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**HOUSING AUTHORITY OF THE
CITY OF MORGAN CITY**

Program Number FW-1403

Financial Report
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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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Housing Authority of the City of Morgan City
Morgan City, Louisiana

We have audited the accompanying financial statements of the Housing Authority of the City of Morgan City (a nonprofit organization), as of and for the year ended, September 30, 2003. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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.

Due to the inadequacy of accounting records for the years beginning prior to October 1, 2002, we were unable to form an opinion regarding the amount at which fixed assets are recorded in the accompanying balance sheet as of September 30, 2003 (stated at \$3,664,376, net of accumulated depreciation).

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able perform the necessary audit procedures on the beginning balance of fixed assets, or had we been able to satisfy ourselves as to the beginning balance of fixed assets by other auditing procedures, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Morgan City, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

In accordance, with Government Auditing Standards, we have also issued our report dated February 6, 2004 on our consideration of the Housing Authority of the City of Morgan City'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.

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Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Housing Authority of the City of Morgan City. Additionally, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Revised Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements of the Housing Authority of the City of Morgan City. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City Louisiana
February 6, 2004

FINANCIAL STATEMENTS

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Statement of Net Assets
September 30, 2003

ASSETS

Current assets:		
1111	Cash - operations	\$ 248,643
1122	Tenant/member accounts receivable, Net of Allowance for Doubtful Accounts	1,370
1125	Accounts receivable - HUD	89,812
1270	Inventories	1,091
1211	Miscellaneous prepaid expense	<u>101,333</u>
	Total current assets	<u>442,249</u>
Restricted assets:		
1114	Tenant deposits held in trust	<u>30,062</u>
	Total restricted assets	<u>30,062</u>
Property and equipment:		
1440	Land	165,000
1460	Buildings	8,819,325
1450	Building Improvements	995,882
1465	Building equipment (portable)	193,793
1475	Administrative Equipment	<u>195,003</u>
	Total fixed assets	10,369,003
1495	Less: Accumulated depreciation	<u>(6,704,628)</u>
	Net fixed assets	<u>3,664,375</u>
	Total assets	<u>\$ 4,136,686</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

Current liabilities:		
2111	Accounts payable - operations	\$ 147,465
2135	Accrued wages payable	5,903
	Accrued Compensated Absences	33,673
2118	HUD payable	98,609
	Deferred Revenue	53,722
2190	Miscellaneous current liabilities	<u>7,622</u>
	Total current liabilities	<u>346,994</u>
Other liabilities:		
2114	Tenant deposits held in trust	<u>30,062</u>
Net assets:		
	Net unrestricted assets	<u>3,759,630</u>
	Total liabilities and net assets	<u>\$4,136,686</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Statement of Revenue, Expenses and Changes in Net Assets
Year Ended September 30, 2003

UNRESTRICTED ASSETS:		
Revenues -		
3110	Rent revenue - gross potential	\$ 403,181
3120	Excess Utilities	128,247
	Tenant assistance payments	308,837
	PHA Grant Revenue	1,342,878
3190	Miscellaneous rent revenue	<u>22,114</u>
	Total Rental Revenue	2,205,257
3300	Revenue from investments-residual receipts	<u>935</u>
	Total Financial Revenue	935
5990	Miscellaneous revenue	<u>12,715</u>
	Total revenue	<u>2,218,907</u>
EXPENSES:		
4140	Conventions and meetings	3,177
4170	Bookkeeping fees/Accounting services	13,358
4110	Office salaries	142,124
	Office expenses	41,971
4171	Audit expense	5,460
	Legal fees	13,941
4190	Miscellaneous administrative expenses	<u>33,112</u>
	Total administrative expenses	<u>253,143</u>
4320	Electricity	183,217
4330	Gas	116,581
4390	Sewer	32,563
4310	Water	<u>59,360</u>
	Total utilities expense	<u>391,721</u>
4410	Payroll	141,761
4420	Supplies	31,477
4430	Contracts	383,349
4431	Garbage and trash removal	35,480
	Soft Costs	17,300
	Miscellaneous operating and maintenance expenses	<u>17,024</u>
	Total operating and maintenance expenses	<u>626,391</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Statement of Revenues, Expenses and Changes in Net Assets (Continued)
Year Ended September 30, 2003

6711	Payroll taxes (project's share)	18,367
6720	Property and liability insurance (hazard)	170,876
6723	Health insurance and other employee benefits	36,832
6790	Miscellaneous taxes, licenses, permits, and insurance	<u>26,373</u>
	Total taxes and insurance	<u>252,448</u>
	Total cost of operations before depreciation	<u>1,523,703</u>
	Increase in net assets before depreciation	695,204
6600	Depreciation expense	<u>555,061</u>
	Decrease in net assets after depreciation	<u>140,143</u>
	Total decrease in net assets	140,143
	Net assets, beginning of year, as restated	<u>3,619,487</u>
	Net assets, end of year	<u>\$ 3,759,630</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Statement of Cash Flows
Year Ended September 30, 2003

OPERATING ACTIVITIES:	
Rental receipts	533,358
Operating subsidies and grants	1,721,224
Payments to employees and vendors	(1,681,606)
Other cash received	<u>39,479</u>
Net provided by operating activities	<u>612,455</u>
CAPITAL ACTIVITIES:	
Acquisition of capital assets	<u>(618,068)</u>
INVESTING ACTIVITIES:	
Interest income	<u>935</u>
Net decrease in cash	(4,678)
Cash and cash equivalents, beginning	<u>283,383</u>
Cash and cash equivalents, ending	<u>\$ 278,705</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Statement of Cash Flows (Continued)
Year Ended September 30, 2003

CASH FLOWS FROM OPERATING ACTIVITIES:	
Increase in net assets	140,143
Adjustments to reconcile decrease in net assets to net cash provided by operating activities -	
Depreciation	555,061
Changes in assets and liabilities:	
Receivables	(3,495)
Inventories	1
Prepaid expenses and other assets	(3,232)
Accounts payable	(174,411)
Accrued expenses and other liabilities	44,666
Deferred revenue	<u>53,722</u>
Net cash used in operating activities	<u>612,455</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

A. Nature of Organization and Operations

The Authority is a 330-unit apartment complex for persons of low income located in Morgan City, Louisiana. The Authority also administers a Section 8 Rental Voucher Program. The Authority was organized for the purpose of providing decent, safe and sanitary dwelling for persons of low income.

Legal title to the Authority is held by Housing Authority of the City of Morgan City, a non-profit corporation. The Authority is engaged in the acquisition, modernization, and administration of low-rent housing. The Authority is administered by a governing Board of Commissioners (the Board), whose members are appointed by the Mayor of the City of Morgan City, Louisiana. Each member serves a four-year term on a rotating basis. Substantially all of the Authority's revenue is derived from subsidy contracts with the U. S. Department of Housing and Urban Development (HUD). The annual contributions contracts entered into by the Authority and HUD provide operating subsidies for Authority-owned public housing facilities for eligible individuals.

B. Reporting Entity

General accepted accounting principles require that the financial statements present the accounts and operations of the Authority and its component units, entities for which the Authority is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the Authority's operations and data from these units, if any, are combined with data of the Authority. Each discretely presented component unit, if any would be reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority. As of September 30, 2003, and for the fiscal then ended, the Authority had no discretely presented component units or any component units required to be blended in these financial statements.

C. Fund Accounting

The Authority is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where (a) the intent of the governing body is that the cost (expense, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

D. Basis of Accounting

The financial statements of the Housing Authority of the City of Morgan City have been prepared in conformity with accounting principles generally accepted in the United States of America and, as a governmental entity provides certain disclosures required by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Pursuant to Government Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the Authority has elected to apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989 in preparing financial statements and related disclosures unless those pronouncements conflict or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund is included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred, regardless of the timing of the related cash flows.

E. Income Taxes

Housing Authority of the City of Morgan City is a non-profit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and is an organization that is not a private foundation as defined in Section 509(a) of the Code. It is also exempt from Louisiana income tax.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures.

G. Fixed Assets and Depreciation

Property and equipment are recorded at cost and depreciated using the straight-line method over the estimated useful life of the assets. The Authority has a policy in place which requires the capitalization of all asset purchases of \$5,000 or greater.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

Depreciation of all exhaustible fixed assets used by enterprise funds is charged as an expense against operations; and accumulated depreciation is reported on the balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	20 years
Building Improvements	10 years
Equipment	3 - 7 years
Site Improvements	20 years
Non-dwelling Structures	20 years

The recognition of depreciation begins upon placement of the asset into useful operation.

H. Distributions

The Authority's regulatory agreement with HUD stipulates, among other things, that the Authority will not make distributions of assets or income to any of its officers or directors.

I. Cash Equivalents

Cash includes amounts in demand deposits and interest bearing demand deposits. Cash equivalents include amounts in time deposits having a maturity of three months or less when purchased.

J. Budgetary Data

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program and the Section 8 Programs. Annual budgets are not required for modernization and drug elimination grants as their budgets are approved for the length of the project.

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

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

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

K. Retirement Plan

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

L. Compensated Absences

Employees earn annual leave based upon years of service, and may accrue up to 300 hours. Sick time is earned but not accrued since it is dependent upon a future event. Upon termination all accrued annual leave is paid. The liability for compensated absences is \$23,841.

M. Inventories

Inventories are stated at cost using the first-in first-out, (FIFO) method.

N. Change in Accounting Principle

Effective October 1, 2002, the Housing Authority implemented the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments. GASB 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The statement requires the classification of net assets into three components – invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- Invested in capital assets, net of related debt – capital assets, including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted – constraints placed on net assets use imposed by external creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted – net assets that do not meet the criteria for “invested in capital assets, net of related debt” or “restricted”.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

(2) Cash and Certificates of Deposits

Under state law, the Authority may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Authority may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At September 30, 2003, the Authority had cash and interest-bearing deposits (book balances) totaling \$278,705.

These deposits are stated at cost, which approximates market. 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 bank. 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. The following is a summary of deposit balances (bank balances) at September 30, 2003, and the related federal insurance and pledged securities:

Bank balances	<u>\$285,471</u>
Federal deposit insurance	\$200,000
Pledged securities (Category 3)	<u>85,471</u>
Total federal insurance and pledged securities	<u>\$285,471</u>

Pledged securities in Category 3 includes uninsured or unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the Authority's name. Even though the pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within ten (10) days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon demand.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

(3) Property and Equipment

A summary of property and equipment at September 30, 2003, follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
Land	\$ 165,000		\$ -	\$ 165,000
Buildings	8,211,132	608,193	-	8,819,325
Building equipment	183,918	9,875	-	193,793
Office furniture and equipment	195,003	-	-	195,003
Leasehold improvements	<u>995,882</u>	<u>-</u>	<u>-</u>	<u>995,882</u>
 Total	 <u>\$ 9,750,935</u>	 <u>\$ 618,068</u>	 <u>\$ -</u>	 <u>\$ 10,369,003</u>
 Accumulated depreciation	 <u>\$ 6,149,567</u>	 <u>\$ 555,061</u>	 <u>\$ -</u>	 <u>\$ 6,704,628</u>

(4) Net Assets

None of the Authority's net assets are subject to donor-imposed restrictions. Accordingly, all net assets are accounted for as unrestricted net assets under SFAS No. 117.

(5) Rent Increases

Under the regulatory agreement, the Authority may not increase rents charged to tenants without HUD approval. The monthly rent is based on the household's income.

(6) Functional Allocation of Expenses

Expenditures incurred in connection with Authority operations and expenditures made for corporate (mortgagor entity) purposes have been summarized on a functional basis in the statement of activities.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Notes to Financial Statements (continued)

(7) Current Vulnerability Due to Certain Concentrations

The Authority's major asset is a 330-unit apartment complex. The Authority's operations are concentrated in the multifamily real estate market. In addition, the Authority operates in a heavily regulated environment. The operations of the Authority are subject to the administrative directives, rules and regulations of federal, state and local regulatory agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of congress or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including additional administrative burden, to comply with a change.

(8) Prior Period Adjustments

For the year ended September 30, 2002, the Authority's liability to HUD from Low Rent was misstated by \$9,869. There was also a transfer to Low Rent from the CFP fund in the amount of \$63,400 that was not properly reflected in the financial statements. The changes in net assets are restated as follows:

	Low Rent	CFP
Net assets, September 30, 2002	2,057,637	196,807
Adjustments -		
HUD liability	9,869	
CFP transfer	63,400	(63,400)
Net assets, September 30, 2002		

SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

<u>Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Department of Housing and Urban Development:		
Low Income Housing Operating Subsidy	14.850	\$ 537,311
Public and Indian Housing Drug Elimination Program	14.854	61,669
Section 8 Housing Choice Vouchers	14.871	361,961
Public Housing Capital Fund Program	14.872	<u>690,774</u>
		<u>\$ 1,651,715</u>

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number PW-1403

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2003

(1) General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Housing Authority of the City of Morgan City (the Authority). The Authority's reporting entity is defined in Note 1 to the financial statements for the year ended September 30, 2003. All federal financial assistance received is received directly from federal agencies and is included on the schedule of expenditures of federal awards. The major federal programs of the Authority were the Low Income Housing Operating Subsidy and the Section 8 Housing Choice Vouchers, both received directly from the United States Department of Housing and Urban Development.

(2) Basis of Accounting

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Authority and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

(3) Relationship to Financial Statements

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Supplemental Data Required By HUD
September 30, 2003

COMPUTATION OF SURPLUS CASH - ANNUAL

Cash	\$ 278,705
Tenant vouchers due	89,812
Current obligations:	
Accounts payable due within 30 days	147,465
Accrued expenses	199,529
Tenant security deposits	<u>30,062</u>
Total current obligations	<u>377,056</u>
Surplus cash (deficiency)	<u>\$ (8,539)</u>

OTHER SUPPLEMENTAL INFORMATION

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Combining Statement of Net Assets
September 30, 2003

	Public Housing Programs					Total
	Low Rent	CGP	CFP	PIH Drug Elimination	Rental Vouchers	
ASSETS						
Current assets:						
1111 Cash - operations	\$ 186,891	\$ -	\$ -	\$ -	\$ 61,752	\$ 248,643
1122 Tenant receivable, net of allowance	1,370	-	-	-	-	1,370
1125 Accounts receivable - HUD	-	-	86,573	3,239	-	89,812
Interfund receivable	25,625	-	42,457	-	-	68,082
1270 Inventories	1,091	-	-	-	-	1,091
1211 Miscellaneous prepaid expense	101,333	-	-	-	-	101,333
Total current assets	<u>316,310</u>	<u>-</u>	<u>129,030</u>	<u>3,239</u>	<u>61,752</u>	<u>510,331</u>
Restricted assets:						
1114 Tenant deposits held in trust	30,062	-	-	-	-	30,062
Total restricted assets	<u>30,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,062</u>
Property and equipment:						
1440 Land	165,000	-	-	-	-	165,000
1460 Buildings	7,095,712	1,049,428	674,185	-	-	8,819,325
1450 Building Improvements	605,279	347,813	42,790	-	-	995,882
1465 Building equipment (portable)	-	159,293	34,500	-	-	193,793
1475 Administrative Equipment	142,981	33,500	-	-	18,522	195,003
Total fixed assets	<u>8,008,972</u>	<u>1,590,034</u>	<u>751,475</u>	<u>-</u>	<u>18,522</u>	<u>10,369,003</u>
1495 Less: Accumulated depreciation	<u>(6,345,563)</u>	<u>(340,543)</u>	<u>-</u>	<u>-</u>	<u>(18,522)</u>	<u>(6,704,628)</u>
Net fixed assets	<u>1,663,409</u>	<u>1,249,491</u>	<u>751,475</u>	<u>-</u>	<u>-</u>	<u>3,664,375</u>
Total assets	<u>\$ 2,009,781</u>	<u>\$ 1,249,491</u>	<u>\$ 880,505</u>	<u>\$ 3,239</u>	<u>\$ 61,752</u>	<u>\$ 4,204,768</u>

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Combining Statement of Net Assets
September 30, 2003

	Public Housing Programs					Section 8 Programs		Total
	Low Rent	CGP	CFP	PIH Drug Elimination	Rental Vouchers			
LIABILITIES AND NET ASSETS								
Current liabilities:								
2111	\$ 78,010	-	\$ 66,242	\$ 3,213	-	\$ -	\$ 147,465	
2135	5,506	-	-	-	397	-	5,903	
	33,673	-	-	-	-	-	33,673	
2118	87,926	-	-	-	10,683	-	98,609	
2119	44,907	-	-	26	23,149	-	68,082	
	9,684	-	44,038	-	-	-	53,722	
2190	7,622	-	-	-	-	-	7,622	
	<u>267,328</u>	-	<u>110,280</u>	<u>3,239</u>	<u>34,229</u>	-	<u>415,076</u>	
Other liabilities:								
2114	<u>30,062</u>	-	-	-	-	-	<u>30,062</u>	
Net assets:								
	<u>1,712,391</u>	<u>1,249,491</u>	<u>770,225</u>	-	<u>27,523</u>	-	<u>3,759,630</u>	
Total liabilities and net assets								
	<u>\$ 2,009,781</u>	<u>\$ 1,249,491</u>	<u>\$ 880,505</u>	<u>\$ 3,239</u>	<u>\$ 61,752</u>	-	<u>\$ 4,204,768</u>	

The accompanying notes are an integral part of this statement.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Combining Statement of Revenues, Expenses and Change in Net Assets
Year Ended September 30, 2003

	Public Housing Programs					Section 8 Programs		Total
	Low Rent	CGP	CFP	PIH Drug Elimination	Rental Vouchers			
UNRESTRICTED ASSETS:								
Revenues -								
3110	\$ 403,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 403,181
3120	128,247	-	-	-	-	-	-	128,247
	-	-	-	-	-	308,837	-	308,837
	537,311	-	690,774	61,669	53,124	-	-	1,342,878
3190	22,114	-	-	-	-	-	-	22,114
	1,090,853	-	690,774	61,669	361,961	-	-	2,205,257
3300	731	-	-	-	204	-	-	935
	731	-	-	-	204	-	-	935
5990	12,715	-	-	-	-	-	-	12,715
	1,104,299	-	690,774	61,669	362,165	-	-	2,218,907
EXPENSES:								
4140	-	-	244	-	2,933	-	-	3,177
4170	13,358	-	-	-	-	-	-	13,358
4110	102,000	-	9,421	-	30,703	-	-	142,124
	31,314	-	2,401	90	8,166	-	-	41,971
4171	5,460	-	-	-	-	-	-	5,460
	13,941	-	-	-	-	-	-	13,941
4190	12,504	-	4,424	12,823	3,361	-	-	33,112
	178,577	-	16,490	12,913	45,163	-	-	253,143
4320	183,217	-	-	-	-	-	-	183,217
4330	116,581	-	-	-	-	-	-	116,581
4390	32,563	-	-	-	-	-	-	32,563
4310	59,360	-	-	-	-	-	-	59,360
	391,721	-	-	-	-	-	-	391,721
4410	139,577	-	2,184	-	-	-	-	141,761
4420	23,770	-	7,707	-	-	-	-	31,477
4430	15,953	-	9,869	48,690	308,837	-	-	383,349
4431	35,480	-	-	-	-	-	-	35,480
	-	-	17,300	-	-	-	-	17,300
	16,877	-	50	66	31	-	-	17,024
	231,657	-	37,110	48,756	308,868	-	-	626,391

(continued)

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Comming Statement of Revenues, Expenses and Changes in Net Assets (Continued)
Year Ended September 30, 2003

	Public Housing Programs				Section 8 Programs		Total
	Low Rent	CGP	CFP	PIH Drug Elimination	Rental Vouchers		
Payroll taxes (project's share)	15,628	-	356	-	2,383		18,367
Property and liability insurance (hazard)	170,876	-	-	-	-		170,876
Health insurance and other employee benefits	34,651	-	-	-	2,181		36,832
Miscellaneous taxes, licenses, permits, and insurance	26,373	-	-	-	-		26,373
Total taxes and insurance	247,528	-	356	-	4,564		252,448
Total cost of operations before depreciation	1,049,483	-	53,956	61,669	358,595		1,523,703
Increase in net assets before depreciation	54,816	-	636,818	-	3,570		695,204
Depreciation expense	473,331	81,730	-	-	-		555,061
Decrease in net assets after depreciation	(418,515)	(81,730)	636,818	-	3,570		140,143
Total (decrease)increase in net assets	(418,515)	(81,730)	636,818	-	3,570		140,143
Net assets, beginning of year, as restated	2,130,906	# 1,331,221	133,407	-	23,953		3,619,487
Net assets, end of year	\$ 1,712,391	\$ 1,249,491	\$ 770,225	\$ -	\$ 27,523		\$ 3,759,630

The accompanying notes are an integral part of this statement.

**REPORTS REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS (GAS)
AND OFFICE OF MANAGEMENT AND BUDGET (OMB)
REVISED CIRCULAR A-133**

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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

The Board of Directors
The Housing Authority of the City of Morgan City
Morgan City, Louisiana

We have audited the financial statements of Housing Authority of the City of Morgan City, as of and for the year ended September 30, 2003, and have issued our report thereon dated February 6, 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 the City of Morgan City's financial statements are free from 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 are described in the accompanying corrective action plan for current year findings.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of the City of Morgan City'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 instances 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 Housing Authority of the City of Morgan City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

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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, reportable conditions we believe to be material weaknesses are identified on the corrective action plan for current year findings.*

This report is intended for the information of management, the Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
February 6, 2004

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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
The Housing Authority of the City of Morgan City
Morgan City, Louisiana

Compliance

We have audited the compliance of the Housing Authority of the City of Morgan City (the Authority), 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 Authority'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 Authority's administration. Our responsibility is to express an opinion on the Authority'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 the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Authority's compliance with those requirements.

In our opinion, the Housing Authority of the City of Morgan City 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. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying corrective action plan for current year findings.

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Internal Control Over Compliance

The administration of the Authority 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 Authority'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 the 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 of findings and questioned costs and identified in the corrective action plan for current year findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted certain matters involving the internal control over compliance and its operation that we consider material weaknesses which are described in the accompanying schedule of findings and questioned costs and identified in the corrective action plan for current year findings.

This report is intended solely for the information of management, the Board of Directors, and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties. However, under the provisions of Louisiana Revised Statutes 24:513 and 44:6, this report is a matter of public record and its distribution is not limited.

Kolder, Champagne, Slaven & Company, LLC
Certified Public Accountants

Morgan City, Louisiana
February 6, 2004

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Part I. Summary of Auditor's Results

- i. A qualified opinion has been issued on Housing Authority of the City of Morgan City's financial statements as of and for the year ended September 30, 2003.
- ii. Reportable conditions in internal control were disclosed by the audit of the financial statements and some of the conditions are considered material weaknesses.
- iii. Reportable conditions in internal control over major programs were disclosed by the audit
- iv. An unqualified opinion was issued on compliance for the major programs.
- v. The report disclosed audit findings required to be reported under §_510(a) of OMB Revised Circular A-133.
- vi. All major programs have oversight by HUD and are identified as follows:

<u>CFDA#</u>	<u>Name of Program</u>
14.850	Low Income Housing Operating Subsidy
14.871	Section 8 Housing Choice Vouchers
14.872	Public Housing Capital Fund Program
- vii. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- viii. The auditee did not qualify as a low risk auditee under §_530.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Part II. Findings Relating to the financial statements required to be reported in accordance with Government Auditing Standards

(02-01) Segregation of Duties

CONDITION Accounting and financial functions are not adequately segregated.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-02) Fixed Asset listing

CONDITION An inventory of fixed assets is not adequately maintained and periodically reconciled to the general ledger balances.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, LSA-RS 24:515(B)(1), Records of General Fixed Assets, states:

The head of every auditee subject to examination and audit under the provisions of R.S. 24:513(A) shall maintain records of all land, buildings, improvements other than buildings, equipment, and other general fixed assets which were purchased or otherwise acquired, and for which the entity is accountable. The records shall include information as to the date of the purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and compliance with state statute.

EFFECT Failure to adequately maintain an accurate asset listing increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-03) Dwelling equipment inventory

CONDITION A listing of dwelling equipment is not adequately maintained and reconciled to a physical inventory for additions and deletions.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, LSA-RS 24:515(B)(1), Records of General Fixed Assets, states:

The head of every auditee subject to examination and audit under the provisions of R.S. 24:513(A) shall maintain records of all land, buildings, improvements other than buildings, equipment, and other general fixed assets which were purchased or otherwise acquired, and for which the entity is accountable. The records shall include information as to the date of the purchase of such property or equipment, the initial cost, the disposition, if any, the purpose of such disposition, and the recipient of the property or equipment disposed of.

CAUSE The cause of the condition is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT Failure to adequately maintain an accurate inventory listing increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-08) Tenant Security Deposits

CONDITION A separate bank account is not being maintained for tenant security deposits.

CRITERIA HUD Handbook 4370.2 REV-1 Financial Operations and Accounting, Chapter 2 -9 Security Deposits states, in part:

"In instances where the Regulatory Agreement allows the receipt of security deposits from project tenants, a separate bank account should be established to maintain these funds....There shall be one Security Deposit Account per project. Funds in the single Security Deposit Account must not be commingled with any other funds,...In cases where the funds in the project's Security Deposit bank account exceed the amount that may be insured by the federal government(\$100,000/bank), the project may open another bank account for the excess amounts.

CAUSE The condition exists due to a lack of knowledge of the HUD Handbooks or the failure to comply with those provisions.

EFFECT The Housing Authority is not in compliance with HUD regulations.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-10) Section 8 tenant files

CONDITION The Authority is not maintaining proper documentation for Section 8 tenant files. Fourteen tenant files out of the fourteen sampled did not have proper documentation. Seven of the files did not have the required three forms of identification (social security card, picture I.D., and birth certificate). For two files the Authority used the incorrect room size in calculating tenant rent assistance. One file lacked any type of income verification, while three files showed no documentation for additional adults living in a unit. On form 50058 (rent calculation) for one tenant, an additional household member was listed for the calculation of rent, however the additional member's name appears on no other forms as a member of the household. One file was not leased in accordance with Occupancy Standards. All fourteen tenant files had one or more forms missing or incomplete (Forms required by either H.U.D. regulations or the Authority).

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

"Internal control is a process – effected by an entity's board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and compliance with generally accepted accounting principles.

EFFECT Failure to adequately maintain tenant files increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(03-01) Two authorized signatures

CONDITION One signature was observed on 1 of 11 checks selected for testing. The policy of the Authority is dual signatures on all disbursements.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §400.02 states:

An entity’s internal control over financial reporting includes those policies and procedures that pertain to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in either financial statements or interim financial statements, or both.”

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and compliance with generally accepted accounting principles.

EFFECT Errors and/or irregularities, including fraud and defalcations could go undetected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(03-02) Low Rent Waiting List

CONDITION The Low Rent Waiting List could not be produced.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, Statements on Standards for Attestation Engagements (SSAE) AT §400.02 states:

An entity’s internal control over financial reporting includes those policies and procedures that pertain to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in either financial statements or interim financial statements, or both.”

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and compliance with generally accepted accounting principles.

EFFECT Lack of a waiting list could cause the HA to incorrectly place tenants in accordance with HA preferences established in their *Admission and Continued Occupancy Policies* handbook as well as 24 CFR 960.206 on Waiting List: Local preferences in admission to public housing programs.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-15) Section 8 tenant files

CONDITION Documentation required by federal regulations is not maintained in Section 8 tenant files.

CRITERIA Paragraph 1A.1, Section A, entitled *Authority of the Admission and Continued Occupancy Policies* handbook of the Morgan City Housing Authority states:

“This Admissions and Continued Occupancy Policy (the Plan) incorporates these requirements and is binding upon applicants, residents, and PHA alike, the latter two through inclusion of the Plan into the Dwelling Lease by reference.”

Furthermore, the *Admission and Continued Occupancy Policies* handbook later states in paragraph 3A.1, Section A, *Sources of Standards* that:

“The pertinent laws of the Federal, State and Municipal Governments. The Contractual agreements pertaining to the various developments and/or programs between the PHA, State and/or Federal agencies. The provision of Title 24, Sub-part B (Section 960.201 thru 960.207), Sub-part D (Section 960.401 thru 960.409) and Sub-part A (Section 966.1 thru 966.6) as set fourth in the Code of Federal Regulations, Volume 40, Numbers 153, 154 and 188.”

CAUSE Lack of knowledge of the Admission and Continued Occupancy policies and the Federal regulations that authorize such policies.

EFFECT Failure to maintain adequate records places the Authority in violation of their *Admission and Continued Occupancy Policies* handbook and the applicable Codes of Federal Regulations.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(03-03) Low Rent Waiting List

CONDITION The Low Rent Waiting List could not be produced.

CRITERIA LSA-RS 24:960.206, Waiting List: Local preferences in admission to public housing programs, declares, in part:

"(a) Establishment of PHA local preferences. (1) The PHA may adopt a system of local preference for selection of families admitted to the PHA's public housing program."

Morgan City Housing Authority's Admission and Continued Occupancy Policies handbook further states, in part, in Section C: Admission Process, 1C.1 Application Taking, that:

"The PHA maintains a waiting list for applicants interested in the various public housing programs."

In addition, CFDA 14.850, entitled Public and Indian Housing, part III on Compliance Requirements, Section N: Special Tests & Provisions, subpart 1 Public Housing Waiting List, states:

"Compliance Requirement--The PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.204 through 960.207)."

CAUSE The cause of the condition is the result of a lack of knowledge of application taking policies set forth by the MCPHA.

EFFECT Places the Housing Authority in direct violation of CFDA 14.850 and MCPHA's policy on Application Taking, which is stated in the MCPHA's policy handbook, Admission and Continued Occupancy Policies, Section C, 1C.1.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(03-04) HUD income limits

CONDITION The Housing Authority rented a low-income housing unit to a family that exceeds the HUD Home Program income limits.

CRITERIA LSA-RS 24:5.601, Purpose and applicability, declares, in part, that:

"This subpart establishes definitions and requirements concerning income limits for admission, annual income, adjusted income, total tenant payment, utility allowances and reimbursements, and reexamination of income and family composition for:

(1) HUD's public housing programs, including its public housing homeownership programs."

LSA-RS 24:5.605 , Overall income eligibility for assistance, goes on to state,:

"No family other than a low-income family shall be eligible for admission to a program covered by this part."

In addition, the Morgan City Housing Authority's Admission and Continued Occupancy Policies handbook states, under Income for Eligibility, page 12:

"Income for Eligibility" for purposes of determining eligibility for statistical reporting, means "Annual Income."

1. Developments available for occupancy before 10/1/81 - Income for eligibility shall not exceed the "Lower Income" limits.
2. Developments available for occupancy on or after 10/1/81 - Income for eligibility shall not exceed the "Very Low Income" limits."

CAUSE The cause of the conditions is the result of a lack of knowledge of all applicable State laws and regulations and failure to familiarize personnel with the HA own policies.

EFFECT Places the Housing Authority in direct violation of LSA-RS 24:5.605 and the HA's Admission and Continued Occupancy Policies handbook.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(03-05) Section 8 rejection documentation

CONDITION The Housing Authority is not keeping adequate documentation on tenants that do not meet the admission requirements for the Section 8 housing program.

CRITERIA CFDA 14.850, Part III, Section N, entitled Special Tests & Provisions, declares:

"Compliance Requirement--The PHA must establish and adopt written policies for admission of tenants. The PHA tenant selection policies must include requirements for applications and waiting lists, description of the policies for selection of applicants from the waiting lists and policies for verification and documentation of information relevant to acceptance or rejections of an applicant (24 CFR sections 960.204 through 960.207)."

CAUSE The cause of the conditions is the result of a lack of knowledge of all applicable State laws and regulations.

EFFECT Places the Housing Authority in direct violation of CFDA 14.850.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

Part III. Findings and questioned costs for Federal awards defined in OMB Circular A-133, §510(a)

(02-01) Segregation of Duties

PROGRAMS: Low Income Housing Subsidy - CFDA No. 14.850
Public and Indian Housing Drug Elimination Program – CFDA No. 14.854
Section 8 Housing Choice Vouchers – CFDA No. 14.871
Public Housing Comprehensive Grant Program - CFDA No. 14.859
Public Housing Capital Fund Program – CFDA No. 14.872

CONDITION Accounting and financial functions are not adequately segregated.

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, §21, Standards for Financial Management Systems, states, in part:

“Recipients’ financial management systems shall provide...Effective controls over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes...Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award... Accounting records including cost accounting records that are supported by source documentation.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control.

EFFECT Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-02) Fixed Asset listing and (02-03) Dwelling equipment inventory

PROGRAMS Low Income Housing Subsidy - CFDA No. 14.850
Section 8 Housing Choice Vouchers – CFDA No. 14.871

COMPLIANCE REQUIREMENT Equipment and Real Property Management

CONDITION An inventory of fixed assets is not adequately maintained and periodically reconciled to the general ledger balances.

CRITERIA Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, §34(f), Equipment states:

- (1) Equipment shall be maintained accurately and shall include all of the following information. (detail omitted)
- (2) Equipment owned by the Federal Government shall be identified to indicate Federal ownership.
- (3) A physical inventory of equipment shall be taken and the results reconciled with equipment records at least once every two years. Any differences between quantities determined by physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment.
- (4) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft.
- (5) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and compliance with federal regulations.

EFFECT Failure to adequately maintain an accurate asset listing increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-08) Tenant Security Deposits

PROGRAM Low Income Housing Subsidy - CFDA No. 14.850

CONDITION A separate bank account is not being maintained for tenant security deposits.

CRITERIA HUD Handbook 4370.2 REV-1 Financial Operations and Accounting,
Chapter 2 -9 Security Deposits states, in part:

“In instances where the Regulatory Agreement allows the receipt of security deposits from project tenants, a separate bank account should be established to maintain these funds....There shall be one Security Deposit Account per project. Funds in the single Security Deposit Account must not be commingled with any other funds,...In cases where the funds in the project's Security Deposit bank account exceed the amount that may be insured by the federal government (\$100,000/bank), the project may open another bank account for the excess amounts.

CAUSE The condition exists due to a lack of knowledge of the HUD Handbooks or the failure to comply with those provisions.

EFFECT The Housing Authority is not in compliance with HUD regulations.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

(02-10) Section 8 tenant files

PROGRAM Section 8 Housing Choice Vouchers – CFDA No. 14.871

CONDITION The Authority is not maintaining proper documentation for Section 8 tenant files. Fourteen tenant files out of the fourteen sampled did not have proper documentation. Seven of the files did not have the required three forms of identification (social security card, picture I.D., and birth certificate). For two files the Authority used the incorrect room size in calculating tenant rent assistance. One file lacked any type of income verification, while three files showed no documentation for additional adults living in a unit. On form 50058 (rent calculation) for one tenant, an additional household member was listed for the calculation of rent, however the additional member's name appears on no other forms as a member of the household. One file was not leased in accordance with Occupancy Standards. All fourteen tenant files had one or more forms missing or incomplete (Forms required by either H.U.D. regulations or the Authority).

CRITERIA SAS55, Consideration of Internal Control in a Financial Statement Audit, as amended by SAS78, Consideration of Internal Control in a Financial Statement Audit: An Amendment to Statement on Auditing Standards No. 55, AU §319.06 defines internal control as follows:

“Internal control is a process – effected by an entity’s board of directors, management, and other personnel – designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (a) reliability of financial reporting, (b) effectiveness and efficiency of operations, and (c) compliance with applicable laws and regulations.

Additionally, Office of Management and Budget Circular A-110, Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations, §21, Standards for Financial Management Systems, states, in part:

“Recipients’ financial management systems shall provide...Effective controls over and accountability for all funds, property and other assets. Recipients shall adequately safeguard all such assets and assure they are used solely for authorized purposes...Written procedures for determining the reasonableness, allocability and allowability of costs in accordance with the provisions of the applicable Federal cost principles and the terms and conditions of the award... Accounting records including cost accounting records that are supported by source documentation.

CAUSE The cause of the conditions is the result of a failure to design and implement policies and procedures necessary to achieve adequate internal control and compliance with generally accepted accounting principles.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY
Program Number FW-1403

Schedule of Findings and Questioned Costs
Year Ended September 30, 2003

EFFECT Failure to adequately maintain tenant files increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

(02-15) Section 8 tenant files

PROGRAM Section 8 Housing Choice Vouchers – CFDA No. 14.871

CONDITION Lack of documentation in Section 8 tenant files puts the Authority in violation of their policy manual and Federal regulations.

CRITERIA Paragraph 1A.1, Section A, entitled *Authority of the Admission and Continued Occupancy Policies* handbook of the Morgan City Housing Authority states:

“This Admissions and Continued Occupancy Policy (the Plan) incorporates these requirements and is binding upon applicants, residents, and PHA alike, the latter two through inclusion of the Plan into the Dwelling Lease by reference.”

Furthermore, the *Admission and Continued Occupancy Policies* handbook later states in paragraph 3A.1, Section A, *Sources of Standards* that:

“The pertinent laws of the Federal, State and Municipal Governments. The Contractual agreements pertaining to the various developments and/or programs between the PHA, State and/or Federal agencies. The provision of Title 24, Sub-part B (Section 960.201 thru 960.207), Sub-part D (Section 960.401 thru 960.409) and Sub-part A (Section 966.1 thru 966.6) as set fourth in the Code of Federal Regulations, Volume 40, Numbers 153, 154 and 188.”

CAUSE Lack of knowledge of the Admission and Continued Occupancy policies and the Federal regulations that authorize such policies.

EFFECT Failure to maintain adequate records places the Authority in violation of their *Admission and Continued Occupancy Policies* handbook and the applicable Codes of Federal Regulations.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2003

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
Section I - GAO and A-133 internal control and compliance material to financial statements and federal programs				
<u>Internal Control</u>				
02-01	2002	Accounting and financial functions are not adequately segregated.	No	See corrective action plan for current year findings
02-02	Pre-2000	An inventory of fixed assets is not adequately maintained and periodically reconciled to the general ledger balances. Low Rent fixed assets totaled \$8,910,174.	No	See corrective action plan for current year findings
02-03	Pre-2000	A listing of dwelling equipment is not adequately maintained and updated for new purchases and disposals.	No	See corrective action plan for current year findings
02-11	2002	Certain expenditures did not evidence proper approval and/or supporting documentation.	Yes	N/A
<u>Compliance</u>				

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2003

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
02-06	2002	Audited financial statements were not submitted to the Legislative Auditor in a timely manner.	Yes	N/A
02-07	2002	Purchases were made with no evidence of quotes and/or bids being obtained and no evidence in the board minutes of the solicitations and acceptance of the purchases being presented to the board for approval.	Yes	N/A
 Section II - Other GAO and A-133 internal control and compliance				
<u>Internal Control</u>				
02-04	Pre-2000	Budgets were not properly monitored and amended for overexpenditures resulting in an overexpenditure in the low rent operating budget in excess of 5%.	Yes	N/A
02-05	2002	An asset in the amount of \$15,967 was removed from the general ledger, however the asset is still in the Authority's possession.	Yes	N/A

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2003

<u>Ref. No.</u>	<u>Fiscal Year Finding Initially Occurred</u>	<u>Description of Finding</u>	<u>Corrective Action Taken (Yes, No, Partially)</u>	<u>Planned Corrective Action/Partial Corrective Action Taken</u>
02-09	2002	The Housing Authority is not maintaining proper documentation in Low Rent tenant files.	Yes	N/A
02-10	2000	The Housing Authority is not maintaining proper documentation in the Section 8 tenant files.	No	See corrective action plan for current year findings
02-12	2002	The Authority's policy on cell phone usage does not adequately describe procedures for administering and enforcing the terms of the policy.	Yes	N/A
02-13	2002	Purchases of certain items for employee use and consumption appear to be unnecessary.	Yes	N/A
<u>Compliance</u>				
02-08	2002	A separate bank account is not being maintained for tenant security deposits.	No	See corrective action plan for current year findings
02-14	2002	Lack of documentation in Low Rent tenant files puts the Authority in violation of their policy manual and Federal regulations.	Yes	N/A

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Summary Schedule of Prior Audit Findings
Year Ended September 30, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken (Yes, No, Partially)	Planned Corrective Action/Partial Corrective Action Taken
02-15	2000	Lack of documentation in Section 8 tenant files puts the Authority in violation of their policy manual and Federal regulations.	No	See corrective action plan for current year findings
02-17	2002	Employees were paid per diem amounts in excess of that provided by Joint Travel Regulations.	Yes	N/A
02-18	2002	Employee Dishonesty Insurance of \$25,000, per occurrence, does not equal or exceed the prescribed minimum coverage required by HUD.	Yes	N/A
Section II - Other GAO internal control and compliance				
02-16	2002	Personnel files lack the proper documentation. Of the 9 personnel files selected, 7 employees either did not have an I-9 or it was incomplete, and 2 employees did not have W-4s.	Yes	N/A

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Questioned Cost	Corrective Action Planned	Name of Contact Person	Anticipated Date Of Completion
Section I - Internal control and compliance material to financial statements						
<u>Internal Control</u>						
02-01	2002	Inadequate segregation of duties in the summarization, processing, reporting and reconciliation of accounting data.	N/A	No corrective action is planned. Due to the size of the operation and the cost benefit.	David Nisivoccia, Executive Director	N/A
02-02	Pre-2000	An inventory of fixed assets is not adequately maintained and periodically reconciled to general ledger balances.	N/A	A list of fixed assets will be generated and maintained. The HA will implement a policy to reconcile the asset list.	David Nisivoccia, Executive Director	9/30/2004
02-03	Pre-2000	A list of dwelling appliances and equipment is not adequately maintained and updated for new purchases and disposals.	N/A	An updated list of dwelling equipment is being compiled that will include serial numbers, date and cost of purchase if available, and dates delivered to or removed from units.	David Nisivoccia, Executive Director	9/30/2004

Compliance

No findings are reported in this section.

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Questioned Cost	Corrective Action Planned	Name of Contact Person	Anticipated Date Of Completion
Section II - Other GAO and A-133 internal control and compliance						
<u>Internal Control</u>						
02-08	2002	The Housing Authority does not maintain a separate bank account for the tenant security deposits.	N/A	A separate bank account will be used to maintain tenant security deposits. Tenant security deposits will be transferred to this account	David Nisivoccia, Executive Director	9/30/2004
02-10	Pre-2000	The Housing Authority is not maintaining proper documentation in the Section 8 tenant files.	N/A	The Section 8 Administrator will be supervised to assure proper documentation is in the files. Policies and procedures have been established to monitor these activities.	David Nisivoccia, Executive Director	9/30/2004
03-01	2003	1 of 11 checks selected for testing had only one signature. The policy of the Authority is that there be dual signatures on all disbursements.	N/A	Policies and procedures have been implemented to ensure that dual signatures are on every check drafted. Monitoring of these policies will be enacted for compliance.	David Nisivoccia, Executive Director	9/30/2004
03-02	2003	The Housing Authority could not produce the Low Rent Waiting List.	N/A	The HA has instituted a policy of mandatory back-up of the Low Rent Waiting List. There will be a computerized file, disk file maintained in the HA safe and a paper file. The waiting list is updated on a bi-weekly basis and the back-ups are stored accordingly. Policies and procedures have been established to monitor compliance with this issue.	David Nisivoccia, Executive Director	9/30/2004

HOUSING AUTHORITY OF THE CITY OF MORGAN CITY

Corrective Action Plan for Current Year Findings
Year Ended September 30, 2003

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Questioned Cost	Corrective Action Planned	Name of Contact Person	Anticipated Date Of Completion
<u>Compliance</u>						
02-15	2000	Documentation required by federal regulations is not maintained in Section 8 tenant files.	N/A	The HA Section 8 Program will comply with the Section 8 Administrative Plan and adhere to the regulations that apply.	David Nisivoccia, Executive Director	9/30/2004
03-03	2003	The Low Rent Waiting List could not be produced.	N/A	The HA Low Rent Program will comply with the Low Rent Administrative Plan and adhere to the regulations that apply.	David Nisivoccia, Executive Director	9/30/2004
03-04	2003	The Housing Authority rented a low-income housing unit to a family that exceeds the HUD Home Program income limits.	N/A	The HA Section 8 Program will comply with the Low Rent Administrative Plan and adhere to the regulations that apply.	David Nisivoccia, Executive Director	9/30/2004
03-05	2003	The Housing Authority is not keeping adequate documentation on tenants that do not meet the admission requirements for the Section 8 housing program.	N/A	The HA Section 8 Program will comply with the Section 8 Administrative Plan and adhere to the regulations that apply.	David Nisivoccia, Executive Director	9/30/2004
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