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HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

**REPORT ON AUDIT OF FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

FOR THE YEAR ENDED SEPTEMBER 30, 1999



MALCOLM P. JOHNSON, CPA

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EXECUTIVE SUMMARY

The Housing Authority of New Orleans (HANO) continues to make significant improvements in virtually every area of its operations and services. During the course of the next year, HANO's operational efforts will be guided by a 12-Month Transition "Bridge Plan" to define the agency's major work efforts in fiscal year 2000. The Bridge Plan is centered around key priorities which include: finalizing HANO's asset management strategy; continuing the revitalization of HANO properties; preparing for PHAS and SEMAP performance review; implementing additional Section 504/ADA measures; and expanding resident initiatives. Additionally, during the course of the next several months, HANO will develop a comprehensive Agency 5-Year Plan as required by the Quality Housing and Work Responsibility Act of 1998.

Central to HANO's asset management strategy is a transition plan responsive to the revitalization strategy unique to each individual site. Significant changes are anticipated as management transitions occur during the 2000 fiscal year---revitalization and private property management at three developments and resident management at two developments. HANO's revitalization efforts mark an unprecedented level of capital improvement to enhance the quality of life for residents of public housing. A wide spectrum of revitalization activities are underway throughout the HANO portfolio---demolition, dedensification, relocation, comprehensive modernization and redevelopment.

A key component of the asset management strategy is a financial management and reporting system that provides detailed data specific to each individual property. Monthly project based financial statements and capital improvement reports are prepared to manage budget versus actual financial activity. HANO is currently engaged in the re-assessment of all expenditures necessary to support and operate HANO properties, facilities, modernization and construction, and the central office. The results of the re-assessment will continue to allow for the improvement of HANO's financial condition.

The Housing Authority of New Orleans must build upon the solid foundation of agency accomplishment, resident collaboration and community support that has been developed to continue to be successful in the future. Although many challenges and resource limitations lie ahead, a fundamental focus on the comprehensive revitalization of Public Housing in the City of New Orleans will move HANO confidently and assertively into the future.


Benjamin R. Bell
Interim Executive Director

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INDEPENDENT AUDITOR'S REPORT

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

HUD, Louisiana State Office
Hale Boggs Federal Building
501 Magazine Street, 9th Floor
New Orleans, Louisiana 70130-3099

We have audited the financial statements of the Housing Authority of New Orleans as of and for the year ended September 30, 1999, as listed in the table of contents. These financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and generally accepted government auditing standards, issued by the Comptroller 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

As more fully discussed in Note P to the financial statements and in finding number 99-3, we were unable to extend our audit procedures sufficiently to satisfy ourselves about the validity of opening balances of Land, Buildings and Equipment and Fund Equity as of October 1, 1998.

In our opinion, except for the effects of the item referred to in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of New Orleans as of September 30, 1999, and the results of its operations and the changes in its net assets for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued in the Single Audit Section of our report dated March 30, 2000, on our consideration of the Housing Authority of New Orleans's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards in the Single Audit Section of our report is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audits of State, Local Governments and Non-Profit Organizations, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information as listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements. This supplemental information was prepared in conformity with the accounting practices prescribed by the U. S. Department of Housing and Urban Development, which is a comprehensive basis of accounting other than generally accepted accounting principles. Such information in these schedules has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in conformity with the comprehensive basis of accounting required by the U. S. Department of Housing and Urban Development.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The Financial Data Schedule will be issued under separate cover and is presented for the purposes of additional analysis. It is not a required part of the basic financial statements.


Certified Public Accountant

DeBary, Florida
March 30, 2000

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT OF NET ASSETS
SEPTEMBER 30, 1999

ASSETS

CURRENT ASSETS:

Cash and cash equivalents

Cash - unrestricted	\$ 17,299,767
Cash - restricted participant equity	1,341,938
Cash - tenant security deposits	757,588
Total cash	<u>19,399,293</u>

Accounts and notes receivables:

Accounts receivable - U.S. Department of HUD	7,110,144
Accounts receivable - other governments	149,403
Accounts receivable - miscellaneous	1,092,909
Accounts receivable- tenants - dwelling rents	435,963
Allowance for doubtful accounts - dwelling rents	(123,649)
Total receivables, net of allowances for doubtful accounts	<u>8,664,770</u>

Prepaid expenses and other assets

183,603

Inventories

937,804

Interprogram - due from

3,505,334

TOTAL CURRENT ASSETS

32,690,804

NONCURRENT ASSETS:

Fixed assets:

Land	22,525,241
Buildings	284,912,506
Furniture, equipment & machinery - dwellings	6,893,064
Furniture, equipment & machinery - administration	23,578,742
Accumulated depreciation	(222,817,761)
Total fixed assets, net of accumulated depreciation	<u>115,091,792</u>

Other non-current assets:

Other assets	799,734
Undistributed debits	300,265

TOTAL NONCURRENT ASSETS

116,191,791

TOTAL ASSETS

\$ 148,882,595

LIABILITIES AND NET ASSETS

LIABILITIES:

CURRENT LIABILITIES:

Vendors payable	7,039,434
Retainages payable	1,718,861
Accrued wage/payroll taxes payable	739,974
Accrued compensated absences	1,719,762
Accrued contingency liability	7,607,419
Accounts Payable - HUD PHA Programs	8,014,358
Accounts payable - other government	333,338
Tenant security deposits	757,588
Deferred revenue	64,636
Other current liabilities	294,724
Accrued liabilities - other	1,127,628
Interprogram - due to	<u>3,505,334</u>

TOTAL CURRENT LIABILITIES

32,923,056

NONCURRENT LIABILITIES:

Long-term portion of contingent liabilities	15,275,000
Non-current liabilities- other	<u>2,441,937</u>

TOTAL NONCURRENT LIABILITIES

17,716,937

TOTAL LIABILITIES

50,639,993

NET ASSETS:

Unrestricted	(16,972,371)
Restricted	115,214,973
TOTAL NET ASSETS	<u>98,242,602</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 148,882,595

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

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

REVENUE:

Net tenant rental revenue	10,699,900
Tenant revenue - other	141,435
Total tenant revenue	10,841,335
HUD PHA grants	70,687,918
Capital contributions	--
Investment income - unrestricted	480,829
Other revenue	1,003,044
Gain or loss on sale of fixed assets	(294,709)
TOTAL REVENUE	82,718,417

EXPENSES:

Administrative

Administrative salaries	7,413,366
Auditing fees	175,308
Compensated absences	9,338
Employee benefit contributions- administrative	2,152,701
Other operating- administrative	5,893,386

Tenant services

Tenant services - salaries	365,625
Relocation costs	498,947
Employee benefit contributions- tenant services	74,704
Tenant services - other	6,582,838

Utilities

Water	6,464,779
Electricity	7,488,608
Gas	2,366,990

Ordinary maintenance & operation

Ordinary maintenance and operations - labor	9,978,067
Ordinary maintenance and operations - materials & other	1,584,197
Ordinary maintenance and operations - contract costs	3,960,911
Employee benefit contributions- ordinary maintenance	2,292,323

Protective services

Protective services- other contract costs	906,802
Protective services - other	(2,728)

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(Continued)

General expenses	
Insurance premiums	3,674,821
Other general expenses	5,884
Payments in lieu of taxes	46,556
Bad debt - tenant rents	225,881
Severance expense	122,288
TOTAL OPERATING EXPENSES	<u>62,281,592</u>
 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	 <u>20,436,825</u>
 Extraordinary maintenance	133,227
Casualty losses - non capitalized	(1,612)
Housing assistance payments	23,353,167
Depreciation expense	15,061,535
TOTAL EXPENSES	<u>100,827,909</u>
 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER/(UNDER) TOTAL EXPENSES	 <u>(18,109,492)</u>
 NET ASSETS - BEGINNING OF YEAR	 76,076,150
Prior period adjustments and equity transfers	(802,078)
Adjusted net assets - beginning of year	<u>75,274,072</u>
 Capital contributions to equity	 <u>41,078,022</u>
 NET ASSETS - END OF YEAR	 <u>\$ 98,242,602</u>

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

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999

NOTE A - Summary of Significant Accounting Policies and Organization:

1. Organization:

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 subsidized by the U. S. Department of Housing and Urban Development through annual contribution contracts related to specific programs.

2. Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Codification of Governmental Accounting and Financial Reporting Standards and Statement No. 14, of the Governmental Accounting Standards Board, The Financial Reporting Entity. These criteria include manifestation of oversight responsibility; including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential for dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE A - Summary of Significant Accounting Policies and Organization:
(Continued)

Based upon the application of these criteria, the reporting entity is composed of the following programs which includes all component units:

HOUSING AUTHORITY OF NEW ORLEANS

- Low-Income Public Housing under Annual Contributions Contract FW-1190 and related programs for development, modernization, community development and resident assistance.
- Section Eight rental assistance program as follows:

Rental Certificates	FW-2053
Rental Vouchers	FW-2217
Moderate Rehabilitation	FW-2147
Single room Occupancy	FW-2053
New Construction	FW-2201
- Locally owned Homeownership program
- Resident managed Low-Income Public Housing

3. Basis of Presentation and Accounting:

In accordance with both Louisiana State Reporting Law (LAS-R.S.24:514) and uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

In prior years, HANO followed the governmental GAAP reporting methodology. In the fiscal year beginning October 1, 1998, based upon compelling reasons offered by the U.S. Department of HUD, HANO converted its reporting to the enterprise method. The enterprise method emphasizes the flow of economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. HANO applies all applicable FASB pronouncements in accounting and reporting.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE A - Summary of Significant Accounting Policies and Organization:
(Continued)

The enterprise method is used to account for those operations that are financed and operated in a manner similar to private business, or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Various schedules presented in the HUD Supplemental Section of this report are reported on an other comprehensive basis of accounting as prescribed by the U.S. Department of HUD, in order to meet specific analytical objectives.

4. Budgets:

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

5. Cash Equivalents:

Cash equivalents consist principally of cash in checking accounts, savings accounts and certificates of deposit. They are stated at cost, which approximates market value.

6. Interfund Receivables and Payables

Interfund receivables/payables are all current, and are the result of the use of the Public Housing Program as the common paymaster for shared costs of HANO. Cash settlements are made periodically, and all interfund balances are reconciled.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE A - Summary of Significant Accounting Policies and Organization:
(Continued)

7. Investments:

Investments, if any, are recorded at lower of cost or market. Investment instruments consist only of items specifically approved for public housing agencies by the U.S. Department of Housing and Urban Development. It is HANO's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Louisiana.

8. Inventories:

Inventories are valued at cost using the first in, first out (FIFO) method. If inventory falls below cost due to damage, deterioration or obsolescence, HANO establishes an allowance for obsolete inventory. HANO relies upon its periodic (annual) inventory for financial reporting purposes.

9. Prepaid Items:

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

10. Restricted Assets:

Certain assets may be classified as restricted assets on the balance sheet because their use is restricted for modernization programs, security deposits held in trust, Family Self-sufficiency Escrow and homebuyers reserves.

11. 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.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE A - Summary of Significant Accounting Policies and Organization:
(Continued)

12. Fair Value of Financial Instruments:

The carrying amount of HANO's financial instruments at September 30, 1999 including cash, investments, account receivable, and accounts payable closely approximates fair value.

13. Allowance for Doubtful Accounts:

HANO, in the current year, has established an allowance for doubtful accounts in accordance with GAAP requirements. This allowance has no material impact upon HANO's financial position.

14. Fixed Assets:

a. Book Value:

All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost.

Donated fixed assets are recorded at their fair value at the time they are received.

All normal expenditures of preparing an asset for use are capitalized.

b. Depreciation:

Pursuant to the enterprise GAAP method, the cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method.

Depreciation commences on modernization and development additions in the year following completion, or in the fifth year if the program is 90% complete.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

Summary of Significant Accounting Policies and Organization:
(Continued)

4. Fixed Assets: (Continued)

b. Depreciation: (Continued)

The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	27 1/2 years
Building modernization	10 years
Vehicles	5 years
Equipment	5 years

c. Maintenance and Repairs Expenditures:

Maintenance and repairs expenditures are charged to operations when incurred. Betterments in excess of \$500 are capitalized. When land, buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

d. Impairment of Long-Lived Assets:

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, 1999, 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.

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HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE B - Cash and Temporary Cash Investments: (Continued)

2. The three credit risk categories are defined as follows:

- (1) Insured or collateralized with securities held by the entity or by its agent (correspondent bank or Federal Reserve Bank) in the entity's name.
- (2) Collateralized with securities held by the pledging financial institution trust department or agent in the entity's name.
- (3) Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

3. At September 30, 1999, cash and temporary cash investments consist of the following:

	<u>Credit Risk Category</u>			<u>Market Value</u>	<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Demand deposits	\$13,118,200	\$ -	\$ -	\$13,118,200	\$13,118,200
Certificates of deposit	<u>6,281,093</u>	<u>-</u>	<u>-</u>	<u>6,281,093</u>	<u>6,281,093</u>
	<u>\$19,399,293</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$19,399,239</u>	<u>\$19,399,239</u>

The bank balances of these deposits totaled \$20,396,909.

NOTE C - Accounts Receivable:

Accounts receivable miscellaneous at September 30, 1999, consist of the following:

Note receivable – Art Guild	\$ 791,440
Grant funded compensated absences	171,650
Other grants	106,575
Other	<u>23,244</u>
	<u>\$1,092,909</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE C - Accounts Receivable: (Continued)

The Note Receivable from the Arts Guild consists of a promissory note dated August 28, 1998 for \$791,440. Subsequently, the Arts Guild made principal reductions of \$323,200 and replaced the former promissory note with a new non-interest bearing promissory note dated December 23, 1999. The full principal is due in 6 installments, ending on June 23, 2000. The notes were received in consideration of sale of the former HANO administration building at 918 Corondolet Street, New Orleans, Louisiana.

NOTE D - Land, Buildings and Equipment:

	<u>Audited Balance September 30, 1998</u>	<u>Adjustments to restate beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>
Land	\$ 22,518,793	\$ -	\$ -	\$ -
Buildings	283,081,742	10,091,413	49,218,997	28,583,825
Equipment	-	1,631,093	156,048	204,709
Accumulated Depreciation	-	(207,756,221)	(5,061,539)	-
	<u>\$ 305,600,535</u>	<u>\$(196,033,715)</u>	<u>\$34,313,506</u>	<u>\$ 28,788,534</u>

*Restatement consists of the following:

Soft cost writeoffs	\$(52,260,404)
Pre FY 1999 demolition	(22,955,285)
Prior year depreciation	(207,756,221)
Prior year audit adjustments not made to the books	<u>86,938,195</u>
	<u>\$(196,033,715)</u>

**Balance
September 30,
1999**

\$ 22,518,793

313,808,327

1,582,432

(222,817,760)

\$ 115,091,792

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE D - Land, Buildings and Equipment: (Continued)

In fiscal year 1999, HANO underwent a major reconciliation of its Land, Building and Equipment accounting records. The primary focus was to ensure that ending balances as of September 30, 1999, were correctly stated in conformity with generally accepted accounting principles. HANO contracted with outside agencies in these areas in order to accomplish this goal.

HANO has received approval from HUD for the demolition of several structures. HANO completed destruction of the structures with an estimated carrying value of \$28,686,125 during the year ended September 30, 1999. At September 30, 1999, 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 \$61,247,119. 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.

NOTE E - Other Noncurrent Assets:

Other noncurrent assets at September 30, 1999 consist of costs associated with modernization and grant programs which have not been assigned to a budgetary line item. HANO is currently in process of analyzing and reclassifying these balances.

NOTE F - Accounts Payable – Other Governments:

Amounts due to other governments at September 30, 1999, consist of the following:

	<u>Homeownership</u>
Payment in Lieu of Taxes (PILOT) to the City of New Orleans	\$ <u>333,338</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE G - Annual Contributions by Federal Agencies:

Annual Contributions Contract FW-1190 - Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget. Operating subsidy contributions for the year ended September 30, 1999, were \$30,394,450 for the main Low-Income Public Housing Program and \$3,943,883 for the Resident managed program.

Annual Contributions Contracts - The Section Eight Annual Contributions Contracts provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense. HANO is also eligible to receive reimbursements for preliminary expenses prior to lease up.

HUD contributions for the year ended September 30, 1999, were as follows:

FW-2053 Rental Certificates	\$19,265,572
FW-2217 Rental Vouchers	4,130,879
FW-2147 Moderate Rehabilitation	1,556,695
FW 2053 Single Room Occupancy	141,971
FW-2201 New Construction	<u>1,322,781</u>
	<u>\$26,417,898</u>

NOTE H - 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. On March 2, 2000, legal counsel estimates that exposure to HANO approximates \$12,000,000 as of September 30, 1999. HANO's former policy was to recognize losses related to the self-insurance programs and litigation based on the annual budget for such claims. HANO now recognizes such losses in the period in which they occur.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE I - Contingent Liabilities:

Contingent Liabilities at September 30, 1999, consist of the following:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Settled claims	\$6,967,259	\$ 3,275,000	\$10,242,259
Interest payable or settled claims	640,160	-	640,160
Pending claims	-	12,000,000	12,000,000
	<u>\$ 7,607,419</u>	<u>\$15,275,000</u>	<u>\$22,882,419</u>

NOTE J - 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 period in which it is earned, in accordance with generally accepted accounting principles.

At September 30, 1999 total leave to be paid upon termination is \$1,719,762.

NOTE K - 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 employee's salary until September 30, 1991. On October 1, 1991, the plan was amended to increase HANO's contribution rate to 5% of the covered employee's salary. Total contributions for the year ended September 30, 1999 amounted to \$739,852 (5% of total covered payroll for the year ended September 30, 1999.)

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE L - Concentration of Credit Risk:

HANO receives approximately 90% of its revenues from the U. S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD falls below critical levels, HANO's operating results could be adversely affected.

NOTE M - Related Parties:

HANO's Low-Income Public Housing Program acts as a common pay master for all the entities of HANO and periodically receives reimbursement from them. Certain other expenditures are also paid by HANO's Low-Income Public Housing program and are later reimbursed. At September 30, 1999, receivables and payables between these programs are reflected in the financial statements as "Interprogram - due from" and "Interprogram - due to" These accounts net zero.

NOTE N - Contingencies:

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended September 30, 1999.

NOTE O - Subsequent Events:

As of March 30, 2000, private development revitalization agreements have been approved for three of HANO developments—St. Thomas, Desire and C.J. Peete. In addition, a resident management agreement for the Guste development has been approved.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 1999
(Continued)

NOTE P - Adjustments to Beginning Net Assets and Land, Buildings and Equipment:

1. Net Assets and Land, Buildings and Equipment at the beginning of the 1999 fiscal year have 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, 1999.
2. The books of account were converted in the current year from an other comprehensive basis of accounting prescribed by HUD to the enterprise method, which follows generally accepted accounting principles. This resulted in numerous and large adjustments to restate beginning balances.

NOTE Q - Unrestricted Net Deficit:

The unrestricted net deficit is attributable to two main considerations. The first is the cumulative effects of prior year accounting errors in modernization program and interprogram transactions. Second is the conversion of the books to generally accepted accounting principles in the current year. Since historical comparison on an enterprise GAAP basis is not possible, it is helpful to consider the current financial statements in the former HUD method. In so doing, it can be seen that the low-income public housing program would have an operating reserve level of approximately \$8,200,000, which would be considered adequate by former HUD analytical standards. It is the intention of HANO's management to reduce and eventually eliminate this deficit through future operational excesses of revenues.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS - ALL PROGRAMS
SEPTEMBER 30, 1999

ASSETS	Total Public Housing Programs	Total Modernization Programs	Total Section Eight Programs
CURRENT ASSETS:			
Cash and cash equivalents			
Cash - unrestricted	\$ 8,145,776	\$ 77,989	\$ 8,430,725
Cash - restricted participant equity	--	--	--
Cash - tenant security deposits	644,559	--	--
Total cash	8,790,335	77,989	8,430,725
Accounts and notes receivables:			
Accounts receivable - U.S. Department of HUD	329,492	6,393,872	386,780
Accounts receivable - other governments	--	--	149,403
Accounts receivable - miscellaneous	814,684	171,650	--
Accounts receivable- tenants - dwelling rents	303,712	--	--
Allowance for doubtful accounts - dwelling rents	(79,409)	--	--
Total receivables, net of allowances for doubtful accounts	1,368,479	6,565,522	536,183
Prepaid expenses and other assets	183,603	--	--
Inventories	937,804	--	--
Interprogram - due from	3,466,889	32,762	5,683
TOTAL CURRENT ASSETS	14,747,110	6,676,273	8,972,591
NONCURRENT ASSETS:			
Fixed assets:			
Land	21,860,160	6,448	--
Buildings	186,812,890	92,625,569	--
Furniture, equipment & machinery - dwellings	5,801,645	1,091,419	--
Furniture, equipment & machinery - administrative	18,794,276	4,029,233	585,342
Accumulated depreciation	(188,084,900)	(28,997,446)	(397,019)
Total fixed assets, net of accumulated depreciation	45,184,071	68,755,223	188,323
Other non-current assets:			
Other assets	118,622	681,112	--
Undistributed debits	300,265	--	--
TOTAL NONCURRENT ASSETS	45,602,958	69,436,335	188,323
TOTAL ASSETS	\$ 60,350,068	\$ 76,112,608	\$ 9,160,914

Locally owned Home- Ownership Program	Blended Component Unit Cooper	All Programs
\$ 383,021	\$ 262,256	\$ 17,299,767
1,341,938	--	1,341,938
--	113,029	757,588
1,724,959	375,285	19,399,293
--	--	7,110,144
--	--	149,403
--	106,575	1,092,909
89,965	42,286	435,963
(32,751)	(11,489)	(123,649)
57,214	137,372	8,664,770
--	--	183,603
--	--	937,804
--	--	3,505,334
1,782,173	512,657	32,690,804
658,633	--	22,525,241
5,474,047	--	284,912,506
--	--	6,893,064
--	169,891	23,578,742
(5,274,990)	(63,406)	(222,817,761)
857,690	106,485	115,091,792
--	--	799,734
--	--	300,265
857,690	106,485	116,191,791
\$ 2,639,863	\$ 619,142	\$ 148,882,595

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS - ALL PROGRAMS
SEPTEMBER 30, 1999
(Continued)

	Total Public Housing Programs	Total Modernization Programs	Total Section Eight Programs
<u>LIABILITIES AND NET ASSETS</u>			
LIABILITIES:			
CURRENT LIABILITIES:			
Vendors payable	\$ 3,727,207	\$ 3,092,046	\$ 6,393
Retainages payable	272,950	1,445,775	--
Accrued wage/payroll taxes payable	739,974	--	--
Accrued compensated absences	1,385,540	171,650	107,837
Accrued contingency liability	7,607,419	--	--
Accounts Payable - HUD PHA Programs	--	145,625	7,868,733
Accounts payable - other government	--	--	--
Tenant security deposits	644,559	--	--
Deferred revenue	57,336	--	--
Other current liabilities	36,099	--	77,464
Accrued liabilities - other	1,112,456	--	15,172
Interprogram - due to	46,847	1,736,449	1,339,403
TOTAL CURRENT LIABILITIES	15,630,387	6,591,545	9,415,002
NONCURRENT LIABILITIES:			
Long-term portion of contingent liabilities	15,275,000	--	--
Non-current liabilities- other	336,258	763,741	--
TOTAL NONCURRENT LIABILITIES	15,611,258	763,741	--
TOTAL LIABILITIES	31,241,645	7,355,286	9,415,002
NET ASSETS:			
Unrestricted	(17,096,081)	--	(442,411)
Restricted	46,204,504	68,757,322	188,323
TOTAL NET ASSETS	29,108,423	68,757,322	(254,088)
TOTAL LIABILITIES AND NET ASSETS	\$ 60,350,068	\$ 76,112,608	\$ 9,160,914

Locally owned Home- Ownership Program	Blended Component Unit Cooper	All Programs
\$ 4,943	\$ 208,845	\$ 7,039,434
136	--	1,718,861
--	--	739,974
--	54,735	1,719,762
--	--	7,607,419
--	--	8,014,358
333,338	--	333,338
--	113,029	757,588
109	7,191	64,636
--	181,161	294,724
--	--	1,127,628
382,635	--	3,505,334
721,161	564,961	32,923,056
--	--	15,275,000
1,341,938	--	2,441,937
1,341,938	--	17,716,937
2,063,099	564,961	50,639,993
576,764	(10,643)	(16,972,371)
--	64,824	115,214,973
576,764	54,181	98,242,602
\$ 2,639,863	\$ 619,142	\$ 148,882,595

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ALL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Total Public Housing Programs	Total Modernization Programs	Total Section Eight Programs
REVENUE:			
Net tenant rental revenue	\$ 8,744,698	\$ --	\$ --
Tenant revenue - other	121,280	--	--
Total tenant revenue	8,865,978	--	--
HUD PHA grants	33,812,356	6,513,781	26,417,898
Capital contributions	--	--	--
Investment income - unrestricted	363,568	--	69,482
Other revenue	1,002,397	17	65
Gain or loss on sale of fixed assets	(294,709)	--	--
TOTAL REVENUE	43,749,590	6,513,798	26,487,445
EXPENSES:			
Administrative			
Administrative salaries	5,420,386	--	1,389,976
Auditing fees	95,460	56,456	1,342
Compensated absences	--	--	9,338
Employee benefit contributions- administrative	1,612,931	--	417,195
Other operating- administrative	2,068,684	1,810,170	659,576
Tenant services			
Tenant services - salaries	365,625	--	--
Relocation costs	--	498,947	--
Employee benefit contributions- tenant services	74,704	--	--
Tenant services - other	3,184,465	3,295,738	--
Utilities			
Water	5,774,885	--	--
Electricity	6,548,240	--	--
Gas	1,962,254	--	--
Ordinary maintenance & operation			
Ordinary maintenance and operations - labor	8,807,216	--	--
Ordinary maintenance and operations - materials &	1,437,437	--	--
Ordinary maintenance and operations - contract co:	3,811,186	25,107	--
Employee benefit contributions- ordinary maintena	2,054,384	--	--
Protective services			
Protective services- other contract costs	70,283	827,380	--
Protective services - other	(2,728)	--	--

Locally owned Home- Ownership Program	Blended Component Unit Cooper	All Programs
\$ 352,702	\$ 1,602,500	\$ 10,699,900
3,080	17,075	141,435
355,782	1,619,575	10,841,335
--	3,943,883	70,687,918
--	--	--
45,990	1,789	480,829
(242)	807	1,003,044
--	--	(294,709)
401,530	5,566,054	82,718,417
--	603,004	7,413,366
--	22,050	175,308
--	--	9,338
--	122,575	2,152,701
295,628	1,059,328	5,893,386
--	--	365,625
--	--	498,947
--	--	74,704
--	102,635	6,582,838
--	689,894	6,464,779
--	940,368	7,488,608
--	404,736	2,366,990
--	1,170,851	9,978,067
4,544	142,216	1,584,197
370	124,248	3,960,911
--	237,939	2,292,323
8,000	1,139	906,802
--	--	(2,728)

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
ALL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(Continued)

	Total Public Housing Programs	Total Modernization Programs	Total Section Eight Programs
General expenses			
Insurance premiums	\$ 3,600,304	\$ --	\$ --
Other general expenses	5,884	--	--
Payments in lieu of taxes	--	--	--
Bad debt - tenant rents	166,803	--	--
Severance expense	122,288	--	--
TOTAL OPERATING EXPENSES	47,180,691	6,513,798	2,477,427
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(3,431,101)	--	24,010,018
Extraordinary maintenance	130,490	--	--
Casualty losses - non capitalized	(1,612)	--	--
Housing assistance payments	--	--	23,353,167
Depreciation expense	6,121,916	8,660,522	49,702
TOTAL EXPENSES	53,431,485	15,174,320	25,880,296
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER/(UNDER) TOTAL EXPENSES	(9,681,895)	(8,660,522)	607,149
NET ASSETS - BEGINNING OF YEAR	22,834,668	51,243,771	555,058
Prior period adjustments and equity transfers	13,311,113	(12,259,412)	(1,416,295)
Adjusted net assets - beginning of year	36,145,781	38,984,359	(861,237)
Capital contributions to equity	2,644,537	38,433,485	--
NET ASSETS - END OF YEAR	\$ 29,108,423	\$ 68,757,322	\$ (254,088)

Locally owned Home- Ownership Program	Blended Component Unit Cooper	All Programs
\$ 2,305	\$ 72,212	\$ 3,674,821
--	--	5,884
46,556	--	46,556
32,244	26,834	225,881
--	--	122,288
<u>389,647</u>	<u>5,720,029</u>	<u>62,281,591</u>
<u>11,883</u>	<u>(153,975)</u>	<u>20,436,826</u>
--	2,737	133,227
--	--	(1,612)
--	--	23,353,167
199,056	30,339	15,061,535
<u>588,703</u>	<u>5,753,105</u>	<u>100,827,908</u>
<u>(187,173)</u>	<u>(187,051)</u>	<u>(18,109,491)</u>
1,201,421	241,232	76,076,150
(437,484)	--	(802,078)
<u>763,937</u>	<u>241,232</u>	<u>75,274,072</u>
--	--	41,078,022
<u>\$ 576,764</u>	<u>\$ 54,181</u>	<u>\$ 98,242,602</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS -
LOW-INCOME PUBLIC HOUSING PROGRAMS
SEPTEMBER 30, 1999

ASSETS	Low-Income Public Housing	Vacancy Reduction Program	Drug Elimination Program
CURRENT ASSETS:			
Cash and cash equivalents			
Cash - unrestricted	\$ 8,118,462	\$ 27,314	\$ --
Cash - restricted participant equity	--	--	--
Cash - tenant security deposits	644,559	--	--
Total cash	<u>8,763,021</u>	<u>27,314</u>	<u>--</u>
Accounts and notes receivables:			
Accounts receivable - U.S. Department of HUD	--	229,937	99,555
Accounts receivable - other governments	--	--	--
Accounts receivable - miscellaneous	813,983	701	--
Accounts receivable- tenants - dwelling rents	303,712	--	--
Allowance for doubtful accounts - dwelling rents	(79,409)	--	--
Total receivables, net of allowances for doubtful accounts	<u>1,038,286</u>	<u>230,638</u>	<u>99,555</u>
Prepaid expenses and other assets	180,914	--	--
Inventories	937,804	--	--
Interprogram - due from	3,466,889	--	--
TOTAL CURRENT ASSETS	<u>14,386,914</u>	<u>257,952</u>	<u>99,555</u>
NONCURRENT ASSETS:			
Fixed assets:			
Land	21,860,160	--	--
Buildings	179,720,758	7,092,132	--
Furniture, equipment & machinery - dwellings	5,801,645	--	--
Furniture, equipment & machinery - administration	18,639,587	145,179	9,510
Accumulated depreciation	(186,637,437)	(1,447,462)	(1)
Total fixed assets, net of accumulated depreciation	<u>39,384,713</u>	<u>5,789,849</u>	<u>9,509</u>
Other non-current assets:			
Other assets	--	--	118,622
Undistributed debits	300,265	--	--
TOTAL NONCURRENT ASSETS	<u>39,684,978</u>	<u>5,789,849</u>	<u>128,131</u>
TOTAL ASSETS	<u>\$ 54,071,892</u>	<u>\$ 6,047,801</u>	<u>\$ 227,686</u>

Technical Assistance Grants	Total (Memorandum Only)
\$ --	\$ 8,145,776
--	--
--	644,559
--	<u>8,790,335</u>
--	329,492
--	--
--	814,684
--	303,712
--	(79,409)
--	<u>1,368,479</u>
2,689	183,603
--	937,804
--	3,466,889
<u>2,689</u>	<u>14,747,110</u>
--	21,860,160
--	186,812,890
--	5,801,645
--	18,794,276
--	(188,084,900)
--	<u>45,184,071</u>
--	118,622
--	300,265
--	<u>45,602,958</u>
<u>\$ 2,689</u>	<u>\$ 60,350,068</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS -
LOW-INCOME PUBLIC HOUSING PROGRAMS
SEPTEMBER 30, 1999
(Continued)

<u>LIABILITIES AND NET ASSETS</u>	<u>Low-Income Public Housing</u>	<u>Vacancy Reduction Program</u>	<u>Drug Elimination Program</u>
LIABILITIES:			
CURRENT LIABILITIES:			
Vendors payable	\$ 3,548,004	\$ 84,994	\$ 94,209
Retainages payable	136,918	136,032	--
Accrued wage/payroll taxes payable	739,974	--	--
Accrued compensated absences	1,379,493	701	5,346
Accrued contingency liability	7,607,419	--	--
Accounts Payable - HUD PHA Programs	--	--	--
Accounts payable - other government	--	--	--
Tenant security deposits	644,559	--	--
Deferred revenue	57,336	--	--
Other current liabilities	36,099	--	--
Accrued liabilities - other	1,112,456	--	--
Interprogram - due to	--	--	--
TOTAL CURRENT LIABILITIES	<u>15,262,258</u>	<u>221,727</u>	<u>99,555</u>
NONCURRENT LIABILITIES:			
Long-term portion of contingent liabilities	15,275,000	--	--
Non-current liabilities- other	--	336,258	--
TOTAL NONCURRENT LIABILITIES	<u>15,275,000</u>	<u>336,258</u>	<u>--</u>
TOTAL LIABILITIES	<u>30,537,258</u>	<u>557,985</u>	<u>99,555</u>
NET ASSETS:			
Unrestricted	(17,088,148)	36,225	--
Restricted	40,622,782	5,453,591	128,131
TOTAL NET ASSETS	<u>23,534,634</u>	<u>5,489,816</u>	<u>128,131</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 54,071,892</u>	<u>\$ 6,047,801</u>	<u>\$ 227,686</u>

Technical Assistance Grants	Total (Memorandum Only)
\$ --	\$ 3,727,207
--	272,950
--	739,974
--	1,385,540
--	7,607,419
--	--
--	--
--	644,559
--	57,336
--	36,099
--	1,112,456
46,847	46,847
<u>46,847</u>	<u>15,630,387</u>
--	15,275,000
--	336,258
--	<u>15,611,258</u>
<u>46,847</u>	<u>31,241,645</u>
(44,158)	(17,096,081)
--	46,204,504
<u>(44,158)</u>	<u>29,108,423</u>
<u>\$ 2,689</u>	<u>\$ 60,350,068</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
LOW-INCOME PUBLIC HOUSING PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Low-Income Public Housing	Vacancy Reduction Program	Drug Elimination Program
REVENUE:			
Net tenant rental revenue	\$ 8,744,698	\$ --	\$ --
Tenant revenue - other	121,280	--	--
Total tenant revenue	8,865,978	--	--
HUD PHA grants	30,394,450	--	2,990,411
Capital contributions	--	--	--
Investment income - unrestricted	363,568	--	--
Other revenue	1,002,397	--	--
Gain or loss on sale of fixed assets	(294,709)	--	--
TOTAL REVENUE	40,331,684	--	2,990,411
EXPENSES:			
Administrative			
Administrative salaries	4,855,566	--	108,883
Auditing fees	95,460	--	--
Compensated absences	--	--	--
Employee benefit contributions- administrative	1,597,307	--	8,848
Other operating- administrative	2,015,882	--	52,637
Tenant services			
Tenant services - salaries	365,625	--	--
Relocation costs	--	--	--
Employee benefit contributions- tenant services	74,293	--	411
Tenant services - other	436,195	--	2,748,270
Utilities			
Water	5,774,885	--	--
Electricity	6,548,240	--	--
Gas	1,962,254	--	--
Ordinary maintenance & operation			
Ordinary maintenance and operations - labor	8,807,216	--	--
Ordinary maintenance and operations - materials & otl	1,437,437	--	--
Ordinary maintenance and operations - contract costs	3,811,186	--	--
Employee benefit contributions- ordinary maintenanc	2,043,067	--	11,317
Protective services			
Protective services- other contract costs	18,000	--	52,283
Protective services - other	(2,728)	--	--

Technical Assistance Grants	Total (Memorandum Only)
\$ --	\$ 8,744,698
--	121,280
--	<u>8,865,978</u>
427,495	33,812,356
--	--
--	363,568
--	1,002,397
--	(294,709)
<u>427,495</u>	<u>43,749,590</u>

455,937	5,420,386
--	95,460
--	--
6,776	1,612,931
165	2,068,684

--	365,625
--	--
--	74,704
--	3,184,465

--	5,774,885
--	6,548,240
--	1,962,254

--	8,807,216
--	1,437,437
--	3,811,186
--	2,054,384

--	70,283
--	(2,728)

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
LOW-INCOME PUBLIC HOUSING PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

(Continued)

	Low-Income Public Housing	Vacancy Reduction Program	Drug Elimination Program
General expenses			
Insurance premiums	3,600,304	--	--
Other general expenses	--	--	--
Payments in lieu of taxes	--	--	--
Bad debt - tenant rents	166,803	--	--
Severance expense	122,288	--	--
TOTAL OPERATING EXPENSES	43,729,280	--	2,982,649
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	(3,397,596)	--	7,762
Extraordinary maintenance	130,490	--	--
Casualty losses - non capitalized	(1,612)	--	--
Housing assistance payments	--	--	--
Depreciation expense	5,398,185	723,731	--
TOTAL EXPENSES	49,256,343	723,731	2,982,649
EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER/(UNDER) TOTAL EXPENSES	(8,924,659)	(723,731)	7,762
NET ASSETS - BEGINNING OF YEAR	18,937,287	3,781,650	118,622
Prior period adjustments and equity transfers	13,522,006	(203,130)	(7,763)
Adjusted net assets - beginning of year	32,459,293	3,578,520	110,859
Capital contributions to equity	--	2,635,027	9,510
NET ASSETS - END OF YEAR	\$ 23,534,634	\$ 5,489,816	\$ 128,131

Technical Assistance Grants	Total (Memorandum Only)
--	3,600,304
5,884	5,884
--	--
--	166,803
--	122,288
<u>468,762</u>	<u>47,180,691</u>
<u>(41,267)</u>	<u>(3,431,101)</u>
--	130,490
--	(1,612)
--	--
--	6,121,916
<u>468,762</u>	<u>53,431,485</u>
<u>(41,267)</u>	<u>(9,681,895)</u>
(2,891)	22,834,668
--	13,311,113
<u>(2,891)</u>	<u>36,145,781</u>
--	2,644,537
<u>\$ (44,158)</u>	<u>\$ 29,108,423</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS - CAPITAL PROGRAMS
SEPTEMBER 30, 1999

	Major Renovation of Obsolete Projects	Comprehensive Improvement Assistance Program
	<u> </u>	<u> </u>
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents		
Cash - unrestricted	\$ 77,989	\$ --
Cash - restricted participant equity	--	--
Cash - tenant security deposits	--	--
Total cash	<u>77,989</u>	<u>--</u>
Accounts and notes receivables:		
Accounts receivable - U.S. Department of HUD	84,715	885,991
Accounts receivable - other governments	--	--
Accounts receivable - miscellaneous	--	--
Accounts receivable- tenants - dwelling rents	--	--
Allowance for doubtful accounts - dwelling rents	--	--
Total receivables, net of allowances for doubtful accounts	<u>84,715</u>	<u>885,991</u>
Prepaid expenses and other assets	--	--
Inventories	--	--
Interprogram - due from	--	--
TOTAL CURRENT ASSETS	<u>162,704</u>	<u>885,991</u>
NONCURRENT ASSETS:		
Fixed assets:		
Land	--	--
Buildings	1,846,173	19,010,864
Furniture, equipment & machinery - dwellings	--	--
Furniture, equipment & machinery - administration	--	--
Accumulated depreciation	(923,087)	(9,487,548)
Total fixed assets, net of accumulated depreciation	<u>923,086</u>	<u>9,523,316</u>
Other non-current assets:		
Other assets	--	--
Undistributed debits	--	--
TOTAL NONCURRENT ASSETS	<u>923,086</u>	<u>9,523,316</u>
TOTAL ASSETS	<u>\$ 1,085,790</u>	<u>\$ 10,409,307</u>

Comprehen- sive Grant Program	HOPE VI	Total (Memorandum Only)
\$ --	\$ --	\$ 77,989
--	--	--
--	--	--
--	--	77,989
4,823,101	600,065	6,393,872
--	--	--
157,492	14,158	171,650
--	--	--
--	--	--
4,980,593	614,223	6,565,522
--	--	--
--	--	--
32,762	--	32,762
5,013,355	614,223	6,676,273
--	6,448	6,448
69,898,922	1,869,610	92,625,569
1,091,419	--	1,091,419
4,029,233	--	4,029,233
(18,586,811)	--	(28,997,446)
56,432,763	1,876,058	68,755,223
--	681,112	681,112
--	--	--
56,432,763	2,557,170	69,436,335
\$ 61,446,118	\$ 3,171,393	\$ 76,112,608

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS - CAPITAL PROGRAMS
SEPTEMBER 30, 1999
(Continued)

	Major Renovation of Obsolete Projects	Comprehensive Improvement Assistance Program
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
CURRENT LIABILITIES:		
Vendors payable	\$ 77,989	\$ --
Retainages payable	84,715	--
Accrued wage/payroll taxes payable	--	--
Accrued compensated absences	--	--
Accrued contingency liability	--	--
Accounts Payable - HUD PHA Programs	--	--
Accounts payable - other government	--	--
Tenant security deposits	--	--
Deferred revenue	--	--
Other current liabilities	--	--
Accrued liabilities - other	--	--
Interprogram - due to	--	885,991
TOTAL CURRENT LIABILITIES	162,704	885,991
NONCURRENT LIABILITIES:		
Long-term portion of contingent liabilities	--	--
Non-current liabilities- other	198,603	--
TOTAL NONCURRENT LIABILITIES	198,603	--
TOTAL LIABILITIES	361,307	885,991
NET ASSETS:		
Unrestricted	--	--
Restricted	724,483	9,523,316
TOTAL NET ASSETS	724,483	9,523,316
TOTAL LIABILITIES AND NET ASSETS	\$ 1,085,790	\$ 10,409,307

Comprehen- sive Grant Program	HOPE VI	Total (Memorandum Only)
\$ 2,624,116	\$ 389,941	\$ 3,092,046
1,319,797	41,263	1,445,775
--	--	--
157,492	14,158	171,650
--	--	--
145,625	--	145,625
--	--	--
--	--	--
--	--	--
--	--	--
681,597	168,861	1,736,449
<u>4,928,627</u>	<u>614,223</u>	<u>6,591,545</u>
--	--	--
565,138	--	763,741
<u>565,138</u>	--	<u>763,741</u>
<u>5,493,765</u>	<u>614,223</u>	<u>7,355,286</u>
--	--	--
55,952,353	2,557,170	68,757,322
<u>55,952,353</u>	<u>2,557,170</u>	<u>68,757,322</u>
<u>\$ 61,446,118</u>	<u>\$ 3,171,393</u>	<u>\$ 76,112,608</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CAPITAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Major Renovation of Obsolete Projects	Comprehensive Improvement Assistance Program
REVENUE:		
Net tenant rental revenue	\$ --	\$ --
Tenant revenue - other	--	--
Total tenant revenue	--	--
HUD PHA grants	--	--
Capital contributions	--	--
Investment income - unrestricted	--	--
Other revenue	--	--
Gain or loss on sale of fixed assets	--	--
TOTAL REVENUE	--	--
EXPENSES:		
Administrative		
Administrative salaries	--	--
Auditing fees	--	--
Compensated absences	--	--
Employee benefit contributions- administrative	--	--
Other operating- administrative	--	--
Tenant services		
Tenant services - salaries	--	--
Relocation costs	--	--
Employee benefit contributions- tenant services	--	--
Tenant services - other	--	--
Utilities		
Water	--	--
Electricity	--	--
Gas	--	--
Ordinary maintenance & operation		
Ordinary maintenance and operations - labor	--	--
Ordinary maintenance and operations - materials & other	--	--
Ordinary maintenance and operations - contract costs	--	--
Employee benefit contributions- ordinary maintenance	--	--
Protective services		
Protective services- other contract costs	--	--
Protective services - other	--	--

Comprehen- sive Grant Program	HOPE VI	Total (Memorandum Only)
\$ --	\$ --	\$ --
--	--	--
--	--	--
6,207,494	\$ 306,287	6,513,781
--	--	--
--	--	--
17	--	17
--	--	--
6,207,511	306,287	6,513,798
--	--	--
56,456	--	56,456
--	--	--
--	--	--
1,810,170	--	1,810,170
--	--	--
192,660	306,287	498,947
--	--	--
3,295,738	--	3,295,738
--	--	--
--	--	--
--	--	--
--	--	--
25,107	--	25,107
--	--	--
827,380	--	827,380
--	--	--

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
CAPITAL PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(Continued)

	Major Renovation of Obsolete Projects	Comprehensive Improvement Assistance Program
	-----	-----
General expenses		
Insurance premiums	\$ --	\$ --
Other general expenses	--	--
Payments in lieu of taxes	--	--
Bad debt - tenant rents	--	--
Severance expense	--	--
TOTAL OPERATING EXPENSES	-----	-----
 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	-----	-----
Extraordinary maintenance	--	--
Casualty losses - non capitalized	--	--
Housing assistance payments	--	--
Depreciation expense	184,617	1,901,086
TOTAL EXPENSES	-----	-----
 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER/(UNDER) TOTAL EXPENSES	-----	-----
 NET ASSETS - BEGINNING OF YEAR	374,145	19,705,062
Prior period adjustments and equity transfers	--	(12,259,412)
Adjusted net assets - beginning of year	-----	-----
Capital contributions to equity	534,955	3,978,752
 NET ASSETS - END OF YEAR	-----	-----

Comprehen- sive Grant Program	HOPE VI	Total (Memorandum Only)
\$ --	\$ --	\$ --
--	--	--
--	--	--
--	--	--
<u>6,207,511</u>	<u>306,287</u>	<u>6,513,798</u>
--	--	--
--	--	--
--	--	--
<u>6,574,819</u>	--	<u>8,660,522</u>
<u>12,782,330</u>	<u>306,287</u>	<u>15,174,320</u>
<u>(6,574,819)</u>	--	<u>(8,660,522)</u>
30,459,447	705,117	51,243,771
--	--	(12,259,412)
<u>30,459,447</u>	<u>705,117</u>	<u>38,984,359</u>
<u>32,067,725</u>	<u>1,852,053</u>	<u>38,433,485</u>
<u>\$ 55,952,353</u>	<u>\$ 2,557,170</u>	<u>\$ 68,757,322</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS - SECTION EIGHT PROGRAMS
SEPTEMBER 30, 1999

	Certificates	Vouchers
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents		
Cash - unrestricted	\$ 7,624,030	\$ 519,037
Cash - restricted participant equity	--	--
Cash - tenant security deposits	--	--
Total cash	7,624,030	519,037
 Accounts and notes receivables:		
Accounts receivable - U.S. Department of HUD	--	--
Accounts receivable - other governments	149,403	--
Accounts receivable - miscellaneous	--	--
Accounts receivable- tenants - dwelling rents	--	--
Allowance for doubtful accounts - dwelling rents	--	--
Total receivables, net of allowances for doubtful accounts	149,403	--
 Prepaid expenses and other assets		
Inventories	--	--
Interprogram - due from	3,721	--
TOTAL CURRENT ASSETS	7,777,154	519,037
 NONCURRENT ASSETS:		
Fixed assets:		
Land	--	--
Buildings	--	--
Furniture, equipment & machinery - dwellings	--	--
Furniture, equipment & machinery - administration	585,342	--
Accumulated depreciation	(397,019)	--
Total fixed assets, net of accumulated depreciation	188,323	--
 Other non-current assets:		
Other assets	--	--
Undistributed debits	--	--
TOTAL NONCURRENT ASSETS	188,323	--
 TOTAL ASSETS	\$ 7,965,477	\$ 519,037

<u>Moderate Rehabilitation</u>	<u>Single Room Occupancy & New Construction</u>	<u>Total (Memorandum Only)</u>
\$ --	\$ 287,658	\$ 8,430,725
--	--	--
--	--	--
--	<u>287,658</u>	<u>8,430,725</u>
386,780	--	386,780
--	--	149,403
--	--	--
--	--	--
--	--	--
<u>386,780</u>	<u>--</u>	<u>536,183</u>
--	--	--
--	--	--
--	1,962	5,683
<u>386,780</u>	<u>289,620</u>	<u>8,972,591</u>
--	--	--
--	--	--
--	--	--
--	--	585,342
--	--	(397,019)
--	--	<u>188,323</u>
--	--	--
--	--	--
--	--	<u>188,323</u>
<u>\$ 386,780</u>	<u>\$ 289,620</u>	<u>\$ 9,160,914</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF NET ASSETS - SECTION EIGHT PROGRAMS
SEPTEMBER 30, 1999

ASSETS	Certificates	Vouchers
CURRENT ASSETS:		
Cash and cash equivalents		
Cash - unrestricted	\$ 7,624,030	\$ 519,037
Cash - restricted participant equity	--	--
Cash - tenant security deposits	--	--
Total cash	7,624,030	519,037
Accounts and notes receivables:		
Accounts receivable - U.S. Department of HUD	--	--
Accounts receivable - other governments	149,403	--
Accounts receivable - miscellaneous	--	--
Accounts receivable- tenants - dwelling rents	--	--
Allowance for doubtful accounts - dwelling rents	--	--
Total receivables, net of allowances for doubtful accounts	149,403	--
Prepaid expenses and other assets	--	--
Inventories	--	--
Interprogram - due from	3,721	--
TOTAL CURRENT ASSETS	7,777,154	519,037
NONCURRENT ASSETS:		
Fixed assets:		
Land	--	--
Buildings	--	--
Furniture, equipment & machinery - dwellings	--	--
Furniture, equipment & machinery - administration	585,342	--
Accumulated depreciation	(397,019)	--
Total fixed assets, net of accumulated depreciation	188,323	--
Other non-current assets:		
Other assets	--	--
Undistributed debits	--	--
TOTAL NONCURRENT ASSETS	188,323	--
TOTAL ASSETS	\$ 7,965,477	\$ 519,037

<u>Moderate Rehabilitation</u>	<u>Single Room Occupancy & New Construction</u>	<u>Total (Memorandum Only)</u>
\$ 4	\$ 209	\$ 6,393
--	--	--
--	--	--
--	2,761	107,837
--	--	--
--	223,358	7,868,733
--	--	--
--	--	--
--	13,949	77,464
--	--	15,172
265,581	345,742	1,339,403
<u>265,585</u>	<u>586,019</u>	<u>9,415,002</u>
--	--	--
--	--	--
--	--	--
<u>265,585</u>	<u>586,019</u>	<u>9,415,002</u>
121,195	(296,399)	(442,411)
--	--	188,323
<u>121,195</u>	<u>(296,399)</u>	<u>(254,088)</u>
<u>\$ 386,780</u>	<u>\$ 289,620</u>	<u>\$ 9,160,914</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
SECTION EIGHT PROGRAMS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	Certificates	Vouchers
REVENUE:		
Net tenant rental revenue	\$ --	\$ --
Tenant revenue - other	--	--
Total tenant revenue	--	--
HUD PHA grants	19,265,572	4,130,879
Capital contributions	--	--
Investment income - unrestricted	66,248	820
Other revenue	14	24
Gain or loss on sale of fixed assets	--	--
TOTAL REVENUE	19,331,834	4,131,723
EXPENSES:		
Administrative		
Administrative salaries	1,224,323	130,567
Auditing fees	1,079	220
Compensated absences	8,111	963
Employee benefit contributions- administrative	363,879	42,776
Other operating- administrative	614,968	37,340
Tenant services		
Tenant services - salaries	--	--
Relocation costs	--	--
Employee benefit contributions- tenant services	--	--
Tenant services - other	--	--
Utilities		
Water	--	--
Electricity	--	--
Gas	--	--
Ordinary maintenance & operation		
Ordinary maintenance and operations - labor	--	--
Ordinary maintenance and operations - materials & other	--	--
Ordinary maintenance and operations - contract costs	--	--
Employee benefit contributions- ordinary maintenance	--	--
Protective services		
Protective services- other contract costs	--	--
Protective services - other	--	--

<u>Moderate Rehabilitation</u>	<u>Single Room Occupancy & New Construction</u>	<u>Total (Memorandum Only)</u>
\$ --	\$ --	\$ --
--	--	--
--	--	--
1,556,695	1,464,752	26,417,898
--	--	--
--	2,414	69,482
27	--	65
--	--	--
<u>1,556,722</u>	<u>1,467,166</u>	<u>26,487,445</u>

--	35,086	1,389,976
--	43	1,342
--	264	9,338
--	10,540	417,195
--	7,268	659,576

--	--	--
--	--	--
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HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
SECTION EIGHT PROGRAMS

FOR THE YEAR ENDED SEPTEMBER 30, 1999

(Continued)

	Certificates	Vouchers
General expenses		
Insurance premiums	\$ --	\$ --
Other general expenses	--	--
Payments in lieu of taxes	--	--
Bad debt - tenant rents	--	--
Severance expense	--	--
TOTAL OPERATING EXPENSES	2,212,360	211,866
 EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	 17,119,474	 3,919,857
Extraordinary maintenance	--	--
Casualty losses - non capitalized	--	--
Housing assistance payments	16,476,792	3,905,877
Depreciation expense	49,702	--
TOTAL EXPENSES	18,738,854	4,117,743
 EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER/(UNDER) TOTAL EXPENSES	 592,980	 13,980
 NET ASSETS - BEGINNING OF YEAR	 670,643	 63,189
Prior period adjustments and equity transfers	(1,411,410)	(8,266)
Adjusted net assets - beginning of year	(740,767)	54,923
 Capital contributions to equity	 --	 --
 NET ASSETS - END OF YEAR	 \$ (147,787)	 \$ 68,903

Moderate Rehabilitation	Single Room Occupancy & New Construction	Total (Memorandum Only)
\$ --	\$ --	\$ --
--	--	--
--	--	--
--	--	--
--	--	--
--	53,201	2,477,427
1,556,722	1,413,965	24,010,018
--	--	--
--	--	--
1,435,527	1,534,971	23,353,167
--	--	49,702
1,435,527	1,588,172	25,880,296
121,195	(121,006)	607,149
--	(178,774)	555,058
--	3,381	(1,416,295)
--	(175,393)	(861,237)
--	--	--
\$ 121,195	\$ (296,399)	\$ (254,088)

HUD SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

**STATEMENT AND CERTIFICATION OF ACTUAL COMPREHENSIVE IMPROVEMENT
ASSISTANCE PROGRAM (CIAP) COSTS AND ADVANCES - COMPLETED
SEPTEMBER 30, 1999**

Grant year	<u>1991</u>	<u>1992</u>
Phase number	<u>917</u>	<u>919</u>
Funds approved	\$ 2,525,670	\$ 178,862
Funds expended (1)	<u>2,525,670</u>	<u>178,862</u>
Excess/(Deficiency) of funds approved	<u>\$ --</u>	<u>\$ --</u>
Funds advanced (2)	\$ 2,525,670	\$ 178,862
Funds expended	<u>2,525,670</u>	<u>178,862</u>
Excess/(Deficiency) of funds advanced	<u>\$ --</u>	<u>\$ --</u>
Cost additions during the current year	<u>\$ --</u>	<u>\$ --</u>

(1) Cumulative accrued expenditures

(2) Cash received in bank depository

The costs shown on the Actual Modernization Cost Certificate are in agreement with HANO's records.

All modernization work in connection with this phase has been completed.

All liabilities have been paid, and there are no undischarged mechanics', laborers', contractors' or material-men's liens against the related project on file in any public office where the same should be filed in order to be valid. Also, the time in which such liens could be filed has expired.

There are no budget overruns.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT AND RECONCILIATION OF ACTUAL COMPREHENSIVE IMPROVEMENT
ASSISTANCE PROGRAM (CIAP) COSTS AND ADVANCES - UNCOMPLETED
SEPTEMBER 30, 1999

Grant year	1991
Phase number	918
Funds approved	\$ 29,721,114
Funds expended (1)	23,511,572
Excess/(Deficiency) of funds approved	\$ 6,209,542
Funds advanced (2)	\$ 22,618,961
Funds expended	23,511,572
Excess/(Deficiency) of funds advanced	\$ (892,611)
Cost additions during the current year	\$ 3,985,372

- (1) Cumulative accrued expenditures
(2) Cash received in bank depository

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

**STATEMENT AND RECONCILIATION OF ACTUAL COMPREHENSIVE GRANT
PROGRAM (CGP) COSTS AND ADVANCES - UNCOMPLETED**
SEPTEMBER 30, 1999

Grant year	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>
Phase number	<u>701</u>	<u>702</u>	<u>703</u>	<u>704</u>
Funds approved	\$ 30,664,933	\$ 28,422,606	\$ 33,658,151	\$ 33,954,510
Funds expended (1)	<u>27,302,206</u>	<u>27,042,519</u>	<u>32,751,426</u>	<u>10,240,819</u>
Excess/(Deficiency) of funds approved	<u>\$ 3,362,727</u>	<u>\$ 1,380,087</u>	<u>\$ 906,725</u>	<u>\$ 23,713,691</u>
Funds advanced (2)	\$ 27,813,210	\$ 25,302,250	\$ 28,216,923	\$ 13,132,097
Funds expended	<u>27,302,206</u>	<u>27,042,519</u>	<u>32,751,426</u>	<u>10,240,819</u>
Excess/(Deficiency) of funds advanced	<u>\$ 511,004</u>	<u>\$ (1,740,269)</u>	<u>\$ (4,534,503)</u>	<u>\$ 2,891,278</u>
Cost additions during the current year (3)	<u>\$ 4,746,581</u>	<u>\$ 8,024,074</u>	<u>\$ 12,015,610</u>	<u>\$ (579,091)</u>

- (1) Cumulative accrued expenditures
(2) Cash received in bank depository
(3) Net of fungibility transfers

<u>1996</u> <u>705</u>	<u>1997</u> <u>706</u>	<u>1998</u> <u>707</u>	<u>1999</u> <u>708</u>	<u>Total</u> <u>CGP</u>
\$ 27,790,559 9,802,886	\$ 26,401,893 11,478,313	\$ 27,769,211 5,496,294	\$ 34,421,108 1,216,137	\$ 243,082,971 125,330,600
<u>\$ 17,987,673</u>	<u>\$ 14,923,580</u>	<u>\$ 22,272,917</u>	<u>\$ 33,204,971</u>	<u>\$ 117,752,371</u>
\$ 10,290,090 9,802,886	\$ 9,468,820 11,478,313	\$ 4,843,586 5,496,294	\$ 1,109,550 1,216,137	\$ 120,176,526 125,330,600
<u>\$ 487,204</u>	<u>\$ (2,009,493)</u>	<u>\$ (652,708)</u>	<u>\$ (106,587)</u>	<u>\$ (5,154,074)</u>
<u>\$ 660,389</u>	<u>\$ 7,695,973</u>	<u>\$ 5,496,294</u>	<u>\$ 1,216,137</u>	<u>\$ 39,275,967</u>

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT AND RECONCILIATION OF ACTUAL HOPE VI
PROGRAM COSTS AND ADVANCES - UNCOMPLETED
SEPTEMBER 30, 1999

Funds approved	\$ 44,000,000
Funds expended (1)	<u>2,182,344</u>
Excess/(Deficiency) of funds approved	<u>\$ 41,817,656</u>
Funds advanced (2)	\$ 2,262,617
Funds expended	<u>2,182,344</u>
Excess/(Deficiency) of funds advanced	<u>\$ 80,273</u>
Cost additions during the current year (3)	<u>\$ 1,472,765</u>

- (1) Cumulative accrued expenditures
- (2) Cash received in bank depository
- (3) Net of fungibility transfers

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT AND RECONCILIATION OF ACTUAL MAJOR RENOVATION OF OBSOLETE
PROJECTS (MROP) PROGRAM COSTS AND ADVANCES - UNCOMPLETED
SEPTEMBER 30, 1999

Funds approved	\$ 1,788,234
Funds expended (1)	<u>1,846,173</u>
Excess/(Deficiency) of funds approved	<u>\$ (57,939)</u>
Funds advanced (2)	\$ 1,725,560
Funds expended	<u>1,846,173</u>
Excess/(Deficiency) of funds advanced	<u>\$ (120,613)</u>
Cost additions during the current year (3)	<u>\$ 314,820</u>

- (1) Cumulative accrued expenditures
- (2) Cash received in bank depository
- (3) Net of fungibility transfers

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

STATEMENT AND RECONCILIATION OF ACTUAL VACANCY REDUCTION
PROGRAM (VRP) COSTS AND ADVANCES - UNCOMPLETED
SEPTEMBER 30, 1999

Funds approved	\$ 8,500,000
Funds expended (1)	<u>7,440,441</u>
Excess/(Deficiency) of funds approved	<u>\$ 1,059,559</u>
Funds advanced (2)	\$ 6,910,471
Funds expended	<u>7,440,441</u>
Excess/(Deficiency) of funds advanced	<u>\$ (529,970)</u>
Cost additions during the current year (3)	<u>\$ 1,999,735</u>

(1) Cumulative accrued expenditures

(2) Cash received in bank depository

(3) Net of fungibility transfers

HOUSING AUTHORITY OF NEW ORLEANS
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STATEMENT AND RECONCILIATION OF ACTUAL DRUG ELIMINATION
PROGRAM (DEP) COSTS AND ADVANCES - UNCOMPLETED
SEPTEMBER 30, 1999

Grant year	<u>1997</u>	<u>1998</u>
Funds approved	\$ 13,195,671	\$ 2,586,160
Funds expended (1)	<u>10,968,368</u>	<u>859,123</u>
Excess/(Deficiency) of funds approved	<u>\$ 2,227,303</u>	<u>\$ 1,727,037</u>
Funds advanced (2)	\$ 11,158,705	\$ 764,914
Funds expended	<u>10,968,368</u>	<u>859,123</u>
Excess/(Deficiency) of funds advanced	<u>\$ 190,337</u>	<u>\$ (94,209)</u>
Cost additions during the current year	<u>\$ 2,140,798</u>	<u>\$ 859,123</u>

- (1) Cumulative accrued expenditures
(2) Cash received in bank depository

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued:		<u>Qualified</u>
Internal control over financial reporting:		
~ Material weakness(es) identified?	<u>X</u> yes	__no
~ Reportable condition(s) identified that are not considered to be material weaknesses?	<u>X</u> yes	__none reported
Noncompliance material to financial statements noted?	__yes	<u>X</u> no

FEDERAL AWARDS

Internal control over major programs:		
~ Material weakness(es) identified?	__yes	<u>X</u> no
~ Reportable condition(s) identified that are not considered to be material weakness(es)?	<u>X</u> yes	__none reported
Type of auditor's report issued on compliance for major programs:		<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u>X</u> yes	__no

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(Continued)

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.850	Public and Indian Housing
14.852	Comprehensive Improvement Assistance Program
14.859	Comprehensive Grant Program
14.855	Section Eight Cluster

Dollar threshold used to distinguish
between type A and type B programs:

\$3,000,000

Auditee qualified as low-risk auditee?

 yes

 X no

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

99-1. CONDITION: **Deficiencies in Internal Controls Over Grant Program Accounting**

Our review of the Grant Programs revealed that advances and costs had not been fully reconciled as of September 30, 1999. Some of the programs showed excess costs and some showed a deficiency of costs as compared to the revenue which had been recognized at that time. The net difference was an overstatement of expenditures by \$300,265.

HANO cannot at this time reconcile the CGP contributions it has received with the HUD LOCCS Voucher Summary. This is due in part to (1) the fact that the HANO has remitted back to HUD by wire transfer certain funds which presently HUD's LOCCS system does not reflect as a credit and (2) expenditures which were transferred to earlier year grants under the fungibility rules and not properly reflected in the LOCCS system.

CFDA NUMBER: 14.850, 14.852, 14.859, 14.854

QUESTIONED COSTS: \$300,265

CAUSE: As stated in the condition.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

99-1. CONDITION: **Deficiencies in Internal Controls Over Grant Program Accounting (Continued)**

EFFECT: Inability to accurately report on each of the grant programs on an individual basis by CFDA number.

CRITERIA: Section 15 of the Consolidated Annual Contributions Contracts.

“The Authority must maintain complete and accurate books of account for the projects of the Authority 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.”

RECOMMENDATION: We recommend that HANO establish internal control procedures over Grant programs which will result in accurate and reliable accounting and reporting as follows:

HANO and HUD should work closely to resolve reconciliation problems created by fungibility and LOCCS credits.

HANO should maintain an ongoing reconciliation of HUD advances received per HANO's records to the cumulative records available from HUD. Any differences, such as remittances back to HUD, should be scheduled and used in support of the reconciliation.

MANAGEMENT'S
RESPONSE :

HANO is working with HUD to resolve those issues identified as errors in the HUD LOCCS System. HANO is in receipt of a letter from HUD confirming that approximately \$1 million of funds returned to HUD by HANO has not been reflected as a credit in the LOCCS System. In addition, HANO is working with the local HUD office to resolve the fungibility of funds between program years.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

99-2. **CONDITION:**

Deficiencies Noted in Cash Reconciliations and Related Internal Control Procedures

- A. Monthly cash reconciliations prepared by HANO of the Payroll, General Fund, and Section cash accounts are out of balance each month. It appears that HANO's reconciliation process is to attempt reconciliation until the remaining imbalance is determined immaterial or untraceable. Potentially, two or more individually significant items can offset each other to produce an apparent immaterial variance.
- B. Certain unprocessed checks have been removed from the cash reconciliation to a stale-dated checks account where they await research and clearing by HANO personnel, however this area has received little attention in the current year.
- C. We observed several hand written checks written out of numerical sequence.

CFDA NUMBER: 14.850, 14.851, 14.855, 14.856, 14.857

QUESTIONED COSTS: None

CAUSE: Failure to follow established procedures and lack of supervisory oversight.

EFFECT: As evidenced in the conditions stated.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

99-2. **CONDITION:** **Deficiencies Noted in Cash Reconciliations and Related Internal Control Procedures (Continued)**

CRITERIA: Section 15 of the Consolidated Annual Contributions Contracts:

“The Authority must maintain complete and accurate books of account for the projects of the Authority 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.”

RECOMMENDATION:

- A. We recommend that HANO review its cash reconciliation procedures and modify them to establish adequate internal controls in regard to the issues noted above.
- B. The Authority should exercise due diligence to ensure that each landlord receives that to which he is entitled, and that abandoned assets are turned over to the State of Louisiana as required.
- C. HANO already utilizes a check number control log. We recommend that HANO review system for accuracy and effectiveness, and make changes as warranted in order to prevent issuance of checks out of sequence

MANAGEMENT'S RESPONSE :

HANO is in the process of providing additional training on bank account reconciliation procedures with a thorough understanding on the implications of GAAP accounting. In addition, HANO, will be installing laser check printers with the software for automated reconciliations which will utilize information obtained directly from the banks on checks that have cleared to obtain an automated outstanding check report. The laser check software will also eliminate hand-written checks and control the numerical sequence.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

99-3. CONDITION:

Unsupported Beginning Balance in Surplus and Land, Buildings and Equipment

A. HANO was unable to reconcile the surplus/fund balance beginning balances at October 1, 1998, to the corresponding surplus balance reflected in the September 30, 1998 audit report. The unreconciled amount is \$85,623,256 computed as follows:

Balance per 1998 report	\$313,479,954
Audit adjustment not applied	37,528,672
Balance per general ledger	<u>265,385,370</u>
Unreconciled difference	<u>\$ 85,623,256</u>

An unidentified difference of \$85,775,140 was pointed out in the September 30, 1997 audit report. The difference between the 1997 variance and the 1999 variance is \$151,884.

B. HANO was also unable to reconcile the beginning balances of land, buildings and equipment as of October 1, 1999, to the audit report for the year ended September 30, 1999. The audit report reveals a balance of \$305,000,000, while the general ledger shows a balance of over \$400,000,000

These variances do not appear to represent a loss to HANO. They appear to be the result of failure to reconcile and correct errors in recording over a period of time. The element of uncertainty regarding these beginning balances, however, causes the auditors to be unable to satisfy themselves as to the validity of the beginning balances, and therefore qualify their opinion on the financial statements.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS
(Continued)

99-3. **CONDITION:** **Unsupported Beginning Balance in Surplus and Land, Buildings and Equipment (Continued)**

CFDA NUMBER: 14.850, 14.852

QUESTIONED COSTS: Undetermined

CAUSE: Unknown

EFFECT: The auditors cannot satisfy themselves as to the validity of the beginning balance at October 1, 1998.

CRITERIA: Section 15 of the Consolidated Annual Contributions Contracts:

“The Authority must maintain complete and accurate books of account for the projects of the Authority 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.”

RECOMMENDATION:

1. We recommend that HANO reconstruct the audit trail with regard to the land, buildings and equipment in fiscal year 1999.
2. We recommend that HANO maintain reconciliations of all transactions affecting these accounts on a monthly basis.

MANAGEMENT'S RESPONSE: HANO is in the process of researching these denoted accounts. HANO has implemented procedures for monthly reconciliations for the activity of the current fiscal year.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

- 99-1. **CONDITION:** **Deficiencies in Internal Controls Over Grant Program Accounting**
- See Finding 99-1 under Financial Statement Findings.
- 99-4. **CONDITION:** **Deficiency in Federal Labor Standards Monitoring Procedures**
- Of eight procurement contracts examined, one contractor was paid in excess of 50% of the total contract amount, but the contractor had submitted only one certified weekly payroll report to HANO.
- CDSA NUMBER:** 14.850
- QUESTIONED COSTS:** None
- CAUSE:** This condition was created by the absence of controls which would have resulted in abatement of contract payments until compliance requirements were met.
- EFFECT:** HANO was unable to determine whether or not wages were being paid by the contractor in accordance with Davis-Bacon regulations.
- CRITERIA:** HUD handbook 1344.1, Rev 1, Federal Labor Standards Compliance in Housing and Community Development Programs. Chapter 3, Section 2, requires weekly payroll reviews. The Code of Federal Regulations, Title 23, Section 968 110 (e) (1), requires the Authority to monitor Davis-Bacon compliance in areas of DOL wage decisions, contractor payrolls and confidential employee interviews.
- RECOMMENDATION:** We recommend that HANO establish internal controls over contracts which would result in the abatement of contractor payments if there are unresolved compliance issues in relation to the criteria above.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-4. **CONDITION:** **Deficiency in Federal Labor Standards Monitoring Procedures (Continued)**

MANAGEMENT'S
RESPONSE :

The current two step process used to resolve Davis-Bacon issues includes notifying the general contractor in an effort to resolve the matter, followed by suspension of payments until the matter is resolved. Management has suspended all payments to the contractor until the deficiencies existing in the submission of the certified payrolls have been corrected. Future progress payments will not be processed without the proper supporting documentation. All progress payment requests will be reviewed by the Program Manager for accuracy, content, and receipt of certified payroll sheets. An additional review of the certified payroll sheets will be conducted by the Labor Compliance Officer prior to processing the payment requests.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-5. CONDITION: **Deficiencies Noted in Maintenance of Low-Income and Section Eight Tenant Files**

Fifty-three Low-income Public Housing and sixty Section Eight files were examined. From these files, the following deficiencies were noted:

- 21 Files lacked social security cards
- 14 Files lacked income verification or income was calculated incorrectly
- 7 Files lacked timely inspection reports
- 5 Files lacked leases
- 3 Files lacked HUD form 9886, "Authorization for Release of Information/Privacy Act Notice."
- 3 Files lacked timely HQS reinspections
- 2 Files lacked verification of rent reasonableness
- 1 File contained a lease which had not been updated since 1978

CFDA NUMBER: 14.850, 14.851, 14.855, 14,856, 14.857

QUESTIONED COSTS: Undetermined

CAUSE: Internal controls over tenant file maintenance are not sufficient to capture deficiencies and correct them as they occur.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-5. **CONDITION:** **Deficiencies Noted in Maintenance of Low-Income and Section Eight Tenant Files (Continued)**

EFFECT: HANO is in a position to house inappropriately, to house at the incorrect rental rate and to violate tenant rights to information.

CRITERIA: 24 CFR, Part 813, requires all household income and deductions to be verified. The ACC at Part II, Section 309, requires the Authority to maintain complete and accurate accounts and records which permit a speedy and effective audit. 24 CFR, part 966.4 outlines the requirements for the lease. 24 CFR Part 760, outlines the procedures for obtaining third party income information. 24 CFR 913.106-9 requires all household income to be verified. 24 CFR 705 (G) (5) requires hard evidence of social security numbers to be provided by the tenants within 60 days of the date of recertification.

RECOMMENDATION: We recommend that HANO establish internal control procedures over tenant file maintenance which would be sufficient to reduce file exceptions to near zero. The following procedures may aid in accomplishing this goal:

1. Develop a standardized checklist which serves as a guide for the tenant recertification process.
2. Have each recertified file reviewed by another individual for any omissions.
3. Perform periodic random audits of files for quality assurance.
4. Develop a method of tracking outstanding items on files which are in the certification process.
5. Set up a standardized order and position for each required file item.
6. Use specified paper colors for certain types of forms.
7. Standardize all procedures, and train all employees accordingly.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999

(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-5. **CONDITION:** **Deficiencies Noted in Maintenance of Low-Income and Section Eight Tenant Files (Continued)**

MANAGEMENT'S
RESPONSE :

Management disagrees with findings regarding the annual inspections. In response to the additional findings, Management will establish and implement Quality Control Procedures and a checklist to be utilized in three phases of quality control.

1. A copy of the checklist will be attached to the left side of the folder and will be completed by each reexamination clerk prior to each annual reexamination.
2. Site manager will follow-up by reviewing 10% of the total families each month for accuracy and compliance.
3. The General Manager will also review 5% of family folders at each site for compliance.

The procedure, checklist and training will be completed and implemented by March 27, 2000.

Management will take the necessary steps to correct the deficiencies noted in the Section Eight tenant files within the next thirty days.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-6. **CONDITION:** **Cash and Investments Not Fully Collateralized in Accordance With State and HUD Requirements**

CFDA NUMBER: 14.850

QUESTIONED COSTS: None

CONTEXT: Approximately \$360,000 is uncollateralized out of approximately \$20,000,000.

CAUSE: Lack of monitoring on part of HANO, which would result in appropriate dealings with the financial institution(s).

EFFECT: Possible loss of principal assets.

CRITERIA: HUD Financial Management Handbook, 7475.1, Chapter 4, requires PHA's depositories to continually and fully collateralize all deposits that are in excess of the FDIC limits. The General Depository Agreement required by HUD also specifies these conditions.

RECOMMENDATION: We recommend that HANO routinely review its collateralization, ensuring that the amounts provided are sufficient to cover HANO's highest balance at any time within the operating cycle.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-6. **CONDITION:** **Cash and Investments Not Fully Collateralized in Accordance With State and HUD Requirements**
(Continued)

MANAGEMENT'S
RESPONSE :

HANO is implementing procedures to ensure that cash and investments are properly collateralized. Correspondence with the banking institution will denote the required collateralization required by HUD

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-7. **CONDITION:** **Deficiencies Noted in the Performance Funding System Submission for the Year Ended September 30, 1999**

No documentation could be presented to support the sewer and water consumption data on form HUD 52722A, and HANO personnel were unable to reconcile amounts reported on the 52722A for electric consumption to the utility bills.

CFDA NUMBER: 14.850

QUESTIONED COSTS: None

CAUSE: Records retainage controls were not in effect at the time the PFS was prepared.

EFFECT: It is unknown whether or not the rolling base for utilities is correct. Any error in this area affects HANO's subsidization for three years.

CRITERIA: Section 15 of the Consolidated Annual Contributions Contracts:

“The Authority must maintain complete and accurate books of account for the projects of the Authority 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.”

Performance Funding System Handbook, 7475.13

RECOMMENDATION: Implement procedures for records retention, educate staff in these procedures, and ensure that staff assigned to utility consumption compilations fully understand both the importance of their task and how to correctly perform it.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-7. CONDITION: **Deficiencies Noted in the Performance Funding System**
Submission for the Year Ended September 30, 1999
(Continued)

MANAGEMENT'S
RESPONSE :

HANO is working with Entergy and the sewer and water board companies to facilitate a consolidated billing process which would clearly denote the consumption values. HANO has requested that the summary billing include a reconciliation of current month consumption along with the credits for leakage repair denoted separately for reconciliation purposes. Currently, HANO receives approximately 700 individual meter bills which makes the reconciliation process of the consumption values difficult. It should be noted that the dollar value of the utilities is reconciled.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

99-8. CONDITION:

Section Eight Financial Management Deficiencies

- A. The Certificates program over-requisitioned funds from HUD amounting to 37% of contributions earned. HUD permits an overdraw of up to 5%. Overdraws in excess of 5% may result in a 5% penalty to HANO based upon the excess amount. If HUD applies the penalty, it will amount to approximately \$310,000.

- B. The Certificates and New Construction programs are in deficit reserve status. This resulted from failure in past years to reconcile and properly state the operating reserve balance. As a result, cash withdrawals were made directly from the Certificates reserves accounts in the current fiscal year, even though there were no reserves available. PHA's are required to maintain minimum reserve balances in order to have operating capital and to make the program self-sustaining.

CFDA NUMBER: 14.859, 14.152

QUESTIONED COSTS: \$313,609 (the cash withdrawals made in the current year although the program was in a deficit condition.)

CAUSE: The current staff appears to have acted upon incorrect information which existed in the accounting system at that time.

EFFECT: Funds may be owed HUD with no source of revenue to pay them. Additionally, other programs which supply cash on an interfund basis, are placed in a position which can be termed as commingling.

CRITERIA: HUD Handbook 7420.7, Section Eight Administrative Handbook

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 1999

(Continued)

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

(Continued)

99-8. CONDITION:

Section Eight Financial Management Deficiencies

(Continued)

RECOMMENDATION:

Establish control procedures sufficient to re-establish adequate reserve levels and to accurately requisition Section Eight advance funding.

**MANAGEMENT'S
RESPONSE**:

Management implemented procedures for the Fiscal Year 2000 Budget requisitioning process that was based on projected lease-ups to avoid over-requisitioning for the year under the certificate and voucher programs. Monthly budget to actual financial statements are reviewed to ensure expenditure compliance. Additionally, Management has established control procedures to ensure that reserve levels are adequate to support any needed cash withdrawals.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION IV -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

<u>FINDING NUMBER</u>	<u>DESCRIPTION</u>	<u>CURRENT STATUS</u>
96-9	Ensure that bank reconciliations are prepared properly and that reconciling items are resolved timely.	Open*
96-11	Ensure that modernization programs are closed out on a timely basis.	Open
96-18	HANO did not obtain an audit performed in accordance with the "Public and Indian Housing (PIH) Compliance Supplement (PIH 95-31) for the year ended September 30, 1996.	Closed
97-10	Lack of a system to ensure the efficient flow of accounting data.	Closed
97-17	Failure to submit audit report within six months of the close of HANO 's fiscal year.	Closed
97-18	Unposted predecessor auditor's adjustments.	Closed
98-1	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.	Closed
	General ledger account balances unsupported by detail composition or purpose.	Closed
	Financial reports prepared and submitted to HUD for September 30, 1998, which did not agree to the financial books and records.	Closed

* Condition continued in current findings

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)

<u>FINDING NUMBER</u>	<u>DESCRIPTION</u>	<u>CURRENT STATUS</u>
98-2	September 30, 1998, the general ledger reflected net advances of \$2,874,261, for which the auditors were unable to ascertain its validity.	Closed
98-3	No documented evidence of periodic 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 of risk of loss.	Partially closed*
98-4	Bank account reconciliation deficiencies were noted as follows: Mathematical errors on the reconciliations No reconciliation for Safe Home checking account Lack of supervisory review of reconciliations Unrecorded deposits form HUD	Closed Closed Open* Closed
98-5	Unidentified amounts in Homeownership deferred charges	Closed
98-6	Payroll disbursements deficiencies noted: Leave request forms not available for inspection W-4 and L-4 missing from file SFI form not in employee file Inaccurate cost center coding	Closed Closed Closed Closed
98-7	In a sample of thirty tenant files, one participant was under housed	Closed
98-8	PHMAP differences in management reports and general ledger balances as compared to information submitted for indicators 5 and 6	Closed

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)

<u>FINDING NUMBER</u>	<u>DESCRIPTION</u>	<u>CURRENT STATUS</u>
98-9	Rent reasonableness verification deficiency	Open*
98-10	The September 30, 1998 audit report of HANO was not submitted to the Legislative Auditor of the State of Louisiana within the time frame established by Louisiana Revised Statute 24:513	Closed
98-11	Lack of supporting documentation for the allowable utilities expenses component of the PFS calculation	Open*
98-12	A. Use of emergency procurement policy was not adequately documented in one contract examined	Closed
	B. Employees were authorizing purchase orders in dollar amounts beyond the employees' authority	Closed
98-13	One file in a sample of ten lacked HUD form 50058	Closed
98-14	A. One unsupported cash disbursement	Closed
	B. One stop payment voucher unavailable for review	Closed
98-15	Cost allocated to the various programs (primarily payroll) as without the benefit of a cost allocation plan or documented methodology to support the amounts charged to the respective programs	Closed

HOUSING AUTHORITY OF NEW ORLEANS
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
SEPTEMBER 30, 1999
(Continued)

SECTION IV -- SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
(Continued)

<u>FINDING NUMBER</u>	<u>DESCRIPTION</u>	<u>CURRENT STATUS</u>
98-16	Homeownership administration and accounting deficiencies noted as follows:	
	A. Untimely reconciliation of the subsidiary investment report to the applicable corresponding general ledger account balances	Closed
	B. An unreconciled difference between the subsidiary investment report and the general ledger account balances	Closed
	C. No reconciliation of funds maintained on deposit for potential homebuyers to a corresponding homebuyer reserve account subsidiary ledger	Closed
	D. 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	Open
	E. Failure to maintain an accurate detailed home buyer reserve account subsidiary ledger	Closed

SINGLE AUDIT SECTION

HOUSING AUTHORITY OF NEW ORLEANS
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1999

ANNUAL CONTRIBUTIONS CONTRACT NUMBER	FEDERAL GRANTOR PROGRAM TITLE	CFDA NUMBER
<u>U.S. Department of Housing and Urban Development:</u>		
<u>Public Housing Programs</u>		
	Public and Indian Housing	
FW - 1190	Operating subsidy - HANO	14.850
FW - 1190	Operating subsidy - B.W. Cooper RMC	14.850
LA48P001054	Project Development Grant (MROP)	14.850
	Comprehensive Improvement Assistance Program	14.852
FW - 1190		
	Comprehensive Grant Programs	
LA48P00170192	701-92	14.859
LA48P00170293	702-93	14.859
LA48P00170394	703-94	14.859
LA48P00170495	704-95	14.859
LA48P00170596	705-96	14.859
LA48P00170697	706-97	14.859
LA48P00170798	707-98	14.859
LA48P00170899	708-99	14.859
LA48DEP001001	Public Housing Drug Elimination Program	14.854
LA48URD001194	Urban Revitalization Program (HOPE VI)	14.240
LA48VRP001194	Vacancy Reduction Program	14.000
LA48CAM00100198	Technical Assistance - Inspector General	14.000
LA48VRT001100197	Technical Assistance - Executive Monitor	14.000
<u>Section 8 Programs</u>		
FW - 2053	Rental Certificate Program	14.857
FW - 2217	Rental Voucher Program	14.855
FW - 2147	Moderate Rehabilitation Program	14.856
FW - 2147	Single Room Occupancy	14.856
FW - 2201	New Construction Program	14.182
	Total Section 8 Cluster	

TOTAL FEDERAL AWARDS EXPENDITURES

This schedule is prepared on the accrual basis of accounting.

<u>PASS THRU NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
NA	\$ 30,394,450
NA	3,943,883
NA	534,955
	<u>34,873,288</u>
NA	<u>3,978,752</u>
NA	6,654,057
NA	8,013,194
NA	9,480,553
NA	1,653,848
NA	576,185
NA	4,492,298
NA	6,190,746
NA	1,214,338
	<u>38,275,219</u>
NA	2,999,921
NA	2,158,340
NA	2,635,027
NA	58,370
NA	369,125
NA	19,265,572
NA	4,130,879
NA	1,556,695
NA	141,971
NA	1,322,781
	<u>26,417,898</u>
	<u>\$ 111,765,940</u>

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

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

HUD, Louisiana State Office
Hale Boggs Federal Building
501 Magazine Street, 9th Floor
New Orleans, Louisiana 7-130-3099

We have audited the financial statements of the Housing Authority of New Orleans as of and for the year ended September 30, 1999, and have issued our report thereon dated March 30, 2000. 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.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of New Orleans's financial statements are free of material misstatement, we performed tests of its compliance with certain provision 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 tests 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 section of our report.

However, we noted certain immaterial instances of noncompliance that we have reported to management/Board of Commissioners of the Housing Authority of New Orleans in a separate letter dated March 30, 2000.

Internal Control Over Financial Reporting.

In planning and performing our audit, we considered the Housing Authority of New Orleans'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 other 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 the Housing Authority of New Orleans's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.* Reportable conditions are described in the accompanying Status of Prior Audit Findings and/or Schedule of Findings and Questioned Costs section of our report.

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 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 the 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 also considered to be material weaknesses.

However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of the Housing Authority of New Orleans, with requirements applicable to its major federal financial assistance program for the year ended September 30, 1999, and this report does not affect our report therein dated March 30, 2000.

As described in the Status of Prior Audit Findings and/or Findings and Questioned Costs section of our report finding number 99-3 is a matter we consider to be a material weakness.

We also noted other matters involving the internal control structure and its operation that we have reported to the management/Board of Commissioners of the Housing Authority of New Orleans, in a separate letter dated March 30, 2000.

This report is intended for the information and use of the Audit Committee, if any, Housing Authority's management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

DeBary, Florida
March 30, 2000

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

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

HUD, Louisiana State Office
Hale Boggs Federal Building
501 Magazine Street, 9th Floor
New Orleans, Louisiana 70130-3099

Compliance

We have audited the compliance of the Housing Authority of New Orleans with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 1999. The Housing Authority's major federal programs are identified in the summary of auditor's results section of the accompanying 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 the Housing Authority's management. Our responsibility is to express an opinion on the Housing Authority's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority's compliance with those requirements.

In our opinion, the Housing Authority of New Orleans 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, 1999. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs section of our report.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Audit Committee, if any, Housing Authority's management and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountant

DeBary, Florida
March 30, 2000

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March 30, 2000

Executive Director and
Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana

In planning and performing our audit of the financial statements of the Housing Authority of New Orleans for the year ended September 30, 1999, we considered the Authority's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several opportunities for strengthening the Authority's internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. We previously reported on the Authority's internal control structure and reportable conditions and on the financial statements of the Housing Authority of New Orleans in our report dated March 30, 2000.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and our suggestions with various Authority personnel, and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

If you have any questions regarding these comments and our suggestions, please do not hesitate to call.

Thank you for your kindness and cooperation during the audit field work.

Sincerely,

MALCOLM P. JOHNSON


Certified Public Accountant

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

MANAGEMENT LETTER ITEMS

1. Errors Noted in Tenant Accounts Receivable Report 52295.

We have made an examination of the Authority's preparation of HUD Form 52295 - Tenant Accounts Receivable Report as of and for the year ended September 30, 1999. We observed that only one project (141 - Desire) was in agreement with the tenant accounts receivable detail ledger as reconciled by the Authority.

It appears that the Authority has identified reasons that the computer-generated 52295 does not at this time provide accurate and reliable information, but the Authority has not yet made corrections to the computer program which generates the report. Additionally, the Authority has not established a manual means of preparing an accurate form 52295 for submission to HUD.

Not only is the 52295 a HUD-required report; it also can be a useful tool to the Authority in analyzing trends and understanding the composition of its tenant account balances.

We recommend that the Authority establish procedures for the preparation of Form 52295, prepare and submit the form as often as HUD requires, and maintain a reconciliation of the 52295 form to the Detail Tenant Ledger.

2. Internal Control Weaknesses in Due to/Due From Accounting.

HANO has done work necessary to substantively clear a prior year finding relating to interfund accounting. The Authority was successful in fiscal year 1999 in correcting interfund accounting relationships in pooled cash accounts and in accounts 1290. However, several other less significant interfund accounts remained unreconciled as of September 30, 1999. The net of these unreconciled accounts (eight altogether) is \$76,112. In this regard we recommend the following:

- a. Reconcile and correct these imbalances
- b. Transfer all the reconciled balances to the 1290 series of accounts and make them all due to or due from the general fund
- c. Establish control procedures so that Due to/Due from relationships exist only with the general fund
- d. Establish monthly reconciliation procedures to ensure that these accounts remain in balance (net zero) at all times.

HOUSING AUTHORITY OF NEW ORLEANS
New Orleans, Louisiana

MANAGEMENT LETTER ITEMS
(Continued)

3. Error Noted in Accounting for Comprehensive Grant Program 799.

It appears that Comprehensive Grant Program 799 may be under stated for FDS purposes by \$568,436. This is the fund 799 portion of the Touro Building costs. These costs may have been transferred to the Low-Income Public Housing Program in total, and it also appears that they were adjusted out as soft costs.

The PHA should research this situation, and make the necessary corrections in fiscal year 2000.

4. Comprehensive Improvement Assistance Program 918 Should be Placed into a Fund Separate from Low-Income Public Housing.

In prior years, it was advantageous to maintain CIAP programs in the Low-Income Public Housing general ledger. Beginning in the current year, it is more advantageous to have CIAP in a separate fund ledger because it must be reported on separately to HUD's Real Estate Assessment Center based upon its CFDA Number.

We recommend, therefore, that HANO separate CIAP from Low-Income Public Housing as of October 1, 1999.

5. Journal Voucher Supporting Documentation.

Generally, HANO's system of control over journal voucher support is sufficient. One area which needs strengthening is in regard to vouchers which are prepared for HANO by consultants. We noted that while substantive support for the journal vouchers was available, at times the journal vouchers themselves did not have the documentation attached or referenced in such a manner that other parties could readily retrieve it.

We recommend that HANO enhance its control procedures over journal vouchers to include journal vouchers prepared at any personnel level.

Reference Number

3. Error Noted in Accounting for Comprehensive Grant Program 799.

Management Response

The Finance Department will research this matter and make the necessary corrections in the current fiscal period.

Contact Person

Connie Hill

Reference Number

4. Comprehensive Improvement Assistance Program 918 should be placed into a Fund Separate from Low-Income Public Housing.

Management Response

The Finance Department will research this matter to determine the feasibility of accomplishing the separation of the CIAP 918 Program in the general ledger.

Contact Person

Connie Hill

Reference Number

5. Journal Voucher Supporting Documentation

Management Response

The Finance Department will implement procedures to ensure that all journal vouchers include substantive support and are properly filed once posted.

Contact Person

Connie Hill

Reference Number

6. Material and Supplies Inventories.

Management Response

Management is working with a computer systems consultant to specifically address the unit of measure issues within the computer system that would permit the Finance Department to rely on the perpetual system for accounting entries. The Finance Department's goal is to make adequate system changes and provide adequate training to eliminate the identified weakness noted by the auditors. The Housing Authority of New Orleans does maintain a physical to actual control at year-end. Additionally, we have a work order system and approval process in place for internal control purposes.

Contact Person

Connie Hill