

HOUSING AUTHORITY OF HAYNESVILLE
REPORT ON EXAMINATION OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
TWELVE MONTHS ENDED SEPTEMBER 30, 1993

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 reports available for public inspection are the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4-7-04

Mike Estes, P.C.
A Professional Accounting Corporation

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MEMBER ICAEW

Independent Auditor's Report

Board of Commissioners
Housing Authority of Haynesville
Haynesville, Louisiana

Regional Inspector General for Audit
Office of Inspector General
Department of Housing and Urban
Development

We have audited the accompanying general-purpose combined financial statements of the Housing Authority of Haynesville, Louisiana as of and for the year ended September 30, 2005, as listed in the table of contents. These general-purpose combined financial statements are the responsibility of the Housing Authority of Haynesville, Louisiana's management. Our responsibility is to express an opinion on these general-purpose combined 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. These 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 general-purpose combined financial statements, referred to above present fairly, in all material respects, the financial position of the Housing Authority of Haynesville, Louisiana as of September 30, 2005, the results of its operations, changes in its net net assets and statement of cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated March 18, 2004 on our consideration of Housing Authority of Haynesville'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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the combined general-purpose financial statements of the Housing Authority of Shreveport, Louisiana taken as a whole. The accompanying Schedule of Expenditures of Federal Awards and other supplementary information is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Auditor of States, Local Governments, and Non-Profit Organizations, and is not a required part of the accompanying financial statements. Such information has been subjected to the auditing procedures applied in the audit of the accompanying financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying Financial Data Schedules required by HUD are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Mike Datta, P.C.
Fort Worth, Texas
March 18, 2004

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
COMBINED BALANCE SHEET - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2010

ASSETS**Current assets**

Cash and cash equivalents	\$	139
Investments		12,185
Accounts receivable (net of allowance for doubtful accounts of \$2,290)		30,438
Interest receivable		4
Interfund receivable		18,826
Prepaid items and other assets		17,451
		<hr/>
Total Current Assets		69,043

Fixed Assets

Land, buildings, and equipment (net)		1,284,993
		<hr/>
TOTAL ASSETS		1,354,036

LIABILITIES AND FUND EQUITY**Current Liabilities**

Accounts payable		15,652
Deferred revenues		1,079
Compensated absences payable		6,510
Interfund payable		18,826
		<hr/>
Total Current Liabilities		42,067

Current Liabilities Payable from Current Restricted Assets

Deposits due others		3,610
		<hr/>

Noncurrent Liabilities

Compensated absences payable		16,001
		<hr/>
Total Liabilities		61,678

Fund Equity

Contributed capital		751,100
Retained earnings:		
Unreserved		358,258
		<hr/>
Total Fund Equity		1,299,358

TOTAL LIABILITIES AND FUND EQUITY	\$	1,354,036
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The Notes to the Financial Statements are an integral part of these statements.

EXHIBIT B

HOUSING AUTHORITY OF THE CITY OF MAYNESVILLE
COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND EQUITY - ENTERPRISE FUNDS

YEAR ENDED SEPTEMBER 30, 2003

OPERATING REVENUES		
Dwelling rental	\$	98,693
Other		18,197
		<u>108,890</u>
OPERATING EXPENSES		
Administration		(59,360)
Tenant services		(21,660)
Utilities		(13,548)
Ordinary maintenance & operations		(86,900)
General expense		(50,858)
Depreciation		(294,341)
		<u>(626,067)</u>
Income (loss) from Operations		<u>(518,177)</u>
Non operating revenues (expense)		
Interest earnings		174
Federal grants		682,787
		<u>682,961</u>
NET INCOME (LOSS)		166,588
Depreciation on fixed assets acquired by contribution		(211,082)
Increase in retained earnings		<u>387,670</u>
RETAINED EARNINGS AT BEGINNING OF YEAR		<u>141,588</u>
RETAINED EARNINGS AT END OF YEAR		<u>518,258</u>
CONTRIBUTED CAPITAL AT BEGINNING OF YEAR		864,163
Depreciation transferred from retained earnings		(211,082)
CONTRIBUTED CAPITAL AT END OF YEAR		<u>753,108</u>
FUND EQUITY, END OF YEAR	\$	<u>1,291,358</u>

The Notes to the Financial Statements are an integral part of these statements.

**HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
COMBINED STATEMENT OF CASH FLOWS - ENTERPRISE FUNDS**

YEAR ENDED SEPTEMBER 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ (516,575)
Adjustments to reconcile net income (loss) to Net cash provided by operating activities	
Depreciation	254,142
Changes in operating current assets and liabilities:	
Increase in accounts receivable	(13,235)
Increase in interest receivable	14
Increase interfund receivables	(14,885)
Increase in prepaid items and other assets	(3,718)
Increase in accounts payable	15,025
Decrease in deposits due others	(289)
Increase in deferred revenue	1,079
Increase in interfund payable	14,885
Decrease in liability for compensated absences	(7,642)
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u>(278,814)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Federal grants	249,510
Increase in long-term portion of compensated absences	16,081
NET CASH PROVIDED(USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>265,591</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Federal grants	433,277
Construction costs and purchase of equipment	(454,167)
NET CASH PROVIDED(USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(20,890)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Increase in investments	(12,185)
Interest earnings	174
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(12,011)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(18,200)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>18,443</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 13</u>

The Notes to the Financial Statements are an integral part of these statements.

HOUSING AUTHORITY OF THE CITY OF HAYMESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

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HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES The accompanying general purpose financial statements of the Housing Authority of the City of Haynesville have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. BASIS OF PRESENTATION Housing Authorities are chartered as a public corporation under the laws (LSA-R.S. 40:311) of the state of state for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon the local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member board of Commissioners. The members, appointed by the Honorable Mayor of the City of Haynesville, serve staggered multi-year terms.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low-rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the Housing Authority for the purpose of assisting the Housing Authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the Housing Authority for the purpose of maintaining this low-rent character.

The Housing Authority had HUD units in Low Rent management in two projects.

Program	Contract Number	Number Of Units
PHA owned housing	PW-1421	120

B. REPORTING ENTITY GASB Statement 14 establishes criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Housing Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement 14, fiscally independent means that the Housing Authority may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt.

The Housing Authority is a related organization of the City of Haynesville since the City of Haynesville appoints a voting majority of the Housing Authority's governing board. The City of Haynesville is not financially accountable for the Housing Authority as it cannot impose its will on the Housing Authority and there is no potential for the Housing Authority to provide financial benefit to, or impose financial burdens on, the City of Haynesville. Accordingly, the Housing Authority is not a component unit of the financial reporting entity of the City of Haynesville.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

Governmental Accounting Standards Board (GASB) Codification Section 2100 establishes criteria for determining which, if any, component units should be considered part of the Housing Authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability, which includes:

1. Appointing a voting majority of an organization's governing body, and:
 - a. The ability of the Housing Authority to impose its will on that organization's body, and;
 - b. The potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Housing Authority.
2. Organizations for which the Housing Authority does not appoint a voting majority but are directly dependent on the Housing Authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

Based on the previous criteria, the Housing Authority has determined that there are no component units that should be considered as part of the Housing Authority reporting entity.

C. FUNDS The accounts of the Housing Authority are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

All funds of the Housing Authority are classified as proprietary. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which together with the maintenance of equity, is an important financial indicator.

Proprietary funds are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. With this measurement focus for all assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Housing Authority has elected, pursuant to GASB Statement No. 28, to apply all GASB pronouncements and only FASB pronouncements issued before November 30, 1988.

B. BUDGETS

General Budget Policies The following summarizes the budget activities of the Housing Authority during the year ended September 30, 2003:

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

The Housing Authority adopted budgets for all HUD-funded programs. The budget is controlled by fund at the function level. All appropriations lapse at year end. Budgets are prepared on the modified accrual basis of accounting.

The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.

E. CASH AND CASH EQUIVALENTS Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Housing Authority may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under state law and national banks having their principal offices in state.

Under state law, the Housing Authority may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are made at the lower of market or cost.

F. INVESTMENTS Investments are limited by R.S. 33:2535 and the Housing Authority's investment policy. If the original maturities of investments exceed 90 days they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

The investments are reflected at quoted market prices except for the following which are required/purvised as per GASB Statement No. 31:

Investments in nonparticipating interest-earning contracts, such as nonnegotiable certificates of deposit with redemption terms that do not consider market rates, are reported using a cost-based measure.

The Housing Authority reported all unsecured cost money market investments participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less.

Definitions:

Interest-earning investment contract includes time deposits with financial institutions (such as certificates of deposit), repurchase agreements, and guaranteed investment contracts.

Money market investments are short-term, highly liquid debt instruments that include U.S. Treasury obligations.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES During the course of operations, numerous transactions occur between individual funds for services rendered. These receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term interfund loans are classified as interfund receivables/payables.

H. INVENTORY AND PREPAID ITEMS Inventories consist of expendable supplies held for consumption stated on a lower of cost or market on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses consist of prepaid insurance.

I. FIXED ASSETS Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (including salvage value). Donated capital assets are recorded at their estimated fair value at the date of donation. Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Incomplete assets during construction have not been capitalized. Straight-line depreciation is used based on the following estimated useful lives:

Site improvements	15 years
Buildings	33 years
Building improvements	15 years
Furniture and fixtures	5 to 7 years
Computers	5 years

J. COMPENSATED ABSENCES The Housing Authority follows state Civil Service regulations for accumulated annual and sick leave. Employees may accumulate up to three hundred hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

K. DEFERRED REVENUES The Housing Authority reports deferred revenues on its combined balance sheet. Deferred revenues arise when resources are received by the Housing Authority before it has a legal claim to them, or when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the Housing Authority has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

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

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

NOTE 2 - CASH, CASH EQUIVALENTS, AND INVESTMENTS Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

- 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 - Uninsured and unregistered investments held by the counter-party, its trust department, or its agent, but not in the Authority's name

At September 30, 2003 the Housing Authority has Cash equivalents, and investments totaling \$12,324 as follows:

Interest-bearing demand deposits	\$	138
Time deposits		12,186
Total	\$	12,324
Cash and cash equivalents	\$	138
Investments		12,186
Total	\$	12,324

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2003, the Housing Authority's carrying amount of deposits was \$12,324 and the bank balance was \$12,324. Of the bank balance, \$12,324 was covered by federal depository insurance (GASB Category 1).

Investments during the year were solely in time deposits at banks.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

NOTE 3 – RECEIVABLES The receivables of \$20,438 at September 30, 2003, are as follows:

<u>Class of Receivables</u>	
Local sources	
Tenants	\$ 1,643
Other	989
Federal sources	
Grants	18,806
Total	\$ <u>20,438</u>

NOTE 4 – FIXED ASSETS The changes in general fixed assets are as follows:

	<u>Balance</u> 9/30/02	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 9/30/03
Land and buildings	4,734,820	265,713	0	5,000,533
	\$	\$	\$	\$
Furniture and equipment	140,351	1,041	0	141,392
Construction in progress	0	168,413	0	168,413
Total	<u>4,875,281</u>	<u>434,167</u>	<u>0</u>	<u>5,309,448</u>
Less: accumulated depreciation				
Buildings	1,709,621	243,653	0	1,953,274
Furniture and equipment	80,892	15,498	0	96,390
Total	<u>1,790,513</u>	<u>259,151</u>	<u>0</u>	<u>2,049,424</u>
Fixed assets, net	\$ <u>1,104,968</u>	\$ <u>180,025</u>	\$ <u>0</u>	\$ <u>1,284,897</u>

NOTE 5 – RETIREMENT SYSTEM The Housing Authority does not have a retirement plan.

NOTE 6 – ACCOUNTS PAYABLE The payables of \$15,852 at September 30, 2003, are as follows:

Trade payables	\$ 7,624
Payroll withholdings	8,228
	\$ <u>15,852</u>

NOTE 7 – COMPENSATED ABSENCES At September 30, 2003, employees of the Housing Authority have accumulated and vested \$22,511 of employee leave benefits, which was computed in accordance with GASB Codification Section C58. These amounts are recorded as liabilities in the funds from which payment will be made.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
 NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2003

NOTE 8 – GENERAL LONG-TERM OBLIGATIONS The following is a summary of the long-term obligation transactions for the year ended September 30, 2003.

		Compensated Allowance
Balance, 9/30/02	\$	0
Additions		16,081
Deductions		0
Balance, 9/30/03	\$	16,081

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Litigation The Housing Authority is not presently involved in litigation.

Construction Projects There are certain renovation or construction projects in progress at September 30, 2003. These include modernizing rental units. These projects are being funded by HUD. Funds are requested periodically as the cost is incurred.

Grant Disallowances The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act Amendments of 1996 and OMB circular No. A-133 through September 30, 2003, these programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES At September 30, 2003, the Capital Fund owes \$18,836 to the Low Rent program.

SUPPLEMENTARY INFORMATION

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
STATEMENT AND CERTIFICATION OF ACTUAL MODERNIZATION COST
ANNUAL CONTRIBUTION CONTRACT

YEAR ENDED SEPTEMBER 30, 2009

1) The Actual Modernization Costs are as follows:

		<u>Project 1998</u>
Funds approved	\$	229,130
Funds expended		<u>229,130</u>
Excess of funds approved	\$	<u>0</u>
Funds advanced	\$	229,130
Funds expended		<u>229,130</u>
Excess of funds advanced	\$	<u>0</u>

2. The distribution of costs by project as shown on the Final Statement of Modernization Cost dated May 27, 2009 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 HAYNESVILLE
STATEMENT OF MODERNIZATION COSTS - UNCOMPLETED

YEAR ENDED SEPTEMBER 30, 2003

CASH BASIS

	<u>2001</u> <u>Capital Funding</u>	<u>2002</u> <u>Capital Funding</u>
Funds approved	\$ 233,735	\$ 218,236
Funds expended	<u>233,735</u>	<u>179,219</u>
Excess of funds approved	<u>\$ 0</u>	<u>\$ 39,017</u>
Funds advanced	\$ 231,568	\$ 179,219
Funds expended	<u>233,775</u>	<u>155,838</u>
Excess of funds advanced	<u>\$ (2,207)</u>	<u>\$ (16,619)</u>

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MIKE ESTES, CPA

**Report on Compliance with Requirements Applicable to Each
Major Program and Internal Control Over Compliance in
Accordance with OMB Circular A-133**

Housing Authority of Haynesville
Haynesville, Louisiana

We have audited the compliance of the Housing Authority of Haynesville, Louisiana with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The Housing Authority of Haynesville, 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 Haynesville, Louisiana's Management. Our responsibility is to express an opinion on the Housing Authority of Haynesville, Louisiana'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, and 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, *Audit of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of Haynesville, Louisiana's compliance with those requirements and performing such other procedures as we consider 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 Haynesville, Louisiana's compliance with those requirements.

As described in item Audit Findings #03-02 and #03-06 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of Haynesville, Louisiana, did not comply with requirements regarding Allowable Costs/Unit Principles (#03-02) and Procurement, Suspension and Debarment (#03-06) that are applicable to its Capital Funding major federal program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of Haynesville, Louisiana, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of Haynesville, Louisiana, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003. The

results of our auditing procedures also disclosed other instances of noncompliance which are described in the accompanying schedule of findings and questioned costs as Audit Findings #03-01, 03-03, 03-04, 03-05, 03-07 and 03-08.

Internal Control Over Compliance

The management of The Housing Authority of Haynesville, 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 Haynesville, 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 seven 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 judgement, could adversely affect Haynesville, Housing Authority'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 for major programs as Audit Findings #03-01, 03-02, 03-03 and 03-06.

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

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 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 Audit Findings #03-02 and #03-06 to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Mike Bates, P.C.
Ft. Worth, Texas
March 18, 2004

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

**Housing Authority of Haynesville
Haynesville, Louisiana**

We have audited the financial statements of the Housing Authority of Haynesville, Louisiana as of and for the year ended September 30, 2003, and have issued our report thereon dated March 18, 2004. 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 the Housing Authority of Haynesville, Louisiana'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 these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed eight instances of noncompliance that are required to be reported under *Government Auditing Standards*. They are the eight audit findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of Haynesville, Louisiana'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 the PSA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the

financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as Audit Findings #03-01 through #03-08.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of 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, of the reportable conditions described above, we consider Audit Findings #03-02, #03-04 and #03-06 to be material weaknesses.

This report is intended for the information of the audit committee, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than the specified parties. Under state Revised Statute 24.513, this report is distributed by the Legislative Auditor as a public document.

Mike Duce, P. C.
Fort Worth, Texas
March 18, 2004

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR PROGRAM TITLE	CFDA NO.	PROGRAM EXPENDITURES
U. S. Department of Housing and Urban Development Direct Programs:		
Low-Income Housing Operating Subsidy	14.850	208,861
Public Housing Capital Fund	14.872	473,926
Total United States Department of Housing and Urban Development		682,787
Total Expenditures of Federal Awards		682,787

Total Expenditures of Federal Awards

**HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

YEAR ENDED SEPTEMBER 30, 2003

NOTE 1 – GENERAL. The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Housing Authority of the City of Haynesville, Louisiana (the "Housing Authority"). The Housing Authority reporting entity is defined in note 1(A) to the Housing Authority's general-purpose financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, is included on the schedule.

NOTE 2 – BASIS OF ACCOUNTING. The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in note 1(C) to the Housing Authority's general-purpose financial statements.

NOTE 3 – RELATIONSHIP TO GENERAL-PURPOSE FINANCIAL STATEMENTS. Federal awards revenue are reported in the Housing Authority's general-purpose financial statements as follows:

	<u>Federal Sources</u>
Enterprise funds:	
Public Housing	\$ 208,863
Capital Fund	473,928
Total	\$ 682,791

NOTE 4 – RELATIONSHIP TO FEDERAL FINANCIAL REPORTS. Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports except for changes made to reflect amounts in accordance with generally accepted accounting principles.

NOTE 5 – MAJOR FEDERAL AWARDS PROGRAMS. The dollar threshold of \$200,000 was used to distinguish between Type A and Type B federal programs. For those funds that have matching revenues and state funding, federal expenditures were determined by deducting matching revenues from total expenditures. In accordance with HUD Notice FHE 98-14, "Federal awards" do not include Housing Authority operating income from rents or investments (or other non-federal sources). In addition, debt service annual contribution payments made by HUD directly to fiscal agents for holders of Housing Authority bonds or for Housing Authority notes held by the federal financing bank (FFB), are not considered when determining if the Single Audit Act "Federal awards expended" threshold is met by the Housing Authority in a fiscal year. In addition, the entire amount of operating subsidy received during the fiscal year is considered to be "expended" during the fiscal year.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Financial Statement Audit

- i. The type of audit report issued was unqualified.
- ii. There were eight reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were three instances of noncompliance considered material, as defined by the Government Auditing Standards to the financial statements.

Audit of Federal Awards

- iv. There were four reportable conditions required to be disclosed by OMB Circular No. A-133.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed four audit findings which the auditor is required to report under OMB Circular No. A-133, Section .518(x).
- vii. The major federal programs are:

CFDAR 14.872	Capital Fund
--------------	--------------

- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular No. A-133, Section .528(b) was 300,000.
- ix. The auditor does not qualify as a low-risk auditor under OMB Circular No. A-133, Section .530.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Prior Audit Findings and Questioned Costs

The prior audit report contained eight findings, as follows:

01-01 – Inadequate Collection of Tenants’ Accounts Receivable - Delinquent accounts receivable and also tenant accounts receivable write-offs decreased to acceptable levels. This finding is closed.

01-02 – Actual Expenses Exceed Budget – This is reported as Audit Finding 01-05 .

01-03 – Admissions and Continued Occupancy Policy (ACOP) Not Complied With – The old ACOP did not provide for local professors. But, the FHA recognized them. The FHA has revised its ACOP to recognize the homeless, substandard, elderly, and working professors. This finding is closed.

01-04 – Tenant File Deficiencies – The prior audit finding was that in a majority of tenant files reviewed, the re-certification was past due. This is reported as Audit Finding 01-04.

01-05 – Noncompliance for Temporary Workers – The FHA had inadequately complied with state civil service compliance. This is reported as Audit Finding 01-03.

01-06 – Board Meeting Times Not Posted – There was no evidence that proposed meetings of the Board of Commissioners were posted. In the current year, the agendas were posted. This finding is closed. But, see the Management letter comment.

01-07 – Inadequate Documentation of Utility Allowance Review – No documentation existed that utility rates had been reviewed by the FHA. The FHA has done some work on this, but the allowances have still not been adequately reviewed. This finding is reported as Audit Finding 01-08.

01-08 – Change Order Authorization Not Documented – The FHA did not properly comply with state law in the execution of a significant change order for the 2002 Capital Fund. This was noncompliance after 9/30/02, but was noted in the prior audit in a review of subsequent events.

Since the noncompliance occurred in the current audit year, the finding is reported as Audit Finding 01-06.

General Comments

Within 30 days of receipt of this audit report, the FHA should notify its HUD Management Specialist that these findings have been reviewed with the Board of Commissioners.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2005

Current Audit Findings

Entity-wide or program/departmental specific

Low Rent and Capital Funding

Finding 03.01 – Position of Executive Director and Assistant Director Should Be Combined

Statement of Condition

It appears the positions of the Executive Director and Assistant Director should be combined.

The Executive Director appears to be one of the most respected citizens of Haynesville, and justifiably so. He has had, and continues to have, a substantial, positive effect on the community.

But, over a period of time, the Assistant Director has assumed most of the executive responsibilities.

I asked and received a list entitled "Duties Performed by the Executive Director For The Year Ending 9/2005". The list was as follows:

- Met with the Mayor to discuss water on Colonial site
- Directed reports to HUD, Board of Commissioners, and insurance companies
- Signed all required documents
- Attended required meetings and conferences
- Met with tenants whenever necessary
- Monitor rent collections monthly (reviewed and signed delinquent letters)
- Met with city and parish officials and business leaders on matters relating to the quality of life for the PSA tenants

It appears the Assistant Director does most, if not all, of the following:

- A) prepares and prints the Agenda for board meetings, and provides at the meetings
- B) performs a supervisory review of tenant rental receipts collected
- C) handles almost all aspects of the Capital Funding program
- D) prepares the in-house portion of the annual performance operating subsidy calculation (it is finished by a fee accountant)
- E) reviews bills and prepares the check voucher for signatures and final approval
- F) prepares the payroll and maintains accrued leave records
- G) prepares Low Rent and Capital Fund budgets, the Annual and 5 year Plans
- H) reviews HUD e-mails
- I) supervises the maintenance of the writing list

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

- J) calculates tenant rents at move-in, recertification, and interim exams
- K) prepares PHAS and other HUD reports, and tracks reporting deadlines
- L) compares year-to-date financial numbers to the budget
- M) reviews policies and periodically updates
- N) prepares responses to audit findings
- O) meets with tenants about delinquent tenant accounts receivables, and finalizes work out agreements
- P) monitors insurance coverage
- Q) presides over weekly maintenance meetings

Criteria

The PHA has a major program, the Capital Funding program, which the Executive Director oversees. The Allowable Costs/Cost Principles of OMB Circular A123 requires that "costs must be reasonable and necessary for the performance and administration of Federal Awards". In addition, costs for all non-major programs should be ordinary and necessary.

Effect

The resources allocated to the PHA in the total Executive Director and Assistant Director salaries could be re-allocated and better utilized.

Cause

Unknown

Recommendation

The PHA should develop job descriptions for all employees. It should be especially detailed for the Executive Director and Assistant Director. In addition both employees should document what they actually do, and keep the information available for third party review.

More importantly, the Authority should consider combining these two positions. In my opinion, they should be combined.

Corrective Action Plan - Response (L-0)

I am A.D. Williams, Executive Director and designated person to answer these findings. I will respond to this particular finding at a later date.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2005

Capital Funding

Finding 02-02 – Salaries Charged to Capital Funds Exceeded Budget

Questioned costs - \$12,966

Statement of Condition

Salaries allocated to the Capital Fund programs, per the Schedule of All Positions and Salaries per HUD-52566 (part of the annual operating budget) were \$10,466. Salaries actually charged to the Capital Fund programs were \$23,432, an excess of \$12,966.

Criteria

Salaries actually charged to the Capital Fund program should not exceed those amounts included in the approved operating budget.

Effect

The effect was:

- 1) \$12,966 more was charged to the Capital Fund than should have been.
- 2) When Low Rent and Capital Fund salary payments are combined, all of the six employees were paid more than outlined per HUD-52566 in the operating budget.

Cause

Management mistakenly believed it could pay the Assistant Director \$10,130 as MOD Grant Coordinator on the 2003 Capital Fund program. This was wrong for two related reasons. First, the \$10,130 was not included as part of the Assistant Director's salary in the HUD-52566, as part of the annual budget. (\$6,000 of the \$6,180 paid to the Assistant Director from the 2001 CFP was included in the HUD-52566). Second, the Assistant Director cannot simultaneously hold two positions – Assistant Director and also MOD Grant Coordinator.

Recommendation

The PHA should include all salaries paid to employees in the preparation of the annual operating budget and the Schedule of Positions and Salaries. It was also noted in the prior audit finding #02-02 that salaries allocated to the Capital Fund programs exceeded the budgeted amount.

Corrective Action Plan – Response 02-02

We have discontinued all Capital Funding payroll payments since the auditor brought this to our attention, in early March 2004.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2009

Low Rent and Capital Funding

Finding 02-03 Related Payroll Issues

Statement of Condition

In the audit year, the PHA:

- A) mistakenly paid for Executive Director and the Assistant Director for an extra week recorded as vacation pay.
- B) The Authority has not registered employees with the Louisiana Civil Service

Criteria

Regarding the above:

- A) Article VII, Section 14 of the Louisiana Constitution prohibits these type of payments
- B) the Authority must comply with state Civil Service Rules

Effect

Noncompliance with state law. However, it is noted that all employees have worked several years with the PHA, and civil service registration should not jeopardize their job status.

Recommendation

Employees should not be paid in lieu of actually taking time off for vacation.

State Statute RSMC:159 requires all employees to register with the state Civil Service, even for the two positions that may be deemed unclassified and thus not subject to Civil Service rules.

Corrective Action Plan – Response 02-03

We have discontinued all ineligible salary payments. We will give a full disclosure of our employee situation to the Civil Service by April 30, 2009.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Low Rent

Finding 01/04 - Tenant File Deficiencies

Statement of Condition

In the eight tenant files we reviewed, we noted the following exceptions:

- A) Four were not recertified annually, as required. Three of the four had not been recertified since October 1, 2000
- B) Incomes were not verified on four of the eight tenants. The incomes appeared to be reasonable. It appears the PHA had personal knowledge of the tenant's situation and either used information given by the tenant or used an inflation factor based on prior year's income
- C) stated income was verified on three tenants by check stubs only
- D) the cost calculated by the last HUD-50058 did not agree to the rental register in two instances. The monthly differences were \$18 and \$3
- E) the PHA did not have a Section 214 Declaration of Citizenship for anyone

Criteria

All of the above must be done, per federal regulations.

Effect

Possible improper rental income calculations and improper subsidy payments from HUD, since the amount of rental income charged affects the operating subsidy.

Cause

Apparent oversight

Recommendation

Good internal control procedures require a second party to test, check that the proper procedures and calculations are used. This check needs to be documented and available for third party review. Another employee should be trained and perform a quality control check.

The PHA should develop a worksheet that includes, at a minimum, the name of the tenant, the date of the quality control review, the items tested, the results, the corrections made, and the date of the corrections. I have left suggested copies with the PHA.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

In addition, PHA personnel should become familiar with HUD Notice PIH 2004-1, issued March 9, 2004, regarding verification guidance. Then, the PHA should either adopt a separate policy regarding income verification, or update its Admissions and Continued Occupancy Policy (ACOP) regarding income verification. The policy should include the following verification preferences, in order of first to last:

- 1) up front
- 2) written third party
- 3) oral third party
- 4) document review
- 5) tenant declaration

Corrective Action Plan – Response 03-04

We will comply with the above. We will adopt a policy regarding income verification by April 30, 2004.

Low Rent

Finding 03-05 – Actual Expenses Exceed Budget

Statement of Condition

	Budget	Actual
Administrative salaries	32,410	35,321
Total routine expenses	125,892	140,434

(The Capital Funding income is separately reported on in 03-02)

Criteria

Actual expenses should not exceed budgeted amounts.

Effect

Funds that could be utilized elsewhere were spent on salaries that exceeded budgeted amounts.

Cause

Unknown

Recommendation

The PHA should diligently try to keep actual expense within budgeted amounts.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Corrective Action Plan – Response 22-85

We will comply with the above.

Capital Funding

Finding 03-06 – Change Order Authorization Not Documented

(This finding was included last year as a subsequent event. Since it occurred in this audit year, it is included again).

Statement of Condition

The original construction contract for the 2003 Capital Fund program was awarded to the low bidder for \$209,880. Bids were opened and listed on October 1, 2002. The original contract was principally for adding central heat and air to 30 units.

Apparently, the bid was lower than the PHA and its architect anticipated. As a result, the PHA executed a change order with the original winner of the \$209,880 bid to add central air and heat to 30 additional units.

The change order was for \$120,000.

Criteria

The PHA violated state law in awarding a change order for \$120,000 for air conditioning on an additional 30 units. State law 38-2312 A 1 (d) establishes the contract limit at \$100,000. Any work exceeding the contract limit must be advertised in a newspaper of wide circulation.

Since the work identified by the "change order" was "outside the scope of the original contract" and since the change order was for \$120,000, in accordance with 2212.1 A 1 (d), the new work should have been bid and not treated as a change order.

For federal purposes, HUD does not approve threshold limits for PHAs unless they are in troubled status for physical condition, which is not in this situation.

Effect

Possible legal recourse against the PHA by contractors when state procurement guidelines are not complied with. Questioned costs cannot be estimated. It appears central heat and air were added to 60 units for the approximate amount of the original estimate to add central heat and air to only 30 units.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED-COSTS

YEAR ENDED SEPTEMBER 30, 2003

Case

Since the original bid for adding central heat and air to 30 units was under budget, PHA personnel did not think they were required to take bids.

Recommendation

The PHA should follow state public law.

Corrective Action Plan – Response – 02-06

We got such a good deal on the original bid that we thought we were okay on the change order. We will follow state law in the future.

Low-Bid

Finding 01-01 – Inventory of Ranges and Refrigerators and Equipment Not Completed

Statement of Condition

At September 30, 2003 the PHA did not have a complete inventory of its equipment. Since September 30, 2003, the PHA has taken an inventory. But the cost detail and tag number have not been listed. The inventory has also not been reconciled to the depreciation schedule.

Criteria

Federal and state regulations require that the PHA keep a complete inventory. Misappropriation is minimized by a complete, tagged and listed inventory.

Effect

Almost all of the equipment on the depreciation schedule was physically stored for the audit.

Case

Apparent oversight.

Recommendation

The PHA should complete the inventory as soon as possible.

Corrective Action Plan – Response 01-07

We will comply with the above by April 30, 2004.

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED SEPTEMBER 30, 2003

Low Rent

Finding – 01-05 – Inadequate Documentation of Utility Allowance Review

Statement of Condition

This was a prior year finding. In the current year, the PHA determined that its allowances were comparable to other, nearby PHA's. In my opinion, the PHA still has not done an adequate review.

Criteria

Federal regulations require the PHA to review utility rates at least annually, and revise the rates whenever there is a change of 10% or more in any category (24 CFR Section 982.517).

Effect

Utility allowances may have been incorrect.

Cause

Oversight.

Recommendation

The PHA should hire a consultant to perform a utility survey and propose revised utility allowances, if necessary.

Corrective Action Plan – Response 03-05

We will contract with a consultant by April 30, 2004.

SEE MANAGEMENT LETTER ON NEXT PAGE

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2015

03-M0 – Minutes of Board Meetings

The Minutes of the Board meetings should note the Board, in some respects, reviews the year-to-date unaudited financial statements. Also, the PHA needs to publish the proceedings of its Board meetings and excerpts of the annual financial statements in a local newspaper, in comply with state law.

03-M2 – Monthly Rental Collections – Documentation

In the area of collecting and recording receipts from rental revenue and assessed charges to tenants, the PHA does an adequate job of segregating duties and performing quality control checks, considering the limited staff.

However, documentation of the quality control needs to be improved. I have left a suggested duty control log with the PHA. This duty control should rate:

- a) Person(s) receiving rental collections and issuing receipts to tenants.
- b) Person who reconciles and agrees total of cash receipts drawer to total of duplicates of rental receipts and/or computer receipts' listing.
- c) Person who prepares bank deposits.
- d) Person who agrees validated bank deposit total to original amount of deposit per 0) above.
- e) Person who agrees total month's validated deposit(s) to bank statement.
- f) Person who reconciles total rental receipts per bank to the collections per the monthly rental register (done monthly).

HOUSING AUTHORITY OF THE CITY OF HAYNESVILLE
SCHEDULE OF MANAGEMENT LETTER ITEMS

YEAR ENDED SEPTEMBER 30, 2003

03-M1 - Minutes of Board Meetings

The Minutes of the Board meetings should come to the Board, in some respects, reviews the year-to-date unaudited financial statements. Also, the PHA needs to publish the proceedings of its Board meetings and excerpts of the annual financial statements in a local newspaper, to comply with state law.

PHA Response - 03-M1 - Minutes of Board Meetings

PHA will do as auditor recommended:

1. Board will review monthly financial statements at Board Meetings, review year-to-date rental revenue, actual budget expenses to budget, publish annually financial statements and proceedings of Board Meetings in the newspaper.

03-M2 - Monthly Rental Collections - Documentation

In the area of collecting and recording receipts from rental revenue and assessed charges to tenants, the PHA does an adequate job of segregating duties and performing quality control checks, considering the limited staff.

However, documentation of the quality control needs to be improved. I have left a suggested daily control log with the PHA. This daily control should look:

- a) Person(s) receiving rental collections and issuing receipts to tenants.
- b) Person who reconciles and agrees total of cash receipts drawer to total of duplicates of rental receipts and/or computer receipts' listing.
- c) Person who prepares bank deposit.
- d) Person who agrees validated bank deposit total to original amount of deposit per (C) above.
- e) Person who agrees total month's validated deposit(s) to bank statement.
- f) Person who reconciles total rental receipts per bank to the collections per the monthly rental register (close monthly).

PHA Response - 03-M2 - Monthly Rental Collections - Documentation

PHA is doing as recommended by auditor using daily control log being:

- a. Person(s) receiving rental collections and issuing receipts to tenants.
- b. Person who reconciles and agrees total of cash receipts drawer to total of duplicates of rental receipts and/or computer receipts' listing.
- c. Person who prepares bank deposit.
- d. Person who agrees validated bank deposit total to original amount of deposit per (C) above.
- e. Person who agrees total month's validated deposit(s) to bank statement.
- f. Person who reconciles total rental receipts per bank to the collections per the monthly rental register (close monthly).