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Reissued Report

## ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

### FINANCIAL STATEMENTS TOGETHER WITH INDEPENDENT AUDITOR'S REPORT FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

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

Release Date 08-02-00

**ORLEANS METROPOLITAN HOUSING &  
COMMUNITY DEVELOPMENT, INC.**

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# LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants  
and Management Consultants

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Orleans Metropolitan Housing & Community Development, Inc.

We have audited the accompanying statement of net assets of Orleans Metropolitan Housing & Community Development, Inc. (a Louisiana nonprofit organization) as of June 30, 1998 and 1997, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

The accounts payable balance at December 31, 1998 (stated at \$59,680) appeared overstated due to inclusion of prior year amounts. As a result of these misstatements we were unable to form an opinion regarding the amount at which accounts payable is recorded.

This report is reissued from an earlier report dated November 9, 1999 due to the subsequent discovery of facts existing at the date of our initial report, as described in Note 6.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures to accounts payable as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of Orleans Metropolitan Housing & Community Development, Inc. as of June 30, 1998 and 1997, and the results of operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

*Luther C. Speight & Company*

Luther C. Speight & Company

New Orleans, Louisiana

July 13, 2000

ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

STATEMENT OF NET ASSETS  
AS OF JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 2,102	\$ 4,000
Grant Receivable(Note 5 )	15,987	0
Due From Employee	0	332
Due From Admin. and Weatherization	10,194	10,194
Due From Property Account	<u>3,491</u>	<u>3,491</u>
<b>TOTAL CURRENT ASSETS</b>	<b>31,774</b>	<b>18,017</b>
<b>FIXED ASSETS (Note 2)</b>		
Buildings and Improvements	148,415	148,415
Office Equipment	15,070	15,070
Accumulated Depreciation	<u>(67,700)</u>	<u>(61,635)</u>
<b>TOTAL FIXED ASSETS</b>	<b>95,785</b>	<b>101,850</b>
<b>OTHER ASSETS</b>		
Deposits- Administration	1,320	1,320
Deposits- Weatherization	<u>339</u>	<u>339</u>
<b>TOTAL OTHER ASSETS</b>	<u><b>1,659</b></u>	<u><b>1,659</b></u>
<b>TOTAL ASSETS</b>	<u><u><b>129,218</b></u></u>	<u><u><b>121,526</b></u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
<b>Current</b>		
Current Portion of Mortgage Payable (Note 4)	2,097	1,866
Accounts Payable	59,680	36,000
State Withholding Taxes Payable	457	1,088
Due To Administration- Rent	3,491	3,491
Due To Weatherization	<u>10,194</u>	<u>10,194</u>
	75,919	52,639
<b>Non Current</b>		
Long-term Portion of Mortgage Payable (Note 4)	38,830	40,927
<b>TOTAL LIABILITIES</b>	<u><b>114,749</b></u>	<u><b>93,566</b></u>
<b>NET ASSETS</b>		
Net Assets	<u><b>14,469</b></u>	<u><b>27,960</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u><b>\$ 129,218</b></u></u>	<u><u><b>\$ 121,526</b></u></u>

See the Accompanying Notes to the Financial Statements.

**ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.**

**STATEMENT OF ACTIVITY  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>1998</u>	<u>1997</u>
<b>REVENUE</b>		
Grant Revenue	\$ 246,396	\$ 213,142
Rent Revenue	7,649	6,172
	<hr/>	<hr/>
<b>TOTAL REVENUE</b>	254,045	219,314
<b>EXPENSES</b>		
<b>Program Services</b>		
Materials	69,110	42,469
Contract Labor	76,855	6,114
Insurance	1,692	3,492
License & Permits	0	1,889
Miscellaneous	1,872	1,305
<b>Support Services</b>		
Salaries	72,750	106,812
Payroll Tax	8,348	12,186
Accounting	9,000	7,350
Office Supplies	3,857	20,898
Dues & Subscriptions	74	74
Interest	2,976	4,956
Bank Charges	398	269
Professional & Legal	3,500	4,450
Postage & Freight	403	363
Depreciation Expense	6,065	6,065
Rent	4,800	275
Utilities & Telephone	5,836	6,834
	<hr/>	<hr/>
<b>TOTAL EXPENSES</b>	267,536	225,801
<b>CHANGE IN NET ASSETS</b>	(13,491)	(6,487)
<b>BEGINNING NET ASSETS</b>	27,960	34,447
<b>ENDING NET ASSETS</b>	<u>14,469</u>	<u>27,960</u>

See the Accompanying Notes to the Financial Statements.

**ORLEANS METROPOLITAN HOUSING &  
COMMUNITY DEVELOPMENT, INC.**

**STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

	<u>1998</u>	<u>1997</u>
Change in Net Assets	\$ (13,491)	\$ (6,487)
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities:		
Depreciation Expense	6,065	6,065
Changes in Operating Assets and Liabilities:		
Grant Receivable	(15,987)	0
Due From Employee	332	0
Accounts Payable	23,680	0
Taxes Payable	<u>(631)</u>	<u>(2,985)</u>
Net Increase in Cash From Operating Activities	<u>(32)</u>	<u>(3,407)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Property and Equipment	<u>0</u>	<u>0</u>
Net Increase in Cash From Investing Activities	<u>0</u>	<u>0</u>

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Principal payments on Mortgage	<u>(1,898)</u>	<u>0</u>
Net Increase in Cash From Investing Activities	<u>(1,898)</u>	<u>(3,407)</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,000</u>	<u>7,407</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,102</u>	<u>\$ 4,000</u>

See accompanying Notes to the Financial Statements.

**ORLEANS METROPOLITAN HOUSING &  
COMMUNITY DEVELOPMENT, INC.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**General-** Orleans Metropolitan Housing (OMH) - is located at 2031 Jackson Avenue in New Orleans, Louisiana. The primary focus of OMH is to rehabilitate housing, improve public facilities, and revitalize local economic conditions by the development of opportunities, principally for persons of low or moderate incomes. Further, giving maximum feasible priority of all programmatic activities to benefit low and moderate income families or aid in the prevention and the elimination of slums and urban property blight.

**2. PROPERTY AND EQUIPMENT**

Property and equipment consist of the following as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Land	27,111	27,111
Building and Improvements	121,304	121,304
Furniture, Fixtures, and Equipment	<u>15,070</u>	<u>15,070</u>
	163,485	163,485
Less Accumulated Depreciation	<u>67,700</u>	<u>61,635</u>
<b>Total</b>	<u>95,785</u>	<u>101,850</u>

Land, building and equipment are stated at cost. Depreciation is computed using the straight line method and amounted to \$ 6,065 for the years ended June 30, 1998 and 1997. The estimated useful lives of depreciable assets are as follows:

Building & Improvements	20 years
Computer	5 years
Office Equipment & Furniture	5 years

**3. INCOME TAXES**

The organization is exempt from federal and state income taxation under the provisions of Internal Revenue Code Section 501©(3).

**4. MORTGAGES PAYABLE**

Mortgages Payable consisted of the following:

Owner financed property located at 2225-27 Willow St. Purchase price \$39,000, Down payment \$7,800 12% interest, Original note \$31,200	Balance \$ 22,164
American Securities Bank financed property located at 2213-2215 Willow St. Purchase price \$19,885, 9.375% interest Original note \$19,885	<u>18,763</u>
Total	\$ <u>40,927</u>

Maturities of Mortgages Payable are as follows:

1998	
1999	2,097
2000	2,185
2001	2,289
2002	2,381
Thereafter	<u>31,975</u>

**5. GRANT RECEIVABLE**

There was \$15,987 requested in unreimbursed expenditures from the granting agency of the Weatherization Program. These monies were expected to be received subsequent to the June 30, 1998 year-end. Consequently, a grant receivable in that amount has been recorded.

Management does not consider any amount of this receivable to be uncollectible at June 30, 1998. Therefore, no allowance for doubtful accounts is considered necessary.

**6. SUBSEQUENT DISCOVERY**

This report supersedes our previously issued auditor's report for this agency dated November 9, 1998. Subsequent to issuance of our initial report, we discovered that there were \$16,782 in expenditures that were omitted from the agency's general ledger. These expenditures have been included in the accompanying financial statements.



ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

**SCHEDULE OF REVENUE & EXPENSES BY FUND  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997**

	<u>Admin Program</u>	<u>Weather Program</u>	<u>Property Mgt</u>	<u>Land, Bldg &amp; Equip</u>	<u>1998</u>	<u>1997</u>
<b>REVENUE</b>						
Grant Revenue	\$155,400	\$90,996	.		246,396	\$213,133
Rent Revenue			\$7,649		7,649	6,172
Interest Income					0	9
<b>TOTAL REVENUE</b>	<u>155,400</u>	<u>90,996</u>	<u>7,649</u>		<u>254,045</u>	<u>219,314</u>
<b>EXPENSES</b>						
<b>Program Services</b>						
Materials	21,848	47,262			69,110	42,469
Contract Labor	32,803	40,120	3,932		76,855	6,114
Insurance	1,692				1,692	3,492
License & Permits					0	1,889
Miscellaneous	855		1,017		1,872	1,305
<b>Support Services</b>						
Salaries	72,750		0		72,750	106,812
Payroll Taxes	2,778		5,570		8,348	12,186
Accounting	5,400	1,400	2,200		9,000	7,350
Office Supplies	995	2,212	650		3,857	20,898
Dues & Subscriptions	74				74	74
Interest	2,450		526		2,976	4,956
Bank Charges	308	2	88		398	269
Professional & Legal	2,000		1,500		3,500	4,450
Postage & Freight	403				403	363
Depreciation				6,065	6,065	6,065
Rent	4,800				4,800	275
Utilities & Telephone	4,750		1,086		5,836	6,834
<b>TOTAL EXPENSES</b>	<u>153,906</u>	<u>90,996</u>	<u>16,569</u>	<u>6,065</u>	<u>267,536</u>	<u>225,801</u>
<b>CHANGE IN NET ASSETS</b>	<u>\$1,494</u>	<u>\$0</u>	<u>(\$8,920)</u>	<u>(\$6,065)</u>	<u>(\$13,491)</u>	<u>(\$6,487)</u>

See the Accompanying Notes to the Financial Statements.



# LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants  
and Management Consultants

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

To the Board of Directors of  
Orleans Metropolitan Housing & Community Development, Inc.

We have audited the financial statements of Orleans Metropolitan Housing & Community Development, Inc. as of and for the years ending June 30, 1998 and 1997, and have issued our report thereon dated July 13, 2000. We conducted our audits 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 OMH, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of 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 as Item #1, #2, #3, #4, and #5.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered OMH, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect OMH, Inc.'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 schedule of findings and questioned as item #1, #2, #4, and #5.

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 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 believe that Finding #1, #2, #4, and #5 of the reportable conditions described above is a material weakness.

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

  
Luther C. Speight & Company

New Orleans, Louisiana  
July 13, 2000

**ORLEANS METROPOLITAN HOUSING &  
COMMUNITY DEVELOPMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 1998**

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**FINDING #1: BANK RECONCILIATIONS NOT PREPARED**

**QUESTIONED COST:**

**CONDITION:**

During our audit it was noted that OMH did not perform monthly cash reconciliations for all bank accounts. In fact, all cash accounts were not reconciled upon our arrival for fieldwork. We had to discontinue fieldwork until the accounts were reconciled by the accountant.

**EFFECT OF CONDITION:**

Bank reconciliations serve as a key internal control mechanism for safeguarding the cash of the organization, as well as assuring that all transactions are properly recorded. Without the proper reconciliation of all balances at year-end, there is a potential for errors, irregularities and omissions to exist in association with the financial statements presented.

**CRITERIA:**

It is industry standard, that bank reconciliations be performed on a monthly basis and particularly at year-end.

**RECOMMENDATION:**

We recommend that the organization perform cash reconciliations on a monthly basis.

**FINDING #2: FIXED ASSET DETAIL NOT MAINTAINED**

**QUESTIONED COST:**

**CONDITION:**

During our audit it was noted that OMH did not maintain a fixed asset schedule. There was no prepared listing of office equipment owned by the organization. However, there were \$15,070 of such items recorded in the financial statements.

**EFFECT OF CONDITION:**

The effect of this condition is that the organization is unable to determine if all fixed asset purchases, are properly identified and accounted for. Both the existence and valuation assertions can not be attested to.

**CRITERIA:**

The grant agreements associated with Orleans Metropolitan Housing require that the organization maintain complete records regarding purchases made with grant monies.

**RECOMMENDATION:**

We recommend that the organization maintain a fixed asset detail to remain in compliance with the organization's grant agreement as well as to ensure the accurate reporting of the assets and related depreciation expense.

**FINDING #3: PROPER RECORDING OF MORTGAGE PAYABLE AND RELATED EXPENSE**

**QUESTIONED COST:**

**CONDITION:**

We noted during our audit that the mortgage payable balance of \$42,793 was unadjusted for the year ended June 30, 1998, despite payments made as reflected in the responses to our debt confirmations. Further review indicated that the payments were all posted to an interest expense account with no principle allocation.

**EFFECT OF CONDITION:**

The mortgage payable balance and related expenses were not fairly stated at June 30, 1998.

**CRITERIA:**

It is industry standard that amortization schedules are maintained for long term liabilities with subsequent use of those schedules to adjust account balances accordingly.

**RECOMMENDATION:**

We recommend that the client maintain amortization schedules for all long-term liabilities and that they utilize them to present proper account balances.

**FINDING #4: ACCRUAL ACCOUNTING NOT IMPLEMENTED**

**QUESTIONED COST:**

**CONDITION:**

During our audit we noted that the clients' accounts payable account balance was unadjusted from the prior year. Through inquiry with the accountant we were informed that transactions are recorded on cash basis and not accrual basis accounting. Further review of the income statement revealed that subsequent receipt of grant revenues associated with the current fiscal year were not recorded as well. Accruals were subsequently identified and recorded.

**EFFECT OF CONDITION:**

All accounts receivable and accounts payable balances along with the related revenue and expense amounts were not fairly stated at year end.

**CRITERIA:**

Generally accepted accounting principles require accrual accounting.

**RECOMMENDATION:**

We recommend that Orleans Metropolitan Housing utilize accrual accounting.

**FINDING# 5: CONTRACT LABOR AND CONSTRUCTION MATERIALS  
EXPENSES EXCEEDED BUDGETED AMOUNTS**

**QUESTIONED COST:**

**CONDITION:**

The Administration program grant issued by the Governor's Office of Urban Affairs to Orleans Metropolitan Housing and Community Development (OMH) is for the daily operation of OMH. It has a budget line item for property upkeep, general maintenance, and renovation in the amount of \$11,417. However, we noted expenses in this area of \$54,651, which exceeds the budgeted amount by \$43,234. We did not note any budget amendments related to these expenses.

**EFFECT OF CONDITION:**

Expenses appear to exceed the approved budget without the benefit of grantor approval.

**CRITERIA:**

The grant agreement requires that any expenses different from those included in the approved budget be incurred only after receiving an approved budget amendment through the grantor.

**RECOMMENDATION:**

Orleans Metropolitan Housing, Inc. should expense monies relative to their approved budget and/or budget amendments.



**ORLEANS METROPOLITAN HOUSING AND COMMUNITY  
DEVELOPMENT, INC.  
UPDATE OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Resolved</u>	<u>Unresolved</u>
Finding #1 Bank Reconciliations Not Prepared		X