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**Housing Authority of the City Of Houma, Louisiana**

General Purpose Financial Statements  
With Supplemental Information

Year Ended September 30, 2000

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 8-15-01

**Housing Authority of the City of Houma, Louisiana  
Financial Reports**

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A PROFESSIONAL CORPORATION

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(RETIRED)

## Independent Auditor's Report

Board of Commissioners  
Housing Authority of the City of Houma  
Houma, Louisiana

We were engaged to audit the accompanying general purpose financial statements of the Housing Authority of the City of Houma, Louisiana as of and for the year ended September 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the Housing Authority of the City of Houma, Louisiana's management.

There were a significant number of material weaknesses in internal controls over financial reporting and significant instances of noncompliance with laws and regulations, that in our judgment, adversely affect the Housing Authority of the City of Houma's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We were unable to satisfy ourselves through other auditing procedures as to the accuracy and completeness of financial records and information.

Because we were unable to satisfy ourselves as to the accuracy and completeness of financial records and information, as described in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with Government Auditing Standards, we have also issued a report dated May 18, 2001 on consideration of the Housing Authority of the City of Houma's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should read in conjunction with this report in considering the results of our audit.

We were engaged to audit the general purpose financial statements for the purpose of forming an opinion on those statements taken as a whole. The accompanying financial information listed in the table of contents as supplementary Information is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Housing Authority of the City of Houma. Also, the accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular

A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the general purpose financial statements. As discussed in the second paragraph above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the general purpose financial statements. Similarly, we are unable to express, and do not express, an opinion on the accompanying supplementary information.

*Bergeron & Lanoux*

Houma, Louisiana  
May 18, 2001, except for Note 10, as to  
which date is June 29, 2001

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
 Combined Balance Sheet - Enterprise Fund  
 September 30, 2000

ASSETS

Current assets:	
Cash and cash equivalents - unrestricted	\$ 579,607
Cash and cash equivalents - restricted	76,425
Accounts receivable - HUD other projects	7,439
Account receivable - tenants (net)	162
Prepaid expenses	62,515
Inventories	<u>1,470</u>
Total current assets	727,618
Noncurrent assets:	
Fixed assets, net	<u>3,927,278</u>
Total assets	<u><u>\$ 4,654,896</u></u>

LIABILITIES AND FUND EQUITY

LIABILITIES

Current liabilities:	
Accounts payable	\$ 339,114
Accrued compensated absences	49,156
Tenant security deposits	<u>76,425</u>
Total current liabilities	464,695

FUND EQUITY

Contributed capital	3,882,459
Retained earnings	<u>307,742</u>
Total fund equity	<u>4,190,201</u>
Total liabilities and equity	<u><u>\$ 4,654,896</u></u>

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
 Combined Statement of Revenue and Expenses - Enterprise Fund  
 Year Ended September 30, 2000

Operating revenues:	
Tenant revenue	\$ 1,131,735
HUD comprehensive program grant - soft costs	49,181
HUD PHA grants	664,957
Interest income	21,323
Other income	<u>42,597</u>
 Total operating revenues	 1,909,793
Operating expenses:	
Administration	496,096
Tenant services	97,733
Utilities	767,451
Ordinary maintenance	508,275
Protective services	184,667
General expense	235,280
Non-routine maintenance	13,032
Depreciation expense	<u>815,400</u>
 Total operating expenses	 <u>3,117,934</u>
 Net operating (loss)	 <u><u>\$ (1,208,141)</u></u>

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
 Combined Statement of Changes in Fund Equity - Enterprise Fund  
 Year Ended September 30, 2000

	Contributed capital	Retained earnings	Total fund equity
Balance at beginning of year, as previously reported	\$ 4,151,307	\$ 717,625	\$ 4,868,932
Adjustment to record subsequent change in methodology for equity classification and capitalization of comprehensive grant program costs by the Real Estate Assessment Center of HUD (REAC)	<u>(904,527)</u>	<u>770,029</u>	<u>(134,498)</u>
Balance at beginning of year, as electronically reported to REAC	3,246,780	1,487,654	4,734,434
Adjustment to record capitalization of comprehensive grant program soft costs previously expended	<u>50,673</u>	<u>-</u>	<u>50,673</u>
Balance at beginning of year, as restated	3,297,453	1,487,654	4,785,107
Capital outlays	613,235	-	613,235
Net operating (loss)	-	(1,208,141)	(1,208,141)
Depreciation transferred to contributed capital	<u>(28,229)</u>	<u>28,229</u>	<u>-</u>
Balance at end of year	<u>\$ 3,882,459</u>	<u>\$ 307,742</u>	<u>\$ 4,190,201</u>

See notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
 Combined Statement of Cash Flows - Enterprise Fund  
 Year Ended September 30, 2000

<b>Cash flows from operating activities:</b>	
Net operating (loss)	\$ (1,208,141)
Adjustments to reconcile net operating loss to net cash provided by operating activities:	
Operating subsidies received	(714,138)
Interest income	(21,323)
Depreciation	815,400
Changes in assets and liabilities:	
(Increase) decrease in account receivables	(217)
(Increase) decrease in prepaid expenses	7,957
(Increase) decrease in inventories	5,645
Increase (decrease) in accounts payable	223,096
Increase (decrease) in accrued expenses	(614)
Increase (decrease) in tenant security deposits	(1,466)
Increase (decrease) in deferred credits	(9,081)
Total adjustments	<u>305,259</u>
Net cash provided by (used in) operating activities	<u>(902,882)</u>
<b>Cash flows from noncapital financing activities:</b>	
Operating subsidies received	<u>714,138</u>
Net cash provided by noncapital financing activities	<u>714,138</u>
<b>Cash flows from capital and related financing activities:</b>	
HUD CIAP hard costs advances	613,235
Equipment and CIAP additions	<u>(675,196)</u>
Net cash provided by (used in) capital and related financing activities	<u>(61,961)</u>
<b>Cash flows from investing activities:</b>	
Interest income	<u>21,323</u>
Net cash provided by investing activities	<u>21,323</u>
Change in cash and equivalents	(229,382)
Cash and equivalents at beginning of the year	<u>885,414</u>
Cash and equivalents at end of the year	<u><u>\$ 656,032</u></u>



**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
Statement of Revenue & Expenses - Budget vs. Actual  
Low Rent Public Housing Program  
Year Ended September 30, 2000

	<u>Budget</u> <u>(HUD 52599)</u>	<u>Actual</u>	<u>Variance</u> <u>Actual-Budget</u> <u>Over (Under)</u>
Revenues			
Dwelling rental	\$ 1,129,260	\$ 1,015,085	\$ (114,175)
Excess utilities	63,660	82,388	18,728
Nondwelling rental	780	-	(780)
Interest income	34,630	21,323	(13,307)
Other income	66,270	76,859	10,589
HUD PHA grants	<u>664,957</u>	<u>664,957</u>	<u>-</u>
Total revenues	1,959,557	1,860,612	(98,945)
Operating expenses			
Administrative	325,090	446,915	121,825
Tenant services	85,200	97,733	12,533
Utilities	742,940	767,451	24,511
Ordinary maintenance & operations	523,370	508,275	(15,095)
Protective services	172,000	184,667	12,667
General expense	366,380	235,280	(131,100)
Nonroutine maintenance	40,600	13,032	(27,568)
Capital expenditures	<u>39,200</u>	<u>-</u>	<u>(39,200)</u>
Total operating expenses before depreciation	<u>2,294,780</u>	<u>2,253,353</u>	<u>(41,427)</u>
Net operating (loss) before depreciation	<u>\$ (335,223)</u>	(392,741)	<u>\$ (57,518)</u>
Depreciation expense not budgeted		<u>(787,171)</u>	
Net operating (loss) after depreciation		<u>\$ (1,179,912)</u>	

# HOUSING AUTHORITY OF THE CITY OF HOUMA

## NOTE TO FINANCIAL STATEMENTS

### 1) Summary of Significant Accounting Policies

The Housing Authority of the City of Houma, Louisiana (the Authority), a public corporate body, was organized solely for the purpose of providing decent, safe, and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. In addition, the Authority has administrative responsibility for various other community development programs whose primary purpose is the development of viable urban communities by providing decent housing, a suitable living environment, and economic opportunities principally for persons of low and moderate income.

The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the President of the Terrebonne Parish Consolidated Government. Each member serves a five-year term on a rotating basis. A significant amount of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development (HUD). The Annual Contributions Contracts entered into by the Authority and HUD provide operation subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals.

a) Reporting Entity. The entity is a public corporation, legally separate, fiscally independent and governed by a Board of Commissioners. As required by generally accepted accounting principles, these financial statements present the financial position and results of operations of the Authority, a primary government. There are no component units to be included herewith, but this report does include all funds, account groups, and programs which are controlled by the entity's governing body.

#### b) Basis of Presentation

Funds and Account Groups. The accounts of the Authority are organized on the basis of funds or account groups, each of which is considered to be a separate accounting unit. The operations of each fund are reported as a separate set of self-balancing accounts that are comprised of each fund's assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Resources are allocated to and for individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various accounts are grouped, in the financial statements in this report, into the following category:

## HOUSING AUTHORITY OF THE CITY OF HOUMA

### NOTES TO FINANCIAL STATEMENTS, CONTINUED

Proprietary Fund Type - Enterprise Fund – Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs and expenses (including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges; or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

- c) Basis of Accounting. Enterprise Funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when they are incurred.

The Authority applies all GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, Accounting Principles Board opinions and Accounting Research Bulletins issued after November 30, 1989, would not apply unless adopted by GASB.

The Authority does not utilize encumbrance accounting.

- d) Budgetary Data. The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for CIAP grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables, or depreciation.

- e) Cash and Cash Equivalents

The entity defines cash and cash equivalents to include certificates of deposit, money market funds, savings accounts, and demand deposits.

- f) Tenant Receivables. Receivables for rental and service charges are reported net of allowances for doubtful accounts.

HOUSING AUTHORITY OF THE CITY OF HOUMA  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

- g) Investments. Investments are carried at fair market value.
- h) Compensated Absences. Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

2) Cash Deposits With Financial Institutions

It is the entity's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The entity's deposits are categorized to give an indication of the level of risk assumed by the entity at September 30, 2000. The categories are described as follows:

Category 1 - Insured or collateralized with securities held by the entity or by its agent in the entity's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name.

Category 3 - Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institutions, or by its trust department or agent but not in the entity's name.

Cash deposits, at September 30, 2000, categorized by level of risk, were as follows:

Bank Balances				Carrying Amount
Category			Total	
1	2	3		
\$ 700,000	\$ -	\$ 45,903	\$ 745,903	\$ 656,032

Cash and cash equivalents are reported on the balance sheet as follows:

Cash and cash equivalents - restricted	\$579,607
Cash and cash equivalents - unrestricted	<u>76,425</u>
Total cash and cash equivalents	<u><u>\$656,032</u></u>

HOUSING AUTHORITY OF THE CITY OF HOUMA  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

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

3) Activities of the PHA.

At September 30, 2000, the Authority was managing 588 low-rent units in two projects under Program FW -1184.

4) Fixed Assets

Fixed assets are now depreciated on the straight-line method over their estimated useful lives as follows:

Buildings	33 Years
Site improvements	15 Years
Buildings improvements	15 Years
Nondwelling structures	15 Years
Equipment	3 to 7 Years

Changes in fixed assets are as follows:

	Cost	Accumulated Depreciation 9/30/99	Current Depreciation	Accumulated Depreciation 9/30/00	Net Asset Value
Land	\$ 556,728	\$ -	\$ -	\$ -	\$ 556,728
Buildings	17,926,320	14,167,935	679,129	14,847,064	3,079,256
Site Improvements	1,847,917	1,698,395	46,031	1,744,426	103,491
Furniture & Equipment	715,351	482,128	90,240	572,368	142,983
Construction in Progress	44,820	-	-	-	44,820
<b>Total</b>	<b>\$ 21,091,136</b>	<b>\$ 16,348,458</b>	<b>\$ 815,400</b>	<b>\$ 17,163,858</b>	<b>\$ 3,927,278</b>

HOUSING AUTHORITY OF THE CITY OF HOUMA  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the federal government and to protect other interests of the federal government.

5) Long-term Debt

To provide for the development and modernization of low-rent housing units, Public Housing Authorities issued New Housing Authority Bonds and Permanent Notes-FFB. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt by the authority, and accordingly, have not been reported in the accompanying financial statements.

6) Retirement Plan

The Authority provides retirement benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six month exclusionary period. The employee may contribute 6% and the Housing Authority contributes 8% of the participating employee's base salary each month. The Authority's contributions for each employee (and interest allocated to the employee's account) are vested 20% annually for each year of participation. An employee is fully vested after 5 years of participation.

The Authority's total payroll in fiscal year ended September 30, 2000 was approximately \$468,000. The Authority's contributions were calculated using the base salary amount of \$215,547. Contributions to the plan were \$13,548 and \$17,271 by the employee and the Authority, respectively.

7) Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Cash and Investments

The carrying amount approximates fair value because of the short maturity of these instruments.

HOUSING AUTHORITY OF THE CITY OF HOUMA  
NOTES TO FINANCIAL STATEMENTS, CONTINUED

8) Accounting for the Impairment of Long-Lived Assets

The full amount of the carrying value of buildings and land improvements are deemed recoverable from future cash flows.

9) Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

10) Contingencies

The Authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years. These examinations may result in required refunds by the Authority to federal grantors and/or program beneficiaries.

As described in the schedule of federal award findings and questioned costs, the Authority did not comply with requirements regarding cash disbursements, allowable cost, tenant file documentation, equipment and real property management, procurement, financial and performance reporting, tenant waiting list, contract administration and monitoring, expenditures, cash management, Davis-Bacon Act, and LOCCS quarterly reporting, that are applicable to its Low-Income Housing Operating Subsidy Grant, CFDA #14.850 and Public Housing Comprehensive Grant Program, CFDA # 14.859. The financial statement effects of substantial non-compliance on its federal award programs with HUD cannot readily be determined at this time, and accordingly, no provision for any liability has been made in the general purpose financial statements.

HUD is currently surveying federal financial assistance received by the Authority for the period from January 1998 through March 2001. The examination is focusing on areas of procurement, tenant files and tenant revenues, and may be expanded into other areas. The ultimate outcome of this examination cannot readily be determined at this time, and accordingly, no provision for any liability has been made in the general purpose financial statements.

The Housing Authority is being investigated by the Terrebonne Parish District Attorney's office. The Housing Authority was notified by letter dated June 12, 2001 to appear at the Terrebonne Parish District Attorney's office to give testimony on

# HOUSING AUTHORITY OF THE CITY OF HOUMA

## NOTE TO FINANCIAL STATEMENTS

behalf of the State of Louisiana. Certain past and present employees employed in an administrative or office position were questioned during interviews conducted by the Terrebonne Parish Sheriff's Office. The ultimate outcome of this investigation is unknown at this time, and accordingly, no provision for any liability has been made in the general purpose financial statements.

### 11) Commitment

The Housing Authority entered into a five (5) year employment contract with its executive director commencing May 12, 1999 and terminating May 12, 2004. The agreement provides for a minimum annual salary of \$60,000 payable semi-monthly, travel expense reimbursement while on Housing Authority business based on the travel policy in effect, a vehicle and payment of related vehicle expenses. The executive director shall also be entitled to all other employee benefits afforded to other employees of the Housing Authority. At September 30, 2000, the remaining salary commitment payable from October 1, 2001 through May 12, 2004 was approximately \$215,000.

### 12) Prior Period Adjustment

Retained earnings at the beginning of the year has been restated to record the effects of a subsequent change in methodology for equity classification and capitalization of comprehensive grant program costs by the Real Estate Assessment Center of HUD (REAC). The effect of the restatement decreased net operating loss for the year ending September 30, 1999 by \$83,825.



SUPPLEMENTARY INFORMATION

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
**COMBINING BALANCE SHEETS - ENTERPRISE FUND**  
September 30, 2000

<b>ASSETS</b>	<u>Low Rent 14,850</u>	<u>CGP 14,859</u>	<u>TOTAL</u>
<b>CURRENT ASSETS:</b>			
Cash - unrestricted	\$ 579,607	\$ -	\$ 579,607
Cash - tenant security deposits	76,425	-	76,425
Total cash	<u>656,032</u>	<u>-</u>	<u>656,032</u>
Accounts and notes receivables:			
Accounts receivable - HUD other projects	7,439	-	7,439
Accounts receivable- tenants - dwelling rents	2,605	-	2,605
Allowance for doubtful accounts - dwelling rents	<u>(2,443)</u>	<u>-</u>	<u>(2,443)</u>
Total receivables, net of allowances for doubtful accounts	7,601	-	7,601
Prepaid expenses and other assets	62,515	-	62,515
Inventories	<u>1,470</u>	<u>-</u>	<u>1,470</u>
<b>TOTAL CURRENT ASSETS</b>	<u>727,618</u>	<u>-</u>	<u>727,618</u>
<b>NONCURRENT ASSETS:</b>			
Fixed assets:			
Land	556,728	-	556,728
Buildings	17,135,665	790,655	17,926,320
Furniture, equipment & machinery - dwellings	467,367	-	467,367
Furniture, equipment & machinery - administration	247,984	-	247,984
Site improvements	1,847,917	-	1,847,917
Accumulated depreciation	<u>(17,135,629)</u>	<u>(28,229)</u>	<u>(17,163,858)</u>
Construction in progress	-	44,820	44,820
Total fixed assets, net of accumulated depreciation	<u>3,120,032</u>	<u>807,246</u>	<u>3,927,278</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>3,120,032</u>	<u>807,246</u>	<u>3,927,278</u>
<b>TOTAL ASSETS</b>	<u>\$ 3,847,650</u>	<u>\$ 807,246</u>	<u>\$ 4,654,896</u>

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
**COMBINING BALANCE SHEETS - ENTERPRISE FUND**  
September 30, 2000

	Low Rent 14.850	CGP 14.859	TOTAL
<b>LIABILITIES AND EQUITY</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable < 90 days	\$ 294,294	\$ 44,820	\$ 339,114
Accrued compensated absences	49,156	-	49,156
Tenant security deposits	76,425	-	76,425
<b>TOTAL CURRENT LIABILITIES</b>	<b>419,875</b>	<b>44,820</b>	<b>464,695</b>
<b>EQUITY</b>			
Contributed capital:			
Long-term debt - HUD guaranteed	1,216,689	-	1,216,689
Net HUD PHA contributions	1,903,344	762,426	2,665,770
Total contributed capital	3,120,033	762,426	3,882,459
Undesignated fund balance/retained earnings	307,742	-	307,742
<b>TOTAL EQUITY</b>	<b>3,427,775</b>	<b>762,426</b>	<b>4,190,201</b>
<b>TOTAL LIABILITY AND EQUITY</b>	<b>\$ 3,847,650</b>	<b>\$ 807,246</b>	<b>\$ 4,654,896</b>

**HOUSING AUTHORITY OF THE CITY OF HOUMA**  
**COMBINING STATEMENT OF REVENUES AND EXPENSES - ENTERPRISE FUND**  
Year Ended September 30, 2000

	Low Rent 14.850	CGP 14.859	TOTAL
<b>REVENUE:</b>			
Net tenant rental revenue	\$ 1,015,085	\$ -	\$ 1,015,085
Tenant revenue - other	116,650	-	116,650
Total tenant revenue	<u>1,131,735</u>	<u>-</u>	<u>1,131,735</u>
HUD PHA grants	664,957	49,181	714,138
Investment income - unrestricted	21,323	-	21,323
Other revenue	42,597	-	42,597
<b>TOTAL REVENUE</b>	<u>1,860,612</u>	<u>49,181</u>	<u>1,909,793</u>
<b>EXPENSES:</b>			
Administrative:			
Administrative salaries	230,090	-	230,090
Auditing fees	7,800	-	7,800
Compensated absences	5,401	-	5,401
Employee benefit contributions- administrative	45,972	-	45,972
Other operating- administrative	157,652	49,181	206,833
	<u>446,915</u>	<u>49,181</u>	<u>496,096</u>
Tenant services:			
Tenant services - salaries	39,914	-	39,914
Employee benefit contributions- tenant services	8,450	-	8,450
Tenant services - other	49,369	-	49,369
	<u>97,733</u>	<u>-</u>	<u>97,733</u>
Utilities:			
Water	143,144	-	143,144
Electricity	497,663	-	497,663
Gas	55,160	-	55,160
Other utilities expense	71,484	-	71,484
	<u>767,451</u>	<u>-</u>	<u>767,451</u>
Ordinary maintenance & operations:			
Ordinary maintenance and operations - labor	198,360	-	198,360
Ordinary maintenance and operations - materials & other	102,323	-	102,323
Ordinary maintenance and operations - contract costs	168,160	-	168,160
Employee benefit contributions- ordinary maintenance	39,432	-	39,432
	<u>508,275</u>	<u>-</u>	<u>508,275</u>
Protective services:			
Protective services - other	184,667	-	184,667
General expenses:			
Insurance premiums	193,438	-	193,438
Other General Expenses	295	-	295
Payments in lieu of taxes	40,172	-	40,172
Bad debt - tenant rents	1,375	-	1,375
	<u>235,280</u>	<u>-</u>	<u>235,280</u>
Extraordinary maintenance	13,032	-	13,032
<b>OPERATING EXPENSES BEFORE DEPRECIATION</b>	<u>2,253,353</u>	<u>49,181</u>	<u>2,302,534</u>
<b>NET OPERATING INCOME (LOSS) BEFORE DEPRECIATION</b>	<u>(392,741)</u>	<u>-</u>	<u>(392,741)</u>
Depreciation expense	787,171	28,229	815,400
<b>Net operating income (loss) after depreciation</b>	<u>\$ (1,179,912)</u>	<u>\$ (28,229)</u>	<u>\$ (1,208,141)</u>

**HOUSING AUTHORITY OF THE CITY OF HOUMA**

Statement and Certification of Comprehensive Grants

Annual Contribution Contract

1. The Actual Modernization Costs are as follows:

	<u>1997</u>
Funds Approved	\$ 442,913
Funds Expended	<u>442,913</u>
Excess of Funds Approved	<u><u>\$ -</u></u>
Funds Advanced	\$ 442,913
Funds Expended	<u>442,913</u>
Excess of Funds Advanced	<u><u>\$ -</u></u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated May 23, 2000 accompanying the Actual Modernization Costs Certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All modernization costs have been paid and all related liabilities have been discharged through payment.

**HOUSING AUTHORITY OF THE CITY OF HOUMA**

Statement of Comprehensive Grant Costs - Uncompleted

Septemebr 30 2000

Cash Basis

	<u>Project 1999</u>	<u>Project 1998</u>
Funds Approved	\$ 530,491	\$ 464,495
Funds Expended	<u>64,705</u>	<u>348,794</u>
Excess of Funds Approved	<u>465,786</u>	<u>115,701</u>
Funds Advanced	\$ 57,266	\$ 348,794
Funds Expended	<u>64,705</u>	<u>348,794</u>
Excess of Funds Advanced	<u>\$ (7,439)</u>	<u>\$ -</u>

**HOUSING AUTHORITY OF THE CITY OF HOUMA**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2000

<u>FEDERAL GRANTOR PROGRAM TITLE</u>	<u>CFDA NO.</u>	<u>GRANT ID NO.</u>	<u>PROGRAM EXPENDITURES</u>
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Low-Income Housing Operating Subsidy	14.850	FW - 1184	\$ 664,957
Major Program Total			<u>664,957</u>
Public Housing Comprehensive Grants			
Project 1997	14.859	LA 48P090706-97	289,436
Project 1998	14.859	LA 48P090707-98	311,606
Project 1999	14.859	LA 48P090708-99	57,266
Major Program Total			<u>658,308</u>
Total HUD			<u>\$ 1,323,265</u>

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CLAUDE E. BERGERON, CPA  
(RETIRED)

## 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 the City of Houma  
Houma, Louisiana

### Compliance

We have audited the compliance of the Housing Authority of the City of Houma, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement and HUD Notice PIH 96-53 that are applicable to each of its major federal programs for the year ended September 30, 2000. The Housing Authority of the City of Houma, Louisiana'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 of the City of Houma, Louisiana's management. Our responsibility is to express an opinion on the Housing Authority of the City of Houma, Louisiana'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" and HUD Notice PIH 96-53. 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 of the City of Houma, Louisiana'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 of the City of Houma, Louisiana's compliance with those requirements.

As described in items 2000-24 to 2000-35 in the accompanying schedule of findings and questioned cost, the Housing Authority of the City of Houma, Louisiana did



not comply with requirements regarding activities allowed or unallowed (political activity), allowable costs/cost principles (cash disbursements), eligibility (tenant file documentation), equipment and real property management, procurement, reporting, special tests and provisions (tenant waiting list), cash management, and Davis-Bacon Act that are applicable to its Low-Income Housing Operating Subsidiary Grant, CFDA #14.850 and Public Housing Comprehensive Grant Program, CFDA # 14.859. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of the City of Houma, Louisiana to comply with the requirements applicable to those programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Housing Authority of the City of Houma, Louisiana's did not comply, in all material respects, with the requirements referred to above that are applicable to Low-Income Housing Operating Subsidy Grant and Public Housing Comprehensive Grant Program.

#### Internal Control Over Compliance

The management of the Housing Authority of the City of Houma, Louisiana is responsible for establishing and maintaining 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 Housing Authority of the City of Houma, Louisiana's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Housing Authority of the City of Houma, Louisiana's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2000-24 to 2000-35.

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

reportable conditions described above, we consider items 2000-24 to 2000-28 and 2000-31 to 2000-35 to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana Legislative Auditor and federal awarding agencies, and should not be used by anyone other than these specified parties.

*Bergeron & Lanauze*

Houma, Louisiana  
May 18, 2001

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CLAUDE E. BERGERON, CPA  
(RETIRED)

Report on Compliance and on Internal Control Over Financial Reporting  
Based on an Audit of Financial Statements Performed in  
Accordance with Governmental Auditing Standards

Board of Commissioners  
Housing Authority of the City of Houma  
Houma, Louisiana

We were engaged to audit the general purpose financial statements of the Housing Authority of the City of Houma, Louisiana as of and for the year ended September 30, 2000, and have issued our report thereon dated May 18, 2001. We did not express an opinion on the financial statements because there were a significant number of material weaknesses in internal controls over financial reporting and significant instances of noncompliance with laws and regulations, that in our judgment, adversely affected the Housing Authority of the City of Houma's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. We were not able to satisfy ourselves through other auditing procedures as to the accuracy and completeness of financial records and information, and as such, the scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the financial statements. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of the City of Houma, Louisiana's general purpose 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 Governmental Auditing Standards which are described in the accompanying schedule of financial statement findings as items 2000-1 to 2000-9.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Houma, Louisiana's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Housing Authority of the City of Houma, Louisiana'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 financial statement findings as items 2000-5 to 2000-23.

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 material weaknesses. However, of the reportable conditions described above, items 2000-5 to 2000-21 are considered to be material weaknesses.

This report is intended for the information of the Board of Commissioners, management, the State of Louisiana Legislative Auditor and federal awarding agencies, and should not be used by anyone other than the specified parties.

*Bergeron & Lanoux*

Houma, Louisiana  
May 18, 2001

HOUSING AUTHORITY OF THE CITY OF HOUMA  
SUMMARY OF AUDITOR'S RESULTS AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED SEPTEMBER 30, 2000

Section I – Summary of Auditor's Results

- a. The auditor's report disclaims an opinion on the general purpose financial statements of the Housing Authority of the City of Houma, Louisiana as of and for the year ended September 30, 2000.
- b. Reportable conditions and material weaknesses in internal control disclosed in the audit of the financial statements are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements in Accordance with Governmental Auditing Standards.
- c. Instances of noncompliance material to the financial statement were disclosed during the audit.
- d. Reportable conditions and material weaknesses in internal control were disclosed by our audit over major programs and are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.
- e. The auditor's report expressed an adverse opinion on compliance for its major federal award programs because of substantial noncompliance with the requirements of its major programs.
- f. The programs tested as major programs include:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Low-income Housing Operating Subsidy	# 14.850
Public Housing Comprehensive Grants	# 14.859

- g. The dollar threshold to distinguish Type A and Type B programs was \$300,000.
- c. The Housing Authority of the City of Houma, Louisiana did not qualify as a low-risk auditee.

HOUSING AUTHORITY OF THE CITY OF HOUMA  
SUMMARY OF AUDITOR'S RESULTS AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
YEAR ENDED SEPTEMBER 30, 2000

Section II – Financial Statement Findings

Financial Statement Findings are identified in the Schedule of Financial Statement Findings following this section. An index to those findings follows:

Index to Financial Statement Findings

<u>Number</u>	<u>Description</u>
2000-1	AUDIT ENGAGEMENT APPROVAL
2000-2	BOARD MINUTES
2000-3	DEPOSITS SECURED BY FDIC INSURANCE OR PLEDGED SECURITIES
2000-4	PUBLIC RECORDS REQUEST
2000-5	PAYROLL REPORTS
2000-6	EMPLOYEE PAYROLL FILE DOCUMENTATION
2000-7	COMPENSATED ABSENCES
2000-8	EXECUTIVE DIRECTOR'S EXPENSES WHILE OUT ON MEDICAL LEAVE
2000-9	MANAGEMENT OVERSIGHT AND AUDIT ENGAGEMENT COMPLETION
2000-10	MONTHLY FINANCIAL REPORTS
2000-11	OPERATING BANK ACCOUNT RECONCILIATIONS
2000-12	OPERATING BANK ACCOUNT CANCELLED CHECKS
2000-13	CHECK REGISTER AND CHECK SEQUENCE LOG
2000-14	UNUSED BLANK CHECKS
2000-15	LAUNDRY AND VENDING MACHINE BANK STATEMENTS
2000-16	CERTIFICATES OF DEPOSIT
2000-17	COMPUTER ACCESS CODES
2000-18	COLLECTION PROCEDURES
2000-19	ACCOUNTS PAYABLE
2000-20	SALARY ADMINISTRATION
2000-21	GASOLINE CREDIT CARD PURCHASES
2000-22	SECURITY DEVICES
2000-23	OPERATIONAL STUDY AND OTHER EXAMS CURRENTLY UNDER WAY

HOUSING AUTHORITY OF THE CITY OF HOUMA

SUMMARY OF AUDITOR'S RESULTS AND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED

YEAR ENDED SEPTEMBER 30, 2000

Section III – Federal Award Findings and Questioned Costs

Federal Award Findings and Questioned Costs are identified in the Schedule of Federal Award Findings and Questioned Costs following this section. An index to those findings follows:

Index to Federal Award Findings and Questioned Costs

<u>Number</u>	<u>Description</u>
2000-24	CASH DISBURSEMENTS
2000-25	ALLOWABLE COSTS - POLITICAL ACTIVITY
2000-26	TENANT FILE DOCUMENTATION
2000-27	FINANCIAL AND PERFORMANCE REPORTS
2000-28	TENANT WAITING LIST
2000-29	EQUIPMENT AND REAL PROPERTY MANAGEMENT
2000-30	PROCUREMENT
2000-31	CONTRACT ADMINISTRATION AND MONITORING
2000-32	EXPENDITURES – COMPREHENSIVE GRANT PROGRAM (CGP)
2000-33	CASH MANAGEMENT
2000-34	PREVAILING WAGE RATES (DAVIS-BACON ACT)
2000-35	LOCCS QUARTERLY REPORTING

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

2000-1 AUDIT ENGAGEMENT APPROVAL

R. S. 24.513 requires the Legislative Auditor to approve the engagement agreement of a CPA performing its audit within 60 days after fiscal year end close. The Housing Authority did not engage an external auditing firm to audit its September 30, 2000 year end financial statements until January 25, 2001, or 117 days after its fiscal year end close.

The Housing Authority needs to timely engage its external auditing firm in accordance with statutory requirements.

2000-2 BOARD MINUTES

During our audit fieldwork, we requested Housing Authority Board minutes for meetings from October 1999 through the most recent meeting. The minutes were not maintained in chronological order and we were unable to locate minutes for four meetings that had been advertised. We were unable to determine whether the scheduled meetings for which minutes could not be located had been postponed or canceled due to the lack of a quorum.

Louisiana law requires the proceeding of the board to be recorded in the minutes. Those minutes are considered public records and must be made available to the public upon request.

We recommend management implement procedures to insure that a complete set of official minutes is maintained. In the event a scheduled or advertised meeting is postponed or canceled, the Housing Authority should document the cancellation or postponement to provide evidence that the minutes are complete.

2000-3 DEPOSITS SECURED BY FDIC INSURANCE OR PLEDGED SECURITIES

Under Louisiana law, the Housing Authority's deposits in financial institutions must be fully insured or collateralized. We were not able to obtain sufficient evidence to determine whether the Housing Authority was in compliance with the applicable provisions of the law regarding security for deposits. As of September 30, 2000, the Housing Authority's bank balances exceeded FDIC insurance coverage by \$45,903.

We recommend management implement procedures to insure compliance with the applicable laws regarding security for deposits. Those procedures should include documentation of the Housing Authority's monitoring of deposit levels and securities pledged by depository institutions.



Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

2000-4 PUBLIC RECORDS REQUEST

We inquired about the Housing Authority's policy and procedures in effect during the audit year for handling request for public records. We also requested to examine files maintained documenting such requests and the timeliness in which requests were complied with. The Housing Authority was not able to provide any documentation concerning requests for public records and employees were not aware of any policies in place to handle such requests.

We recommend the Housing Authority review its policies and procedures in effect for handling requests for public information and have the Board's attorney review these policies and procedures for compliance with applicable state law (Louisiana Public Records Law LA R.S. 44.32 & 44.33)

2000-5 PAYROLL TAX REPORTS

A. Employer's Quarterly Federal Tax Reports, Form 941

Employer's Quarterly Federal Tax Reports, Form 941, for the second and fourth quarter of 2000 were filed late. In addition, the Internal Revenue Service (IRS) assessed failure to timely deposit penalties for the second and third quarters. To date, the Internal Revenue Service has assessed penalties and interest for late filing or failure to timely deposit payroll taxes amounting to \$2,289 which have been paid by the Housing Authority.

The December 31, 2000 quarterly Form 941 was not prepared until we requested a copy of it. It was prepared and filed in April 2001. In addition, the "Federal Wage Report" and "State Wage Report" generated by the payroll system to prepare quarterly reports could not be located for the fourth quarter. These reports summarize employees' quarterly gross wages, social security and Medicare wages, and federal and state income tax withheld and are necessary to prepare quarterly payroll reports. The information had to be reconstructed from payroll summaries to facilitate report preparation.

Quarterly 941 payroll tax reports for the year 2000 were not reconciled to Form W-2, Wage and Tax Statement, prior to filing W-2's with the Social Security Administration. This procedure is necessary to determine quarterly payroll reports filed with the Internal Revenue Service and annual W-2's filed with the Social Security Administration are in balance. We recommend the Housing Authority balance its Quarterly 941 payroll tax reports to Form W-2, Wage and Tax Statement.

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

B. Employer's Return of State Income Tax Withheld – Form L-1

Monthly state income tax withholding reports for the months of August through December 2000 were filed late. Penalties and interest totaling \$1,095 were assessed and paid by the Housing Authority.

C. Quarterly State Unemployment Tax Reports – LDOL-ES4

Quarterly state unemployment tax reports for the first, second, and fourth quarters of 2000 were filed late. Penalties and interest totaling \$133 were assessed and paid by the Housing Authority.

We recommend the Housing Authority strengthen internal control procedures over its payroll function. Procedures should be established to insure payroll taxes are timely deposited and payroll reports are accurately prepared and timely filed with federal and state taxing authorities. To accomplish this, additional employee training will be necessary and payroll personnel will have to be closely supervised until they become familiar with payroll reporting and filing procedures.

2000-6 EMPLOYEE PAYROLL FILE DOCUMENTATION

We selected eleven employee payroll files, or 44 % of the population, to test folders for compliance with forms and policy statements that should be included in each folder. To test compliance, we requested a list of items that should be included in each folder. Based on that list, there was a high degree of noncompliance for attributes tested. In addition, out of the eleven folders requested, one folder could not be located. Some of the more significant instances of noncompliance included the following:

Payroll tax withholding. The Housing Authority did not have federal withholding allowance forms (W-4) on file for four of the eleven employees selected in our test of payroll compliance. The forms on file for six of the employees tested had not been updated since 1996 or earlier. None of the files tested included state withholding allowance forms (L-4). The number of withholding allowances or marital status reported on the W-4 did not agree to the payroll registers for two of the employees tested.

Retirement and medical insurance withholding. Five of the eleven employees tested were participants in either the retirement plan or the medical insurance plan. The withholding authorization or plan election forms for the employees tested were either missing or contained incomplete information.

## Housing Authority of the City of Houma

### Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

We recommend the Housing Authority establish procedures to insure compliance with applicable payroll tax and withholding regulations. The procedures should include the use of a checklist of forms and policy statements that should be included in each employee's folder.

#### 2000-7 COMPENSATED ABSENCES

The Housing Authority does not have adequate procedures in place to insure the accuracy of employee annual and sick leave balances. Employee leave records we reviewed were not updated through the end of the year and contained numerous errors or incorrect postings. During the course of performing our audit, we were informed that employees were maintaining their own records of leave.

We recommend the Housing Authority review the Louisiana Civil Service Accrued Annual and Sick Leave Policies, which govern the Housing Authority's Leave Policies. The official employee leave records should be maintained by a supervisor and not by the employees. Management should periodically review the leave records to insure that they are being maintained in accordance with the applicable Civil Service policies and procedures.

#### 2000-8 EXECUTIVE DIRECTOR'S EXPENSES WHILE OUT ON MEDICAL LEAVE

The Housing Authority's executive director has been out on medical leave since July 31, 2000 and continued to use a Housing Authority vehicle, gas credit cards and cell phone. The Board of Commissioners passed a resolution at its January 4, 2001 board meeting requesting the return of all Housing Authority property by Friday, January 5, 2001. On February 1, 2001, the items were returned to the Housing Authority.

Article 7, Section 14, of the Louisiana Constitution prohibits the use of public property for personal use. We recommend the Housing Authority forward a listing of gasoline credit card charges and cell phone useage incurred by the executive director while out on medical leave. To the extent the executive director is not able to document that these expenses were incurred in her official capacity as executive director, we recommend the Housing Authority request restitution of these amounts. If the executive director does not cooperate in this process, we recommend this information be turned over to the Terrebonne Parish District Attorney's office for further investigation and follow-up.

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

2000-9 MANAGEMENT OVERSIGHT AND AUDIT ENGAGEMENT COMPLETION

The audit engagement must be completed and filed with the Legislative Auditor within six months of the close of the fiscal year, or by March 31, 2001. In addition, OMB Circular A-133 at Section 320(a) states that the federal financial awards reporting package, which includes the audit reports, must be submitted no later than nine months after the end of the audit period, or by June 30, 2001. The Housing Authority did not file its audit reports until July 2001.

The Housing Authority was late in engaging an external audit firm to audit its September 30, 2000 fiscal year end financial statements. The Housing Authority's executive director has been out on medical leave since July 2000. The Housing Authority has been operating without proper management oversight and many of the daily accounting and reporting functions have fallen behind. Records have not been timely prepared and filed with certain regulatory agencies. In addition, the internal record keeping and filing system has not been maintained making file retrieval difficult. In certain cases, records were missing and had to be requested from external sources. Difficulties in obtaining information and having routine inquiries timely and adequately answered delayed the auditing process.

We recommend the Housing Authority put procedures in place to timely engage an audit firm and take the necessary steps to structure its staff to insure internal operating and administrative procedures are timely performed.

2000-10 MONTHLY FINANCIAL REPORTS

The Housing Authority entered into an agreement with a computer services firm specializing in housing authorities to perform computerized bookkeeping and computer services, prepare monthly bank reconciliations, general ledgers, financial statements, and prepare certain report filings with HUD. The Housing Authority forwards to the computer services firm, an informational packet consisting of copies of bank statements, check vouchers with attached invoices, deposit tickets, rental register summaries and certain other information necessary to process monthly accounting work. The October 2000 and January 2001 packets were incomplete and did not include copies of bank statements and rental registers. Accordingly, monthly general ledgers and financial statements have not been prepared since September 2000.

When this came to our attention, we recommend the Housing Authority forward the necessary information to the computer services firm for processing. In the future, we recommend a standard packing list be developed and used to accumulate monthly information for forwarding to the computer services firm and

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

have a designated employee review and sign the packing list for completeness prior to shipping. The Housing Authority should also establish procedures to follow-up with the computer services firm should monthly financial information not be timely processed and returned.

2000-11 OPERATING BANK ACCOUNT RECONCILIATIONS

We requested copies of bank reconciliations from October 31, 2000 through January 31, 2001 on the Housing Authority's main operating account and were informed that bank reconciliations had not been prepared since September 30, 2000. Also, the Housing Authority was not able to tell us what its available checkbook balance was. The main operating bank account is scheduled to be reconciled monthly by the computer services firm, but due to forwarding of incomplete information to their office, reconciliations were not prepared. The October 2000 and January 2001 packets were incomplete and did not include copies of bank statements and rental registers.

Monthly bank reconciliations are critical to proper cash management. We recommend that the Housing Authority put procedures in place to insure bank reconciliations are timely prepared and reconciling items promptly resolved. Due to the significance of proper cash management, we recommend the Housing Authority consider moving the reconciliation process in-house. This procedure will provide management with timely reconciled cash balances and insure monthly cash receipts and disbursements are balanced prior to shipping accounting information to the computer services firm for processing.

2000-12 OPERATING BANK ACCOUNT CANCELLED CHECKS

The computer services firm historically retained certain monthly information and made it available annually to the Housing Authority's external auditors. This information was shipped to our office and received on February 22, 2001. The packing list enclosed with the information indicated the cancelled checks for May and June 2000 were missing. We requested Housing Authority personnel to follow-up and locate the missing checks. To date, the cancelled checks have not been located.

We recommend the Housing Authority review its procedures for shipping records to the computer services firm. During parts of 2000, original records were being shipped subjecting records to the possibility of being lost or misplaced during shipment. Presently, the Housing Authority is shipping copies and we recommend this practice be continued. In addition, the Housing Authority should contact the computer services firm to determine if it is necessary to ship copies of

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

cancelled checks as part of the monthly packet. The bank statement lists check numbers and amounts for each check clearing the bank. This information with copies of check vouchers which are included in the informational packet should be sufficient to process monthly work.

2000-13 CHECK REGISTER AND CHECK SEQUENCE LOG

The Housing Authority currently uses one sequence of checks and check numbers for both operating disbursements and payroll disbursements. There is no check sequence log maintained on checks issued, and it was difficult to account for numerical sequence of checks issued, a procedure used to insure all checks have been processed and accounted for.

To strengthen internal controls, we recommend the Housing Authority open an imprest payroll account. A cash transfer would be deposited in the payroll account from the operating account each pay period to cover employees' net paychecks. Payroll checks should have a different check number sequence and color from the operating account. This will provide easy identification of payroll checks. A check sequence log should also be maintained on payroll checks issued. Voided checks should be accounted for and retained in file for future reference.

If the Housing Authority continues to use one bank account to process both operating and payroll disbursements, we recommend payroll checks have a different number sequence and color. A check sequence log should be established for each sequence of checks.

2000-14 UNUSED BLANK CHECKS

The Housing Authority's unused blank checks are not kept in a secured, locked area and access is not limited to only authorized personnel. The lack of security over blank checks, combined with other weaknesses in the Authority's internal control, greatly increases the risk of theft or fraud.

We recommend blank checks be kept in a locked cabinet accessible only to those with proper authorization and that checks periodically be accounted for.

2000-15 LAUNDRY AND VENDING MACHINE BANK STATEMENTS

The Housing Authority has two business savings accounts, one for its Laundry account and one for its Vending Machine account. Quarterly statements are produced by the bank and mailed to the Housing Authority. The Housing

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

Authority was unable to locate quarterly bank statements for either account for the fiscal year under audit. In addition, we were informed that quarterly bank reconciliations are not prepared. In reviewing the general ledger, we also noted that no activity has been posted to the general ledger for either of these savings accounts since September 30, 1999. We reviewed each account's register log, savings deposit and withdrawal books. The register log is not filled out listing transaction dates, deposits, withdrawals and account balances.

At our request, the Housing Authority obtained duplicate quarterly statements which were received April 17, 2001. After we received the duplicate statements, we accidentally came across December quarterly bank statements while reviewing savings deposit and withdrawal books.

We recommend the Housing Authority review and strengthen its internal control procedures surrounding these two accounts. An internal filing and retrieval system should be established so bank statements and related records are properly stored and easily available for inspection. The Housing Authority presently uses a pocket type register, savings deposit and withdrawal book similar to ones used for individual accounts. We recommend the Housing Authority contact its bank to determine if a commercial type deposit book is available where duplicate deposit tickets can be prepared. One copy would be attached to the cash and checks deposited at the bank and the duplicate would be stamped and remain with the Housing Authority. The same would also apply to savings withdrawal slips. Account register logs should be properly maintained and reconciled to quarterly statements. With the available of Internet banking, the Housing Authority should check into Internet access to its accounts where savings statements can be viewed and downloaded monthly rather than waiting to receive them quarterly. The Housing Authority should put procedures in place to record account activity monthly in its general ledger to accurately reflect cash balances and financial information in its monthly financial statements.

2000-16 CERTIFICATES OF DEPOSIT

The Housing Authority's general ledger reflected \$600,000 in certificates of deposit (CD) as of September 30, 2000. As part of our audit procedures, we requested a listing showing CD number, issue date, maturity date, amount, interest rate, interest payment terms and issuing bank. The Housing Authority was unable to produce a register reflecting the requested information as of September 30, 2000 or as of the date of our request. We then requested to examine CD's currently held by the Housing Authority. CD's totaling \$400,000 were located in an unlocked desk drawer. Upon inquiry and examination of the November 2000 bank statement, we were able to determine that two \$100,000

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

CD's were cashed in prior to maturity. Early withdrawal penalties totaling \$3,620 were assessed on both CD's.

We recommend the Housing Authority review and strengthen internal control and cash management procedures over CD's. CD's should be maintained in a secure location, such as the vault, or locked cabinet, and only authorized employees should have access to them.

We recommend the Housing Authority establish an investment report reflecting pertinent CD information. The report should be updated monthly and serve as a cash management tool. The Housing Authority should also review its investment policy and structure CD maturities to coincide with cash flow needs and reduce the likelihood of early CD withdrawals.

2000-17 COMPUTER ACCESS CODES

Access to computer system data is not adequately controlled through the use of passwords and other system security features. Employee passwords are not safeguarded and any valid password allows access to all computer functions.

The Housing Authority relies heavily on its computer software to provide accurate accounting reports in order to base financial and managerial decisions. The Housing Authority uses software for payroll, accounts payable, cash disbursements, to record receipts, and handle tenant transactions including rent, utility, and occupancy charges.

We recommend management review the security features available on its computer system and implement procedures to insure proper system security. The passwords assigned to employees should allow access only to the systems or functions necessary to perform the employee's duties. Mandatory password changes should be enforced on a regular basis and employees should be instructed to guard their passwords as confidential. Management should periodically review access logs.

2000-18 COLLECTION PROCEDURES

Housing Authority personnel are responsible for collecting tenant rents, excess utilities, and other charges. During our audit, we noted the following weaknesses in the Housing Authority's collection policies and procedures:

- Current Housing Authority policy states " You (the employee) are responsible for any shortages which may occur in the daily collections and



Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

deposits. Overages will be placed in an overage fund in the safe for future use." We recommend cash receipts be deposited daily in their entirety. We recommend cash overages and shortages be settled daily, and that cash overages not be placed in the safe for future use, especially to make up shortages. Only a minimum amount of cash for use in opening the next morning's cash drawer should be maintained in the safe.

- A cash "Receipt Summary Report" is printed daily summarizing daily cash collection activity. The reports we reviewed were run for all locations rather than by cash drawer. Based on the reports we reviewed, we were unable to determine which cash drawers were out of balance, and for how much. We recommend the Housing Authority print a separate Receipt Summary Report for each cash drawer processing transactions during the day. Cash overages and shortages should be investigated and differences promptly resolved. Unresolved differences should be settled daily to cash overages and shortages. Employees having difficulty balancing should be closely monitored. Additional training or other actions may be required.
- When computer problems arise, Housing Authority employees issue hand-written receipts. These receipts are issued in triplicate. The original white copy is given to the tenant, the second yellow copy is used to balance the employee's cash drawer and the third brown copy remains in the spiral book for the Housing Authority's numerical record. We noted that the spiral books had missing or skipped pages, receipts were not issued in numerical order, and that receipt books were not logged out and controlled. When the computer system came back on-line, hand-written receipts were not always timely and sequentially processed through the computer system. We recommend the Housing Authority issue receipt books in numerical sequence to specific employees, maintain a log of books issued, and control the supply of unissued books. Hand-written receipts should only be issued when the computer system is off-line, or an electronic receipt cannot be issued. If it becomes necessary to issue a hand-written receipt, it should be issued in numerical sequence and the transaction should be timely entered into the computer system. The manual receipt should always be attached to the electronic receipt to establish proper audit trails.

2000-19 ACCOUNTS PAYABLE

Accounts payable files are not maintained in an organized or orderly fashion allowing easy access to paid invoices. The Housing Authority used two different types of filing systems during the audit period. Some check vouchers and invoices were filed in numerical check sequence and while others were filed by

Housing Authority of the City of Houma  
Schedule of Financial Statement Findings, Continued  
Year Ended September 30, 2000

vendor. We also noted that some vendors were paid from statements rather than from invoices that led to duplicate payments. In the cases noted, it appeared vendors adjusted the overpayments on their next billing statement. However, it was difficult to tell since two of the disbursements tested didn't contain a complete set of invoices in the vendor file. Out of our disbursement test of 64 items, the Housing Authority was unable to locate one vendor folder and was unable to locate an invoice on another disbursement. As part of our disbursement test, we inquired into the use of purchase orders. We were informed that purchase orders were supposed to be used, but only found them attached to four disbursements in the sample tested.

We recommend the Housing Authority review its procedures for issuing purchase orders, paying invoices and filing paid invoices.

Purchases orders should be issued in numerical sequence and should be approved prior to the purchasing of goods or services. The purchase order should be attached to the invoice presented for payment, and the quantity, terms and amounts agreed to the invoice. If there is a difference between the purchase order and invoice, it should be resolved prior to the invoice being presented for payment.

All invoices should be approved for payment and marked paid once the check is prepared for signature. Vendors should be paid from original invoices and care should be exercised when paying from duplicate invoices or from vendor statements.

The Housing Authority should evaluate its filing system for paid invoices. Paid invoices are typically filed by vendor by year. Once payable procedures are established, employees should receive the necessary training and supervision to insure it is functioning properly.

2000-20 SALARY ADMINISTRATION

The Housing Authority does not have adequate procedures in place to limit access to confidential personnel information. Employee folders are maintained in an unlocked file cabinet and access is not limited. During the course of our audit, we were informed that one employee file had been removed from the office by the employee.

It was difficult to ascertain the accuracy of salary amounts recorded on the Personal Action Form (SF-1). Some employee folders had hand written changes

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

that were not initialed and dated by the individual making or authorizing the change.

The Housing Authority's "Personnel Policies and Procedures Manual" includes certain procedures to safeguard the confidentiality and integrity of personnel and payroll information but these procedures are not being followed. Management should review those procedures and make sure that they are communicated to all personnel. Additional procedures should be implemented to insure that pay rate authorizations are properly documented and approved by the appropriate level of management.

2000- 21 GASOLINE CREDIT CARD PURCHASES

During our review of the gasoline purchases, we noticed invoices were not kept in an orderly manner in each vendor folder reviewed. There was no control list indicating the number of cards in use or who was an authorized signer. The Housing Authority was receiving microfilm copies of the invoices with monthly statements because employees making purchases were not turning in the purchase receipts on a regular basis or not at all. Credit card receipts are necessary to review account activity and to aid in balancing monthly vendor statements.

We also could not locate a credit card policy for the Housing Authority.

Cards that were returned or not issued were not secured or destroyed but left in the accounts payable folder making it accessible by any employee.

We recommend the Housing Authority strengthen internal controls over employee use of gasoline credit cards. Cards should be assigned to authorized personnel and a log maintained on individuals responsible for the cards. Vendor folders should be maintained in an orderly manner to assist with timely review and payment of monthly charges. Cards not in use should be secured for later issue to an authorized employee or destroyed. Employees should sign and promptly turn in all tickets (invoices) for matching to monthly vendor statements.

2000-22 SECURITY DEVICES

Security device systems installed for the protection of the employees during working hours and assets of the Housing Authority at night are not functioning properly. The front surveillance camera is not working at Bayou Towers and the entire system at the Senator Circle site is not working because Housing Authority personnel do not know the operating access codes.

Housing Authority of the City of Houma

Schedule of Financial Statement Findings, Continued

Year Ended September 30, 2000

We recommend management promptly repair the non-working camera at the Bayou Towers site and contact the alarm company to update all codes for the Senator Circle system. The security systems should be evaluated to insure they provide the desired level of protection of Housing Authority employees and assets.

2000-23 OPERATIONAL STUDY AND OTHER EXAMS CURRENTLY UNDER WAY

The Housing Authority has engaged Legier & Materne, APAC, Consultants and CPAs, to conduct an operational study of the Housing Authority. In addition, HUD is currently surveying federal financial assistance received by the Housing Authority for the period from January 1998 through March 2001. Their reports, as they become available, should be read in conjunction with this report as it relates to additional findings and questioned costs occurring during the audit period.

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs

Year Ended September 30, 2000

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

CFDA #14.850 – Low-Income Housing Operating Subsidy

2000-24 CASH DISBURSEMENTS

*Condition and criteria:* Costs must be supported by adequate underlying documentation to be allowable. Cash disbursements were not supported by proper documentation as follows:

- Vendor invoices or other supporting documentation could not be located for twelve disbursements tested.
- Twelve canceled checks could not be located for disbursements tested.
- For thirty disbursements tested, we could not locate documentation that the payments were reviewed and approved by the appropriate level of management prior to payment.

*Effect:* Costs that are not properly documented are subject to disallowance and are therefore considered questioned costs.

*Cause:* The Housing Authority does not have adequate internal control and sufficient supervisory oversight to insure that proper documentation is obtained to support cash disbursements.

*Population and sample size:* A sample of 40 cash disbursements was selected out of a total population of 2,812. The total dollar value of the sample was \$14,028. Of the 40 items tested, 35 items were not in compliance resulting in questioned costs of \$13,481.

*Auditors' Recommendation:* Control procedures should be implemented to insure cash disbursements are properly documented and approved and the documentation is properly filed.

2000-25 ALLOWABLE COSTS – POLITICAL ACTIVITY

*Condition and criteria:* One of the disbursements included in the sample tested was a check written to the Democratic Party of Louisiana in the amount of \$500. The Housing Authority could not locate any supporting documentation for the disbursement. Based on our inquiries of Housing Authority personnel, we determined that the purpose of the check was to purchase two tickets for the Executive Director to attend a political fund raising event. We were unable to

## Housing Authority of the City of Houma

### Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

determine whether the check was actually issued, however, it was listed as outstanding on the Housing Authority's September 2000 bank reconciliation and did not clear the bank prior to the end of our audit fieldwork. Political contributions are prohibited under both state and federal law.

*Effect:* This is a disallowed cost and therefore is considered questioned costs.

*Cause:* The Housing Authority does not have adequate internal control and sufficient supervisory oversight to insure that costs are allowable under federal and state law.

*Population and sample size:* This disbursement was included in the sample and the questioned costs reported in finding 2000-24 above.

#### 2000-26 TENANT FILE DOCUMENTATION

*Condition and criteria:* The Housing Authority must maintain adequately documented tenant files to support the tenant's eligibility for public housing, to determine the amount of rent the tenant must pay and to document the Housing Authority's compliance with HUD policy. In our testing of tenant files, we noted the following deficiencies in tenant file documentation:

- One tenant file could not be located.
- Leases were not signed by an authorized representative of the Housing Authority in 34 of the tenant files. The lease was not signed by the tenant in one instance.
- Documentation of third-party verification of income was not included in six tenant files.
- The social security numbers for all family members over the age of six or certification that the person did not have a social security number was not included in five tenant files.
- HUD Form 9886, Authorization to Release Information, was not included in 51 tenant files.
- HUD Form 50058 or proof of electronic submission was not included in 19 tenant files.
- Documentation of submission of HUD Form 50058 was not included in 43 of the files tested.

*Effect:* The Housing Authority does not have sufficient documentation of compliance with HUD policy and regulations regarding the eligibility of tenants and

## Housing Authority of the City of Houma

### Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

the proper amount of rent the tenant must pay. Therefore, the Housing Authority may be subject to a loss of HUD funding.

*Cause:* The Housing Authority does not have adequate procedures in place or sufficient supervisory oversight to insure compliance with HUD policy and regulations.

*Population and sample size:* The Housing Authority has 600 units available for tenants. We selected a sample of 63 tenant files for testing, including six files of Housing Authority employees. There was at least one instance of noncompliance in all files tested.

*Auditors' Recommendation:* The Housing Authority should implement procedures such as the use of checklists, standardized file organization, and internal review of files to insure compliance with HUD policy and regulations. Supervisory oversight should be improved.

### 2000-27 FINANCIAL AND PERFORMANCE REPORTING

*Condition and criteria:* Various financial and performance reports are required by HUD to monitor grantees and determine the amount of funding for which a grantee is eligible. In our testing of these reports we noted the following:

- HUD Form 52599, Statement of Operating Receipts and Expenditures was not prepared until more than two months after the deadline for submission and the Housing Authority could not locate evidence that the report had been submitted to HUD. The revenues and expenditures reported agree to the Housing Authority's trial balance as of September 30, 2000. However, since we were unable to express an opinion on the Housing Authority's financial statements due to a lack of sufficient records and material weaknesses in internal control, we were also unable to determine the accuracy of the revenues and expenditures reported on this form.
- HUD Form 52723, Calculation of Performance Funding System Operating Subsidy for the fiscal year ended September 30, 2000 was dated after its due date. The Housing Authority could not produce documentation to support the amount of the rent roll reported on the form as of July 1, 1999 or the number of occupied units as of the rent roll date.
- HUD Form 51234, Report on Occupancy for Public and Indian Housing has not been updated since March 1999. HUD requires certain information regarding occupancy to be reported as of March 31 of each year. For its reporting requirement as of March 31, 2000, the Housing Authority submitted a copy of the March 1999 report to HUD.

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

- The Housing Authority could not locate a completed copy of HUD Form 50072, Public Housing Assessment System Management Operations Certification. We were unable to determine whether the form was completed and submitted to HUD.

*Effect:* The reporting deficiencies could cause a loss in the Housing Authority's funding from HUD.

*Cause:* The Housing Authority does not have adequate internal control over its financial and performance reporting process to insure that the necessary reports are accurately produced and timely submitted.

*Auditors' Recommendations:* Management should develop a checklist of reports and due dates and other procedures to insure that the reports are completed in a timely manner.

2000-28 TENANT WAITING LIST

*Condition and criteria:* As required by HUD policy, the Housing Authority has established and adopted written policies for the admission of tenants, which include requirements for applications and waiting lists, a description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejection of applicants. We were not able to obtain sufficient documentation to test the placing of applicants on the waiting list and the selection of applicants from the waiting list. The Housing Authority was able to produce a report listing of applications received during the audit period and the priority status assigned to each applicant but we were not able to obtain copies of the waiting lists during the audit period to determine whether the Housing Authority placed the applicants on the waiting list in accordance with the established policies.

We did note that the application of an employee was dated on the same date that the employee was admitted as a tenant. Based on our review of the tenant files, the employee did not have first priority for admission as defined by Housing Authority policy. This tenant's application was not included on the listing of applications that we received from the Housing Authority. In this instance, it appears the Housing Authority did not follow its established policies.

*Effect:* Due to the lack of sufficient documentation, we were unable to determine whether the Housing Authority is following its established policies for admission of tenants.



Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

*Cause:* The Housing Authority does have not adequate internal control over its tenant admission process to insure that sufficient documentation of compliance with the established policies is maintained.

*Auditors' Recommendations:* The Housing Authority should develop procedures for documenting its compliance with tenant admission and waiting list policies.

2000-29 EQUIPMENT AND REAL PROPERTY MANAGEMENT

*Condition and Criteria:* The Housing Authority maintains a detailed fixed asset and depreciation schedule, which agrees to the general ledger, but it has not performed a physical inventory of furniture and equipment during the two years preceding the financial statement date. Therefore we were unable to test the accuracy and completeness of the listing. No dispositions of furniture or equipment were recorded on the Housing Authority's books, but due to the absence of any physical inventories, we were unable to test whether any unrecorded dispositions may have occurred.

*Effect:* Without periodic physical inventories, furniture and equipment and the proceeds of dispositions, if any, may be subject to theft or misappropriation.

*Cause:* the Housing Authority does not have procedures in place to perform periodic physical inventories of furniture and equipment.

*Auditors' Recommendation:* The Housing Authority should perform a physical inventory of furniture and equipment as soon possible and establish procedures to reconcile the results to the equipment records and investigate differences. Procedures should also be established to perform a physical inventory on an annual basis. Management should evaluate the results of the physical inventory to determine whether physical safeguards and controls over the furniture and equipment are adequate.

2000-30 PROCUREMENT

*Condition and criteria:* In our test of cash disbursements, we noted one disbursement in the amount of \$2,316 for upholstery work on the furniture in the Housing Authority's lobby for which there was no evidence that three telephone quotes were obtained. Housing Authority procurement policy requires that three

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

quotes be obtained for the procurement of goods and services in excess of \$1,000.

*Effect:* The Housing Authority is not in compliance with its procurement policy and, accordingly, the cost is considered questioned costs.

*Cause:* The Housing Authority does not appear to have adequate internal control and sufficient supervisory oversight to insure that its procurement policies are followed.

*Population and sample size:* This disbursement was included in the sample and questioned costs reported in finding 2000-24. Of forty disbursements selected, two were tested for procurement of goods exceeding \$1,000.

*Auditor Recommendation:* Internal control and supervisory oversight should be strengthened to insure compliance with Housing Authority procurement policies.

**Total questioned costs for CFDA #14.850 – Low-Income Housing Operating Subsidy**

**\$13,481**

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

**CFDA #14.859 – Public Housing Comprehensive Grant Program**

2000-31 CONTRACT ADMINISTRATION AND MONITORING

*Condition and criteria:* The Housing Authority did not comply with the contract administration and monitoring requirements of 24CFR Part 968 in connection with the Senator Circle modernization project as follows:

- The Housing Authority accepted the units and began leasing the units to tenants prior to making a final inspection and correction of deficiencies noted in the contractor's work.
- The final close-out documents, including the actual modernization cost certificate have not been executed as of the end of our audit fieldwork, which is more than eight months after the contractor completed the work and requested final payment.
- The contractor's request for final payment and the contract retainage have not been paid for more than eight months after the contractor has completed the work.

*Effect:* Any remaining disputes with the contractor regarding deficiencies in the contractors work may now be difficult to resolve since tenants have occupied the units for more than eight months. The delay in payment to the contractor could result in fewer contractors willing to bid on future Housing Authority projects, which could result in higher costs for future projects. Noncompliance with HUD policy could result in a loss of HUD funding.

*Cause:* At the time of substantial project completion, the Housing Authority's Director was out on extended leave.

*Auditors' Recommendation:* The Housing Authority should take the necessary steps to complete all contract closeout documents remit the balance due to the contractor as soon as possible.

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

2000-32 EXPENDITURES – COMPREHENSIVE GRANT PROGRAM (CGP)

*Condition and criteria:* In our testing of expenditures under the CGP, we compared the expenditures charged to the grants to the vouchers prepared by the Housing Authority to request funding via LOCCS. The following is a summary of our findings:

- The Housing Authority could not produce supporting documentation or evidence of payment for \$7,996 in funding received on the 1998 grant. (CPG Grant #707-98)
- The Housing Authority could not produce supporting documentation or evidence of payment for \$14,902 in funding received on the 1999 grant. (CPG Grant #708-99) The payment voucher supporting this request could not be located.
- The amounts charged to the grants on the general ledger prepared by the fee accountants did not agree to the payment request vouchers. The Housing Authority did not have procedures in place to reconcile the general ledger to the requests for payment.

*Effect:* The costs are subject to disallowance and therefore are considered questioned costs.

*Cause:* The Housing Authority does not have adequate internal control and sufficient supervisory oversight to insure that proper documentation is obtained to support costs charged to the federal program.

*Population and sample size:* The Housing Authority expended \$658,308 in federal awards under this program. We tested all disbursements charged to this program for compliance with major program requirements. The total questioned costs equal \$22,898.

*Auditors' Recommendations:* The Housing Authority should establish procedures to insure that requests for payment are supported by adequate documentation and that costs charged to the grant are reconciled to the requests for payment.

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

2000-33 CASH MANAGEMENT

*Condition and criteria:* On June 1, 2000, the Housing Authority requested \$44,829.20 via LOCCS. The amount requested was deposited into the Housing Authority's bank account on June 5, 2000. The payment voucher supporting the payment request included an invoice from a construction contractor dated May 10, 2000, in the amount of \$38,834.20. This invoice was not paid until November 8, 2000. HUD policy requires that funds received through LOCCS be disbursed within three days of receipt.

*Effect:* Under Notice PIH 92-47, the HUD field office could suspend payments under LOCCS in the event the Housing Authority does not promptly disburse the funds requested.

*Cause:* The Housing Authority does not have adequate internal control and sufficient supervisory oversight to insure compliance with the requirements of its federal programs.

*Auditors' Recommendations:* The Housing Authority should develop procedures designed to strengthen controls over its compliance with federal program requirements.

2000-34 PREVAILING WAGE RATES (DAVIS-BACON ACT)

*Condition and criteria:* The Housing Authority could not produce any evidence of its monitoring of the contractor's compliance with the HUD determined wage rates specified in the contract after February 6, 2000. The contractor continued to perform work under this contract until August 2000. Federal regulations require grantees to monitor contractor and subcontractor compliance with Davis-Bacon for construction contracts in excess of \$2,000.

*Effect:* We were unable to test for compliance with this requirement for the period of February 6, 2000 through the completion of the contract. The Housing Authority's inability to document its compliance with federal program requirements could result in a loss of the federal award.

*Cause:* The Housing Authority does not have adequate internal control and sufficient supervisory oversight to insure compliance with the requirements of its federal programs.

Housing Authority of the City of Houma

Schedule of Federal Award Findings and Questioned Costs, Continued

Year Ended September 30, 2000

*Auditors' Recommendations:* The Housing Authority should develop procedures designed to strengthen controls over its compliance with federal program requirements.

2000-35 LOCCS QUARTERLY REPORTING

*Condition and criteria:* As of March 20, 2001, the Housing Authority has been suspended from drawing down funds through LOCCS because it has not reported expenditure and obligation information for the quarters ended September 30, 2000 and December 31, 2000. Under Notice PIH 92-47, HUD field offices may suspend payments for failure to submit the required reports.

*Effect:* The Housing Authority will not have access to HUD funding under this program until the required reports are completed. If LOCCS access is not restored timely, the Housing Authority could begin to experience difficulty in meeting its obligations.

*Cause:* The Housing Authority does not have adequate internal control and sufficient supervisory oversight to insure compliance with the requirements of its federal programs.

*Auditors' Recommendations:* The Housing Authority should complete the required reports as soon as possible and develop procedures to insure that the reports are prepared and submitted timely in the future.

**Total questioned costs for CFDA #14.859 – Public Housing Comprehensive Grant Program:**

**\$22,898**

Recap of questioned costs for Department of Housing and Urban Development

Total questioned costs for CFDA #14.850 -  
Low-Income Housing Operating Subsidy

\$ 13,481

Total questioned costs for CFDA #14.859 -  
Public Housing Comprehensive Grant  
Program

22,898

Total questioned costs for HUD

\$ 36,379

Housing Authority of the City of Houma

Schedule of Prior Year Audit Findings

Year Ended September 30, 2000

Status of Prior Audit Findings

1999 - Finding No.1 - Utility Allowances

*Condition:* This finding was a reportable condition stating the utility allowance calculation needed to be updated by the PHA. The PHA must review and update its utility rate data for each utility category if there has been a rate change of 10 percent or more for a utility category since the last time the utility allowance schedule was revised. The last utility allowance was performed in late 1997.

*Recommendation:* The auditor recommended that another analysis be performed, and if needed, the utility allowance revised according to the study.

*Current Status:* At the end of fieldwork, an analysis of the utility allowance has not been performed. This finding is not resolved.

1999 - Finding No. 2 - Waiting List

*Condition:* This finding was a reportable condition stating a deficiency in the supporting documentation of the PHA's waiting list. The waiting list did not reveal the status of the applicants and the order in which they applied for housing.

*Recommendation:* The auditor recommended that the PHA install a new system in order to better document its monitoring of the waiting list.

*Current Status:* Similar findings were noted in the 2000 audit. This finding is not resolved.

1999 - Finding No. 3 - Unit Inspection

*Condition:* This finding was a reportable condition stating that 9 tenant files were reviewed and all 9 files had annual inspections with narrative comments made by PHA personnel. However, only 1 of 9 was signed and dated by PHA inspector.

*Recommendation:* The auditor recommended that PHA personnel sign and date all annual inspections performed.

Housing Authority of the City of Houma  
Management's Response and Corrective Action Plan  
Year Ended September 30, 2000

*Current Status:* Similar findings were noted in the 2000 audit. This finding is not resolved.

1999 - Finding No. 4 - Comprehensive Grants Monitoring

*Condition:* This finding was a reportable condition stating a deficiency in performing employee interviews of contractor or subcontractor labor throughout the contract period in accordance with federal regulations for monitoring construction. The last record of an employee interview was performed in October 1998.

*Recommendation:* The auditor recommended that PHA perform the Record of Employee Interviews throughout the construction period.

*Current Status:* For construction performed during the 2000 audit year, there was no evidence that employee interviews were performed. This finding is not resolved.

1999 – Finding No. 5 - HUD Reporting

*Condition:* This finding was a reportable condition regarding the late submission of PHA's data for PHAS, Management Assessment Information required by HUD, for the year ended September 30, 1999.

*Recommendation:* The auditor recommended that PHA should complete the transmission and thereafter compute the PHAS in a timely manner.

*Current Status:* The PHA electronically submitted the necessary information into the HUD Internet system on February 23, 2000.

1999 – Finding No. 6 - PHA Copies of Tenant Rental Receipts

*Condition:* This finding was a reportable condition stating a deficiency in the PHA's computer software rental recording system.

*Recommendation:* The auditor recommended that PHA continue to work with the computer software company to rectify the situation.



Housing Authority of the City of Houma  
Management's Response and Corrective Action Plan  
Year Ended September 30, 2000

*Current Status:* The PHA continues to work with the computer company in an effort to rectify the situation. Therefore, this finding has not been resolved.

1999 – Finding No. 7 - Vending Machine Collections

*Condition:* This finding was a reportable condition stating a deficiency in the PHA's controls over vending machine cash collections.

*Recommendation:* The auditor recommended that PHA correct the manner in which monies were collected and accounted for in order to ensure an effective system of controls were in place.

*Current Status:* After reviewing auditor's recommendation, the PHA elected to have all vending machine cash collections performed by an outside third party. The third party is responsible for stocking and maintaining the vending machines. The Housing Authority receives a commission check periodically from the third party vendor. The finding is resolved.

1999 – Finding No. 8 - Laundry Collections

*Condition:* This finding was a reportable condition stating controls needed to be strengthened over segregation of duties in counting cash and reconciling token counts.

*Recommendation:* The auditor recommended that PHA correct the manner in which monies were collected and accounted for in order to ensure an effective system of controls were in place.

*Current Status:* Similar findings were noted in the 2000 audit. This finding is not resolved.

Housing Authority of the City of Houma

Management's Response and Corrective Action Plan

Year Ended September 30, 2000

The September 30, 2000 audit revealed a significant number of material weaknesses in internal controls over financial reporting and significant instances of noncompliance with laws, regulations, contracts and grants. Due to the severity of the situation, management would like time to study each comment and formulate a response that will clearly state the actions taken to date, and their intended actions to resolve these matters.

Management will formulate its response as soon as possible and forward copies to the Louisiana Legislative Auditor, HUD, the Authority's external auditing firm and other governmental or regulatory agency that may require a copy.