documentation is maintained and organized and that all participants files are current and complete.

Reference Number

96-16

Status

Cleared.

Recommendation

Submit revised budgets to HUD for the Section 8 Program as required by HUD Notice PIH 94-6.

Reference Number

96-17

Status

Cleared.

Recommendation

Electronically submit Form HUD-50058 for Section 8 participants as required by HUD Notice PIH 96-20.

Reference Number

96-18

Status

Cleared.

Recommendation

Obtain an audit in accordance with the Public and Indian Housing (PIH) Compliance Supplement (PIH 95-31) for the year ended September 30, 1996.