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ST. MARY PARISH HOUSING PROGRAM
STATE OF LOUISIANA

Annual Component Unit Financial Statements
with Independent Auditors' Report

and

Reports on Compliance, and Internal Control
Over Financial Reporting and Federal Awards

For the Year Ended September 30, 2003

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 4-21-04

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FINANCIAL INFORMATION SECTION



Independent Auditors' Report

Mr. Jim Firmin, Administrator
St. Mary Parish Housing Program
Morgan City, Louisiana

We have audited the accompanying financial statements of the governmental activities and the major fund of St. Mary Parish Housing Program, a component unit of St. Mary Parish, as of September 30, 2003, and for the year then ended, which collectively comprise the Program's basic financial statements as listed in the table of contents. These financial statements are the responsibility of St. Mary Parish Housing Program's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

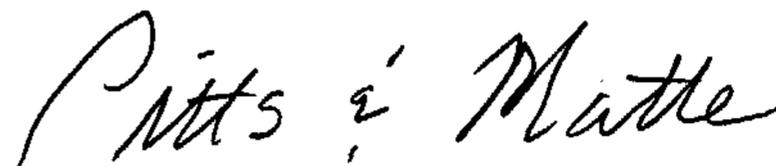
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of St. Mary Parish Housing Program as of September 30, 2003, and the respective changes in financial position, thereof and the respective budgetary comparison for the Section 8 Housing Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Program has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34 Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments, for the year ending September 30, 2003.

The Program has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with Government Auditing Standards, we have also issued a report dated February 20, 2004 on our consideration of St. Mary Parish Housing Program'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 Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by the 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 financial statements of the St. Mary Parish Housing Program. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

February 20, 2004

ST. MARY PARISH HOUSING PROGRAM

STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
September 30, 2003

| | Governmental <u>Activities</u> |
|---|-----------------------------------|
| ASSETS | |
| Current assets | |
| Cash | \$96,829 |
| | <hr/> |
| Total assets | \$96,829 |
| | <hr/> <hr/> |
| LIABILITIES AND NET ASSETS/FUND BALANCE | |
| Liabilities | |
| Current liabilities | |
| Accounts payable and accrued expenses | \$208 |
| Due to HUD | 83,644 |
| | <hr/> |
| Total liabilities | 83,852 |
| | <hr/> |
| Net assets/Fund balance | |
| Restricted | 12,977 |
| | <hr/> |
| Total net assets/fund balance | 12,977 |
| | <hr/> |
| Total liabilities and net assets/fund balance | \$96,829 |
| | <hr/> <hr/> |

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

ST. MARY PARISH HOUSING PROGRAM

**STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2003**

| | <u>Total</u> |
|-----------------------------|-----------------|
| <u>Expenses</u> | |
| Health and welfare | |
| Housing assistance payments | \$282,457 |
| Administrative costs | 123,777 |
| | <hr/> |
| Total expenses | 406,234 |
| | <hr/> |
| <u>Program revenues</u> | |
| Federal grant | 391,472 |
| Investment income | 1,265 |
| | <hr/> |
| Total program revenues | 392,737 |
| | <hr/> |
| Change in net assets | (13,497) |
| Net assets - beginning | 26,474 |
| | <hr/> |
| Net assets - ending | <u>\$12,977</u> |

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

**ST. MARY PARISH HOUSING PROGRAM
SPECIAL REVENUE FUND**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
Section 8 Housing
For the Year Ended September 30, 2003

| | <u>Budgeted Amounts</u> <u>Original & Final</u> | <u>Actual</u> <u>Amounts</u> | <u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u> |
|---|--|---------------------------------|---|
| Revenues: | | | |
| Federal grant | \$475,116 | \$391,472 | (\$83,644) |
| Interest | | 1,265 | 1,265 |
| | <hr/> | <hr/> | <hr/> |
| Total revenues | 475,116 | 392,737 | (82,379) |
| | <hr/> | <hr/> | <hr/> |
| Expenditures: | | | |
| Health and welfare | | | |
| Housing assistance payments | 371,360 | 282,457 | 88,903 |
| Administrative costs | 103,756 | 123,777 | (20,021) |
| | <hr/> | <hr/> | <hr/> |
| Total expenditures | 475,116 | 406,234 | 68,882 |
| | <hr/> | <hr/> | <hr/> |
| Excess (deficiency) of revenues over expenditures | -- | (13,497) | (13,497) |
| Fund balance at beginning of year | | 26,474 | 26,474 |
| | <hr/> | <hr/> | <hr/> |
| Fund balance at end of year | -- | \$12,977 | \$12,977 |
| | <hr/> <hr/> | <hr/> <hr/> | <hr/> <hr/> |

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

ST. MARY PARISH HOUSING PROGRAM
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Housing Program administers the Section 8 Housing Program. The Section 8 Housing Program covers all of St. Mary Parish, excluding Morgan City.

The Section 8 Housing Program provides rental assistance to help very low income families afford decent, safe, and sanitary rental housing.

The financial statements of the St. Mary Parish Housing Program have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

In June 1999, the GASB approved Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement). Significant changes required by the Statement include a Management's Discussion and Analysis (MD & A) section providing an analysis of the Program's overall financial position and results of operations, the preparation of the financial statements using full accrual accounting for all of the Program's activities (Government-wide Financial Statements), and the reporting of infrastructure assets. The major change under full accrual accounting includes reporting fixed assets (net of accumulated depreciation) and long-term liabilities in the Government-wide Financial Statements. However, the Program does not own any significant fixed assets nor infrastructure assets. In addition, the Program does not have any long-term liabilities. Because of this, the only significant section of the new statement applicable to the Program is MD & A.

The Program has not presented an MD & A that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Based upon the above criteria, the Program is a component unit and integral part of St. Mary Parish (the primary government.)

These financial statements include only the operations of the Program.

B. Basic Financial Statements - Government-wide Financial Statements

The Government-wide financial statements include the Statement of Net Assets and the Statement of Activities which report all activities of the Program as a whole. The government-wide presentation focuses primarily on the sustainability of the Program as an entity and the change in the Program's net assets resulting from the current year's activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues. In accordance with GASB No. 34, this is the first year that Government-wide financial statements are presented.

C. Basic Financial Statements - Fund Financial Statements

The financial transactions of the Program are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures. Implementation of GASB No. 34 has not resulted in any significant changes in the Fund Financial Statements.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types". The following is a description of the fund utilized by the District.

Governmental Fund

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are earmarked for expenditures for specific purposes.

D. Basis of Accounting

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Statements

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the statement of activities present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Fund Financial Statements

Governmental fund financial statements are accounted for using a current financial resources measurement focus and the modified basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Federal grants are recorded when the Program is entitled to the funds. Expenditures are recorded when the related fund liability is incurred.

Because there are no significant differences between the Program's Government-wide Statement of Net Assets and the Fund Financial Statement Balance Sheet, these two statements are combined for financial reporting purposes.

E. Budgets

The program director develops a budget for operation of the Section 8 Housing Program based upon the number of approved residential units to be funded. The grantor approves the number of units, the total grant funds, and the allocation of expenditures between administrative and housing assistance payments.

The budget is prepared on a basis which is consistent with generally accepted accounting principles, for fund financial reporting.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include demand deposits.

Cash and cash equivalents are stated at cost, which approximates market.

NOTE 2 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the Program's cash and cash equivalents was \$96,829 and the bank balance was \$126,301.

Under state law, these deposit must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

Under the provision of the Governmental Accounting Standards Board (GASB) codification, accounts secured by pledged securities which are not in the name of the governmental unit are considered uncollateralized.

The following is a summary of the cash and cash equivalents, federal deposit insurance, and pledged securities as of September 30, 2003:

| | |
|--|-----------------|
| Cash and cash equivalents - stated value | <u>\$96,829</u> |
| Cash and cash equivalents - bank balance | \$126,301 |
| Portion insured by federal deposit insurance | 100,000 |
| Collateralized by securities in the Program's name Held by the Program or its agent | <u>NONE</u> |
| Balance uninsured and uncollateralized under GASB codification | 26,301 |
| Portion of deposits secured under Louisiana law | <u>26,301</u> |
| Amount unsecured under Louisiana law | <u>NONE</u> |

NOTE 3 - CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed expenditures may constitute a liability of the Program. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, management of the Program believes disallowances, if any, to be immaterial.

NOTE 4 - CONCENTRATIONS

The Program receives ninety-nine percent of its revenue from a federal grant.

NOTE 5 - RISK MANAGEMENT

The Program is exposed to various risks of loss related to torts and errors or omissions. The Corporation contracted to administer the program carries insurance to substantially cover all risks of the Program.

SCHEDULE OF FEDERAL AWARDS

ST. MARY PARISH HOUSING PROGRAM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2003

| FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ <u>PROGRAM TITLE</u> | <u>CFDA NUMBER</u> | <u>REVENUE</u> | <u>EXPENDITURES</u> |
|--|--------------------|-------------------------|-------------------------|
| <u>US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u> | | | |
| Housing-Federal Housing Commissioner | | | |
| Section 8 Housing Choice Vouchers | 14.871 | <u>\$391,472</u> | <u>\$406,234</u> |
| Total US Dept. of Housing and Urban Development | | <u><u>\$391,472</u></u> | <u><u>\$406,234</u></u> |

The accompanying notes are an integral part of this financial schedule.

ST. MARY PARISH HOUSING PROGRAM
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2003

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of activity of the Program's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles for fund accounting.

INTERNAL ACCOUNTING CONTROL AND COMPLIANCE



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

Mr. Jim Firmin
St. Mary Parish Housing Program
Morgan City, Louisiana

We have audited the financial statements of St. Mary Parish Housing Program, as of and for the year ended September 30, 2003, and have issued our report thereon dated February 20, 2004, which contains two additional paragraphs. One paragraph notes that during the year, the Program adopted GASB No. 34. The second paragraph states that management elected to omit Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

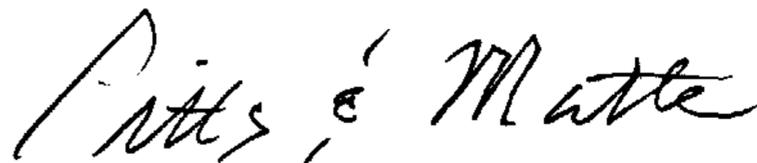
As part of obtaining reasonable assurance about whether St. Mary Parish Housing Program's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Housing Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary Parish Housing Program's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1 and 2003-2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions described above are considered to be material weaknesses.

This report is intended solely for the use of the management of the Program, the finance committee of the St. Mary Parish Council, federal awarding agencies, and the Legislative Auditor of the State of Louisiana and is not intended to be used by anyone other than these specified parties. However under Louisiana Revised Statute 24:513, this report is a matter of public record and may be distributed by the Legislative Auditor.



CERTIFIED PUBLIC ACCOUNTANTS

February 20, 2004



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

Mr. Jim Firmin
St. Mary Parish Housing Program
Morgan City, Louisiana

Compliance

We have audited the compliance of the St. Mary Parish Housing Program with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2003. The St. Mary Parish Housing Program's major federal program is identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the St. Mary Parish Housing Program's management. Our responsibility is to express an opinion on the St. Mary Parish Housing Program's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Mary Parish Housing Program'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 St. Mary Parish Housing Program's compliance with those requirements.

As described in item 2003-2 in the accompanying schedule of findings and questioned costs, St. Mary Parish Housing Program did not comply with requirements regarding cash management that is applicable to Section 8 Housing Choice Vouchers Program. Compliance with this requirement is necessary, in our opinion, for the St. Mary Parish Housing Program, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the St. Mary Parish Housing Program complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003. The results of our auditing procedures also disclosed one other instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2003-4.

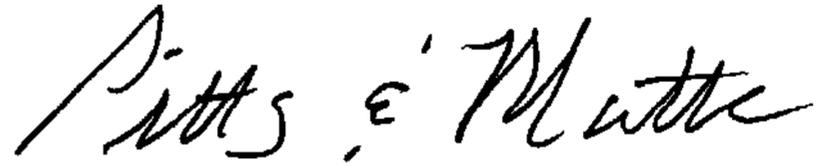
Internal Control Over Compliance

The management of St. Mary Parish Housing Program is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the St. Mary Parish Housing Program'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 two matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the St. Mary Parish Housing Program's ability to administer a major federal program in accordance with the applicable requirement of law, regulations, contracts and grants. These reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2003-3 and 2003-4.

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 the 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 that we also considered to be material weaknesses. However, we consider the reportable conditions described above, items 2003-02 and 2003-3, to be a material weaknesses.

This report is intended solely for the use of the management of the Program, federal awarding agencies, the Legislative Auditor of the State of Louisiana and the Finance Committee of the St. Mary Parish Council, and is not intended to be and should not be used by anyone other than these specified parties. However under Louisiana Revised Statute 24:513, this report is considered a public record and may be distributed by the Legislative Auditor.

A handwritten signature in black ink, appearing to read "Pitts & Mutter". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

February 20, 2004

ST. MARY PARISH HOUSING PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2003

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the St. Mary Parish Housing Program; however, two additional paragraphs were added noting the implementation of GASB Statement No. 34 in the current year and the omission of Management's Discussion and Analysis that GASB has determined is necessary to supplement, although not required to be part of the basic financial statements.

2. Report on Compliance and Internal Control Material to the Financial Statements

Compliance

No findings were required to be reported for the year ended September 30, 2003.

Internal Control

Two reportable conditions discovered during the audit of the financial statements are reported. Both conditions are considered to be material weaknesses.

3. Federal Awards

Compliance

The auditors' report on compliance for the major federal award programs for the St. Mary Parish Housing Program expresses a qualified opinion because of failure to comply with regulations related to draw down of federal funds. This item of material noncompliance is reported in the accompanying Schedule of Findings and Questioned Costs.

In addition, a non-material item of noncompliance is also reported in the accompanying Schedule of Findings and Questioned Costs.

Internal Control

Two reportable conditions disclosed during the audit of the major federal award program 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. These conditions are reported as material weaknesses.

4. Audit findings relative to the major federal award program for the St. Mary Parish Housing Program are reported in Part C of this Schedule.

5. The program tested as a major program includes:

Section 8 Housing Choice Vouchers, CFDA No. 14.871.

6. The threshold for distinguishing types A and B programs was \$300,000.

7. St. Mary Parish Housing Program was not determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

2003-1 Federal Draw Downs

Type of Finding: Material Weakness

Condition: In the Section 8 Housing Program, management drew down substantially more federal funds than were utilized in the near future.

Criteria: Cash management compliance requirements state that federal funds should be drawn down so as to minimize the lapse of time between receipt of federal funds and disbursement.

Effect: Noncompliance with federal cash management requirements.

Cause: Management does not monitor the cash balance closely enough to accurately anticipate future cash needs.

Recommendation: Management should improve the system used to budget its near cash flow needs and schedule draw downs to avoid lapses of time between receipt and disbursement of funds while taking into account current cash balances.

Management's Response: Management will compare current housing assistance payments to the existing budget on a quarterly basis and make amendments where necessary, in a timely manner. Fluctuations in tenant income and program participation as well as terminations for fraud and drug related or criminal activity make it difficult to monitor the housing assistance required, however, management will make a more diligent effort to eliminate this deficiency.

2003-2 Accounting for Void Checks (See 2003-4 for more detailed information)

Type of finding: Material Weakness

Condition: In some cases accounting records were not properly adjusted when checks were voided.

Criteria: Financial statements should properly reflect the financial position (proper cash balances) and operations (proper amount of expenditures and grant revenues earned) of the Agency.

Effect: Financial statements will be incorrect if adjustments are not properly made when checks are voided. This in turn can cause the program to received incorrect amount of grant monies.

Cause: Checks were written and entered into the accounting records; however, when the checks were voided, corresponding amounts were not removed from the accounting records. This was not discovered during the year because management failed to scrutinize and follow up on old outstanding checks on the monthly bank reconciliations.

Recommendation: Management should: investigate any checks that might be outstanding for more than thirty days on the monthly bank reconciliations, and make proper corrections to the accounting records as needed.

Management's Response: Management will more closely monitor outstanding checks and make proper corrections to the accounting records in a more timely manner.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS
AUDIT

2003-3 U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers
CFDA No. 14.871

Project No. LA220VO
Year Ending September 30, 2003

Questioned
Costs

Type of finding: Item of Noncompliance (Material to the Program) and Material Weakness

Condition and Criteria: During the year, management drew down substantially more federal funds than were utilized in the near future. Federal cash management requirements call for a minimum lapse of time between receipt and disbursement of federal funds.

Effect: Noncompliance with federal cash management Requirements.

Cause: Management does not monitor the cash balance closely enough to accurately anticipate future cash needs.

Recommendation: Management should improve the system used to budget its near cash flow needs and schedule draw downs to avoid lapses of time between receipt and disbursement of funds.

Management's Response: Management will compare current housing assistance payments to the existing budget on a quarterly basis and make amendments where necessary, in a timely manner. Fluctuations in tenant income and program participation as well as terminations for fraud and drug related or criminal activity make it difficult to monitor the housing assistance required, however, management will make a more diligent effort to eliminate this deficiency.

No monetary effect because interest earned on excess funds drawn down is already included in the amount due to the grantor.

Cause: Checks were written and entered into the accounting records; however, when the checks were voided, corresponding amounts were not removed from the accounting records. This was not discovered during the year because management failed to scrutinize and follow up on old outstanding checks on the monthly bank reconciliations.

Recommendation: Management should: investigate any checks that might be outstanding for more than thirty days on the monthly bank reconciliations and, make proper corrections to the financial records as needed.

Management's Response: Management will more closely monitor outstanding checks and make proper corrections to the accounting records in a more timely manner.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION
PREPARED BY ST. MARY PARISH HOUSING PROGRAM

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL
STATEMENTS

Material Weaknesses and Items of Noncompliance

Federal Draw Downs (Items 2002-1)

Condition: In the Section 8 Housing Program, management drew down substantially more federal funds than were utilized in the near future.

Corrective Action: This was not corrected during the year.

INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

U.S. Department of Housing and Urban Development
Section 8 Housing Choice Vouchers
CFDA No. 14.871
Project No. LA220VD
Year Ending September 30, 2002

Material Weaknesses and Items of Noncompliance

Federal Draw Downs (Items 2002-2)

Condition: In the Section 8 Housing Program, management drew down substantially more federal funds than were utilized in the near future.

Corrective Action: This was not corrected during the year.

st mary parish housing office

room 107 st mary parish courthouse franklin louisiana 70538

EQUAL HOUSING
OPPORTUNITY

March 29, 2004

Mr. Grover C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditors
State of Louisiana
P O Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Austin:

The St Mary Parish Housing Program respectively submits the following corrective action plan for their year ended September 30, 2003.

CORRECTIVE ACTION

Person Responsible: James L Firmin, Program Administrator
Angela M Kraemer, Programs Manager
St Mary Parish Government Section 8 Program
Room 107 Parish Courthouse
Franklin, LA 70538
(337) 828-3986

Time for Completion: September 2004

Items 2003-1: Federal Drawdowns:

Finding: In the Section 8 Program, management drew down substantially more Federal funds than were utilized in the near future.

Corrective Action: Management will compare current housing assistance payments to the existing budget on a quarterly basis and make amendments where necessary, in a timely manner. Fluctuations in tenant income and program participation as well as terminations for fraud and drug related or criminal activity make it difficult to monitor the housing assistance required, however, management will make a more diligent effort to eliminate this deficiency.

2003-2 Accounting for Voided Checks

Finding: In some cases accounting records were not properly adjusted when checks were voided.

Corrective Action: Management will more closely monitor outstanding checks and make proper corrections to the accounting records in a more timely manner.

2003-3 U.S. Department of Housing and Urban Development Section 8 Housing Choice Voucher CFDA No. 14.871 Project No. LA220VO Year Ending September 30, 2003

Finding: In the Section 8 Program, management drew down substantially more Federal funds than were utilized in the near future.

Corrective Action: Management will compare current housing assistance payments to the existing budget on a quarterly basis and make amendments where necessary, in a timely manner. Fluctuations in tenant income and program participation as well as terminations for fraud and drug related or criminal activity make it difficult to monitor the housing assistance required, however, management will make a more diligent effort to eliminate this deficiency.

2003-4 Net Underclaim of Grant Funds

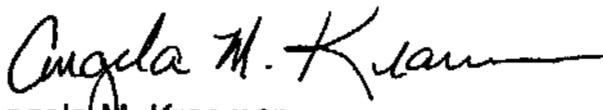
Finding: In some cases accounting records were not properly adjusted when checks were voided.

Comment: Management will more closely monitor outstanding checks and make proper corrections to the accounting records in a more timely manner.

This plan of action is being submitted in accordance with Legislative requirements. If you have any questions concerning this action plan, contact the undersigned or my assistant Ms. Angela Kraemer.

ST MARY PARISH HOUSING OFFICE


James L. Firmin
Programs Administrator


Angela M. Kraemer
Programs Manager