Celebrating 15 Years

LUTHER SPEIGHT & COMPANY, LLC

Certified Public Accountants and Consultants

OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2003

OPPORTUNITITES INDUSTRALIZATION CENTER, INC.
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LUTHER SPEIGHT & COMPANY, LLC
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Opportunities Industrialization Center

We have audited the accompanying statement of financial position of Opportunities Industrialization Center (OIC) (a Louisiana nonprofit organization) as of September 30, 2003 and the related statement of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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.

OIC reported rental income for the year ended September 30, 2003 on a cash basis, totaling $169,745, however accrued rent revenues per our examination totaled $204,156, resulting in a difference of $34,411. Adequate information was not available to reconcile the difference between cash and accrued basis rent and to identify any related rent receivable. Accordingly, we were unable to determine if rental income reported at $169,745 was fairly stated. We were also unable to determine the proper balance for the related rent receivable.

In our opinion, except for the unreconciled difference in rent revenue discussed in the previous paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of OIC as of September 30, 2003 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2004 on our consideration of OIC' s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of OIC taken as a whole. The schedule of functional expenses at page 9 is presented for purposes of additional analysis and is not a required part of the financial statements of OIC. The accompanying schedule of expenditures of federal awards at page 8 is presented for purposes of additional analysis as required U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the financial statements of OIC.

Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Luther C. Speight & Company

New Orleans, LA
January 31, 2004

OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30, 2003

Current Assets	
Cash	$391,048
Grant Receivable	31,253
Due from Employee	1,328
Due from Other Programs	147,515
Total Current Assets	571,144
Property and Equipment	
Land	318,153
Building	395,600
Furniture, Fixture & Equipment	23,188
Vehicles	7,740
Accumulated Depreciation	(54,559)
Total Property and Equipment	690,122
Other Assets	
Deposits	2,550
TOTAL ASSETS	$ 1,263,816
LIABILITIES AND NET ASSETS	
Current Liabilities	
Unearned Grant Revenue	304,466
Rent Deposits	3,337
Due to Other Programs	147,515
Accounts Payable	2,354
Employment Taxes Payable	4,514
Total Liabilities	462,186
Net Assets	
Net Assets - Restricted	717,208
Net Assets - Unrestricted	84,422
Total Net Assets	801,630
TOTAL LIABILITIES AND NET ASSETS	$ 1,263,816

See accompanying notes.

OPPORTUNITIES INDUSTRIALIZATION CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Restricted	Unrestricted	Total
SUPPORT			
Grant Revenue	1,063,302	-	1,063,302
Miscellaneous Income	3,993	30,017	34,010
Rental Income	-	169,745	169,745
Service Revenue	-	19,419	19,419
Contributions	-	1,070	1,070
Interest Income	4,532	307	4,839
Total Support	1,071,827	220,558	1,292,385
EXPENSES			
Program Services:			
Community Response Initiative	102,446		102,446
Home Construction '02	392,814		392,814
Legislative Grant	304,532		304,532
Parenting/Fatherhood	97,701		97,701
Youth Entrepreneurship	104,243		104,243
Treasury Grant	33,750		33,750
LSED Grant	36,341		36,341
Total Program Services	1,071,827	-	1,071,827
Support Services:			
Management and General	-	146,914	146,914
Real Estate	-	137,843	137,843
Total Support Services	-	284,757	284,757
Total Expenses	1,071,827	284,757	1,356,584
NET ASSETS			
Change in Net Assets	-	(64,199)	(64,199)
Net Assets, Beginning Of Year	717,208	148,621	865,829
Net Assets (Deficit) At End Of Year	717,208	84,422	801,630

See accompanying notes.

OPPORTUNITIES INDUSTRIALIZATION CENTER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

CASH FLOW FROM OPERATING ACTIVITIES:		
Change in Net Assets	$	(64,199)
Adjustments to Reconcile Fund Balance to net Cash Provided by Operating Activities:		(68,726)
Changes in Operating Assets and Liabilities:		
Depreciation Expense		18,129
Grant Receivable		(56,794)
Due From Employees		158
Due From Other Programs		95,766
Accounts Payable & Accrued Expenses		2,356
Deferred Revenue		(4,077)
Deposits from Tenants		(400)
Due to Other Programs		95,766
Due to Funding Source		(50,000)
Payroll Taxes Payable		1,278
Net Increase in Cash From Operating Activities		(30,743)
CASH FLOW FROM INVESTING ACTIVITIES:		
Property, Plant, and Equipment Purchases		5,160
NET INCREASE/(DECREASE) IN CASH		(101,196)
CASH, BEGINNING OF YEAR		492,245
CASH, END OF YEAR		391,048

See accompanying notes.

OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

General – Opportunities Industrialization Center (the Organization) is a nonprofit corporation, which is located at 2701 Piety Street, in New Orleans, Louisiana. The Organization provides manpower-training services to the unemployed and economically disadvantaged members of the community to afford them the opportunity to acquire job related skills that will make them marketable. The organization also provides affordable and safe quality housing for low to moderate-income individuals through rehabilitation and new construction. The program is primarily funded by federal grants.

Basis of Accounting - The financial statements of the Organization are prepared on the accrual basis of accounting. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Property and Equipment - Depreciation is provided over the estimated useful lives, which ranges from 3 to 40 years, of the related assets using primarily the straight-line method.

Income Taxes - The Organization has been determined to be tax exempt under Section 501 (c) of the Internal Revenue Code.

Cash - Cash is comprised of cash on hand and in banks.

2. GRANT RECEIVABLE

This amount represents outstanding payments due to the agency from Department of Social Services for the Youth Entrepreneurship Program. The balance is detailed as follows:

Youth Entrepreneurship	23,505
Parenting/Fatherhood	7,748
Total Grant Receivable	$31,253

Management does not consider any of the receivables to be uncollectible at September 30, 2003, due to the fact that these are governmental contracts. Therefore, no allowance for doubtful accounts has been provided.

3. **PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following as of September 30, 2003:

Land	$ 318,153
Buildings & Improvements	395,600
Furniture, Fixtures and Equip.	23,188
Vehicles	7,740
Accumulated Depreciation	(54,559)
TOTAL	$ 690,122

Depreciation expense was recorded for the current year ended September 30, 2003 in the amount of $18,129.

4. **ECONOMIC DEPENDENCY**
The organization receives a majority of its revenue from funds provided through contracts administered by federal, state, and local government agencies. The grant amounts are appropriated each year by the federal and local governments. If significant budget cuts are made at the federal and/or local level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations.

5. **CONTRIBUTIONS AND DONATIONS**
The organization receives funds from various contributors. The additional funds are used for administrative items for the organization. There were no restrictions noted on the agency's contributions.

6. **RENTAL INCOME**
The organization receives rental income from properties renovated through their housing programs. The income is utilized to maintain the properties and pay utilities, insurance and other costs for low-income tenants.

7. **SERVICE INCOME**

The organization provides administrative services to other nonprofits, and thereby earns a service fee. These fees are used to further support the grant activities of OIC.

SUPPLEMENTAL INFORMATION

OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

FEDERAL GRANTOR/ PASS THROUGH NAME/PROGRAM TITLE	FEDERAL CFDA NUMBER	GRANT EXPENDITURES	TOTALS
U.S. Department of Housing and Urban Development/			
Pass Through - Home Investment Partnerships Program			
Home '02-Construction	14.239	392,814	
Total U.S. Department of Housing and Urban Development			**$ 392,814**
U.S. Department of Health and Human Services/			
Pass Through - State of Louisiana Department of Social Service			
Youth Entrepreneurship	93.558	104,243	
Parenting/Fatherhood	93.558	97,701	
Community Response Initiative	93.558	102,446	
Total U.S. Department of Health and Human Services			**$ 304,390**
State of Luisiana			
Legislative Grant		304,532	
Louisiana Stadium Expedition District Grant		36,341	
Treasury Grant		33,750	
Total State of Louisiana			**$ 374,623**
Total Grant Expenditures			**$ 1,071,827**

See Auditor's Report.

OPPORTUNITIES INDUSTRIALIZATION CENTER OF GREATER NEW ORLEANS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2003

	Restricted							Total Restricted	Unrestricted		Total Unrestricted	Grand Total
REVENUE:	Community Response Initiative	Home'02 Construction	Legislative Grant	Parenting Fatherhood	Youth Entrepreneurship	Treasury Grant	LSED Grant		Real Estate	General Fund		
Grant Revenue	$ 99,610	$ 392,814	$ 300,000	$ 97,701	$ 103,086	$ 33,750	$ 36,341	$ 1,063,302	$ -	$ -	$ -	$ 1,063,302
Interest Income	-	-	4,532	-	-	-	-	4,532	280	27	307	4,839
Rental Income	-	-	-	-	-	-	-	-	169,745	-	169,745	169,745
Service Revenue	-	-	-	-	-	-	-	-	-	19,419	19,419	19,419
Contributions	-	-	-	-	-	-	-	-	-	1,070	1,070	1,070
Miscellaneous Income	2,836	-	-	-	1,157	-	-	3,993	-	30,017	30,017	34,010
Total Revenue	102,446	392,814	304,532	97,701	104,243	33,750	36,341	1,071,827	170,025	50,533	220,558	1,292,385
EXPENDITURES:												
Support Services:												
Salaries	67,695	-	192,374	56,414	61,100	-	-	377,583	15,800	32,836	48,636	426,219
Payroll Taxes	3,755	-	10,811	3,218	6,167	-	-	23,951	872	3,764	4,636	28,587
Suta Expense	733	-	966	714	921	-	-	3,334	99	402	501	3,835
Professional Services	3,208	19,419	10,390	-	22,400	33,750	31,341	120,508	1,861	16,624	18,485	138,993
Contractors Professional Services	-	373,395	-	-	-	-	-	373,395	151	-	151	373,546
Total Support Services	75,391	392,814	214,541	60,346	90,588	33,750	31,341	865,021	18,783	53,626	72,409	937,430
Program Services:												
Accountant	-	-	-	-	-	-	-	-	-	1,100	1,100	1,100
Custodian/Janitor	2,250	-	9,300	2,500	1,500	-	-	15,550	-	350	350	15,900
Interest Expense	-	-	-	-	-	-	-	-	-	1,740	1,740	1,740
Housing Repairs	-	-	4,451	-	-	-	-	4,451	7,622	204	7,826	12,277
Materials & Supplies	-	-	285	14,334	-	-	-	14,619	-	1,367	1,367	15,986
Vehicle Maintenance - Oil & Gas	-	-	512	-	-	-	-	512	151	892	1,043	1,555
Repairs & Maintenance	-	-	-	-	-	-	-	-	4,193	2,093	6,286	6,286
Dues & Subscriptions	-	-	985	-	-	-	-	985	221	3,394	3,615	4,600
Contributions/Donations	-	-	-	-	-	-	-	-	-	1,785	1,785	1,785
Rent	10,000	-	11,548	10,000	7,000	-	-	38,548	-	-	-	38,548
Incentive Payments	400	-	-	-	-	-	-	400	-	275	275	675
Insurance - Bonding	-	-	8,416	-	-	-	-	8,416	20,750	31,017	51,767	60,183
Insurance - Worker's Comp	-	-	-	-	-	-	-	-	-	14,017	14,017	14,017
Office Equipment	-	-	57	1,414	-	-	-	1,471	4,603	1,180	5,783	7,254
Equipment Maintenance	-	-	906	-	-	-	-	906	106	1,339	1,445	2,351
Equipment Rental	1,060	-	1,091	-	-	-	-	2,151	97	494	591	2,742
License, Permits & Fees	-	-	-	-	-	-	-	-	60	733	793	793
Miscellaneous	-	-	-	-	-	-	-	-	-	1,164	1,164	1,164
Utilities	4,601	-	5,022	4,601	1,500	-	-	15,724	67,299	249	67,548	83,272
Supplies	4,278	-	18,538	-	1,713	-	-	24,529	254	5,050	5,304	29,833
Training & Technical Assist.	-	-	20,404	150	-	-	-	20,554	-	262	262	20,816
Depreciation	-	-	-	-	-	-	-	-	-	18,129	18,129	18,129
Security System	-	-	-	-	-	-	-	-	11,433	-	11,433	11,433
Telephone	2,461	-	4,559	1,736	1,746	-	-	10,502	1,594	2,293	3,887	14,389
Bank Charges	-	-	104	-	-	-	-	104	1	370	371	475
Postage	130	-	425	347	71	-	-	973	3	842	845	1,818
Meetings & Conferences	-	-	-	-	-	-	-	-	-	50	50	50
Printing & Copying	264	-	350	-	-	-	-	614	-	-	-	614
Student Stipends	-	-	-	-	-	-	-	-	398	-	398	398
Taxes-Other	-	-	-	-	-	-	-	-	-	31	31	31
Advertising	-	-	-	-	-	-	-	-	-	400	400	400
Administrative Fee	-	-	-	-	-	-	5,000	5,000	-	-	-	5,000
Transpasses	1,594	-	-	2,200	110	-	-	3,904	-	110	110	4,014
Travel	17	-	3,038	73	15	-	-	3,143	275	2,358	2,633	5,776
Total Program Services	27,055	-	89,991	37,355	13,655	-	5,000	173,056	119,060	93,288	212,348	385,404
Total Expenditures	102,446	392,814	304,532	97,701	104,243	33,750	36,341	1,071,827	137,843	146,914	284,757	1,356,584
CHANGES IN NET ASSETS	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 32,182	$ (96,381)	$ (64,199)	$ (64,199)

See Auditor's Report

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

To the Board of Directors of
Opportunities Industrialization Center, Inc.

We have audited the financial statements of Opportunities Industrialization Center, Inc. (non-profit organization) as of and for the year ended September 30, 2003, and have issued our report thereon dated January 31, 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 OIC' s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 03-02 and 03-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OIC '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 OIC' 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 items 03-02 and 03-03. 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, of the reportable conditions described above, we consider items 03-02 and 03-03 to be material weaknesses.

This report is intended for the information and use of OIC, the federal awarding agencies and pass-through entities. "Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document."

Luther C. Speight & Company

New Orleans, Louisiana
January 31, 2004

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

To the Board of Directors of
Opportunities Industrialization Center, Inc.

Compliance

We have audited the compliance of Opportunities Industrialization Center, Inc. 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. OIC' 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 its' major federal program is the responsibility of OIC' s management. Our responsibility is to express an opinion on OIC' 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 OIC' 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 OIC' s compliance with those requirements.

As described in items 03-01 and 03-04 in the accompanying schedule of findings and questioned costs, OIC did not comply with requirements regarding eligibility and cash management, that are applicable to its major programs. Compliance with such requirements is necessary, in our opinion, for OIC to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, OIC 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.

Internal Control Over Compliance

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

We noted certain matters involving 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 OIC' s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-02 and 03-03.

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 relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 03-02 and 03-03 to be material weaknesses.

This report is intended for the information and use of OIC, the federal awarding agencies and pass-through entities. "Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Luther Speight & Co

Luther C. Speight & Company
January 31, 2004

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I – Summary of Auditor's Results

Financial Statements

A Qualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:		
Material weakness(es) identified?	_X_yes	____no
Reportable condition(s) identified not considered to be material weaknesses?	____yes	_X_no
Noncompliance material to financial statements noted?	_X_yes	____no

Federal Awards

Internal control over major programs:		
Material weakness(es)identified?	_X_yes	___no
Reportable condition(s) identified not considered to be material weaknesses?	____yes	_X_no

A Qualified opinion was issued on compliance for the major programs.

Any audit findings disclosed that are required to be Reported in accordance with Circular A-133 , Section 510(a)?	_X_yes	____no

The major programs for the year ended September 30, 2003 were as follows:

U.S. Department of Housing and Urban Development	14.239
Legislative Grant (State Funds)	N/A

OPPORTUNITIES INDUSTRIALIZATION CENTER, INC.
SCHEDULE OF FINDINGS AND QUESTION COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2003

03-01: **HOME RENOVATION 2002**
– INCOMPLETE FILE MAINTENANCE
QUESTIONED COST: $ -0-

CONDITION:
We noted that certain forms were being maintained on file for the tenants receiving low-income housing assistance, which is required by the Department of Urban Housing and Development. These forms included a signed, dated, and completed lease agreements, letter of Lead Poisoning Inspections, Inspections performed by the organization, as well as HUD inspections, identification of all individuals residing in the household, documentation of all household income (letter from place of employment, last three check stubs, food stamps, SSI, disability, etc.), letter from the Housing Authority of New Orleans, stating tenant was considered eligible for low-income assistance, a HUD approved scheduled rent payment voucher, stating tenant rent portion and public assistance portion. We tested the files of the fourteen eligible tenants and noted the following exceptions:

- Five (5) out of the fourteen (14) files tested did not include a letter of approval from HANO in the file, which is required by the HOME 2002 contract.
- Four (4) out of the fourteen (14) files did not include an inspection report, which is required at least at a minimum annually.
- One (1) out of the fourteen (14) files did not include a renewal of the lease, which is required per the contract.
- Two (2) out of the fourteen (14) files lease agreements were not dated, nor did it specify the lease terms, which is required by HUD regulations.
- One (1) out of the fourteen (14) files did not include a lease on file, which is required by HUD regulations, as well as the grant agreement.

CAUSE:
File maintenance procedures were not fully implemented to ensure that all required forms were complete and maintained on file.

CRITERIA:
As stipulated in the contract agreement, file maintenance records include completed and signed inspection reports, completed and signed lease agreements, letter of approval from HANO stating tenant eligibility, proof of identification of all occupants residing in each resident, admission packet-stating the time of admission, whether the tenant was eligible, and met the preference criteria to determine eligibility, verification of tenant income, and income guidelines.

RECOMMENDATION:
We recommend that OIC, Inc. implement procedures to ensure that all required forms are completed and filed appropriately.

03-02 DEFICIENCIES IN GENERAL ACCOUNTING PROCEDURES
QUESTION COSTS: $-0-

CONDITION:

During our examination, we noted that the organization did not maintain adequate accounting records in support of its accounts receivable balances including grant accounts receivable and rent receivable. There were several accounts receivable accounts with inaccurate balances reflected on their subsidiary ledger that did not correspond with the supporting documentation provided as of September 30, 2003.

CAUSE:

The organization did not implement and maintain adequate accounting procedures or records related to accounts receivables.

EFFECT:

Grant and rent receivables were not adequately supported by subsidiary records.

CRITERIA:

Generally accepted accounting principles require that financial statement balances be supported by adequate supporting documentation.

RECOMMENDATION:

We recommend that the agency reconcile its receivable accounts on a monthly basis.

03-03 RENTAL INCOME NOT RECONCILED
QUESTION COSTS: $ 34,411

CONDITION:

During our examination OIC' s tenant rental income, we noted that the rental income recorded at $169,745 was recorded on a cash basis, rather than accrual basis. Further review showed that the accrued rent per the tenant rent roll totaled $ 204,156, reflecting a $34,411 difference. OIC did not have adequate documentation on file to reconcile or explain the difference.

CAUSE:

OIC did not perform monthly reconciliations between tenant rent rolls and actual deposits

EFFECT:

We were unable to determine the nature or disposition of the unreconciled differences, accordingly the difference is reported as questioned costs.

CRITERIA:

Generally Accepted Accounting Principles require use of accrual basis accounting.

RECOMMENDATION:

We recommend that rental income be recorded on an accrual basis. Additionally, monthly reconciliations should be performed between rent rolls and deposits.

03-04 BANK BALANCE EXCEEDS FDIC LIMITS
QUESTIONED COSTS: $-0-

CONDITION:
We noted during our audit that the Legislative Grant cash account reflected a balance of $288,026 as of September 30,2003, which exceeds Federal Depository Insurance Corporation (FDIC) insured limits of $100,000.

CAUSE:
Cash management procedures were not adequate.

CRITERIA:
Grantor requirements mandate that grant funds on deposit in excess of $100,000 be collateralized by the financial institution.

RECOMMENDATION:
We recommend that OIC collateralize all deposits in excess of $100,000.

OPPORTUNITIES INDUSTRIALIZATION CENTER
UPDATE OF PRIOR YEAR FINDINGS
9/30/03

There were no prior year findings.

OPPORTUNITIES INDUSTRIALIZATION CENTER
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MANAGEMENT RESPONSE TO FINDING 03-01 INCOMPLETE FILE MAINTENANCE:

We have implemented file maintenance procedures that require periodic supervisory review of all tenant files for completeness.

MANAGEMENT RESPONSE TO FINDING 03-02 DEFICIENCIES IN GENERAL ACCOUNTING PROCEDURES:

We have implemented the auditor's recommendation.

MANAGEMENT RESPONSE TO FINDING 03-03 RENTAL INCOME NOT RECONCILED:

Rental income will be recorded on an accrual basis. OIC management will perform a thorough review and reconciliation of the differences reported by the auditor. Corrective actions have been implemented to prevent future occurrences, including monthly reconciliation of rent rolls with cash deposits. Any differences will be resolved timely and be approved by the Executive Director.

MANAGEMENT RESPOSNE TO FINDING 03-04 BANK BALANCE EXCEEDS FDIC LIMITS:

We will comply with the auditor's recommendation.