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**HOUSING AUTHORITY OF THE CITY
OF NEW ORLEANS
New Orleans, Louisiana**

**GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

These financial statements were prepared by the City of New Orleans, Louisiana, and are not subject to the audit procedures of the independent auditors. The independent auditors' report is intended to provide an opinion on the financial statements as a whole, and is not intended to provide an opinion on the individual components of the financial statements. The independent auditors' report is not intended to provide an opinion on the financial statements as a whole, and is not intended to provide an opinion on the individual components of the financial statements.

Submitted Date: 02/23/97

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HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

**GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997
WITH SUPPLEMENTAL INFORMATION SCHEDULES**

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HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

GENERAL PURPOSE FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997
WITH SUPPLEMENTAL INFORMATION SCHEDULES

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Accountant

The Green, CPA

Maury Williamson, CPA

INDEPENDENT AUDITORY REPORT

Board of Commissioners
Housing Authority of the City of New Iberia
New Iberia, Louisiana

11. S. Department of Housing and Urban Development
Housing Management Division
504 Magazine Street, 9th Floor
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of the Housing Authority of the City of New Iberia, Louisiana, as of and for the year ended March 31, 1997, as listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the Housing Authority's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States and the provisions of Office of Management and Budget Circular A-128, "Audit of State and Local Governments." These standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of New Iberia, as of March 31, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying supplemental information schedules listed in the table of contents including the Schedule of Federal Financial Assistance are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the Housing Authority of the City of New Iberia. The accompanying supplemental information identified as:

- A. Supplemental Information Schedules - Generally Accepted Accounting Principles Basis has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

B. Supplemental Information Schedules - HUD Prescribed Format, which is an Other Comprehensive Basis of Accounting, has been subjected to the procedures applied in the audit of the general purpose financial statements and, in our opinion, except for the following differences, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole:

	<u>GAAP Basis</u>	<u>HUD Prescribed Format</u>
FINANCIAL STATEMENT PRESENTATION		
Fund accounting	Used	Not used
Facilities acquisition and construction	Expenditure	Capitalized
Prior year adjustments	Beginning fund balance adjusted	Current expenditure or receipt
Principal payments on notes and bonds	Expenditure	Reduction of the liability
Receipts from federal sources	Revenue	Credited to surplus
BASES OF ACCOUNTING		
Federal Grants for Capital Projects	Modified Accrual	Cash
Expenditures	Modified Accrual	Accrual

In accordance with Government Auditing Standards, we have also issued a report dated June 13, 1997 on our consideration of the Housing Authority's internal control structure and a report dated June 13, 1997 on its compliance with laws and regulations.

Allen Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
June 13, 1997

HOUSING AUTHORITY OF THE CITY OF NEW IBERIA
New Iberia, Louisiana

ALL FUND TYPES AND ACCOUNT GROUPS
Combined Balance Sheet
March 31, 1987

	*****GOVERNMENTAL FUNDS*****		
	GENERAL FUNDS	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS
ASSETS AND OTHER DEBITS			
Assets			
Cash and cash equivalents	\$ 271,185	\$ 8,681	\$ 0
Investments, at cost	248,826	0	0
Receivables	18,089	0	25,414
Interfund receivable	7,040	0	0
Prepaid items	48,589	0	0
Land, buildings, and equipment	0	0	0
Other Assets			
Amount to be provided for retirement of general long-term obligations	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 384,629</u>	<u>\$ 8,681</u>	<u>\$ 25,414</u>
LIABILITIES, EQUITY AND OTHER CREDITS			
Liabilities			
Accounts, salaries and other payables	\$ 14,718	\$ 0	\$ 25,414
Interfund payable	0	7,848	1
Deposits due others	0	0	1
Deferred revenues	8,762	0	1
Compensated absences payable	0	0	1
Notes payable	<u>0</u>	<u>0</u>	<u>1</u>
Total liabilities	<u>\$ 23,480</u>	<u>\$ 7,848</u>	<u>\$ 25,414</u>
Equity and Other Credits			
Investment in general fixed assets	\$ 0	\$ 0	\$ 0
Fund balances:			
Reserved for prepaid items	48,589	0	0
Unreserved and undesignated	<u>284,771</u>	<u>1,811</u>	<u>1</u>
Total equity and other credits	<u>\$ 311,760</u>	<u>\$ 1,811</u>	<u>\$ 1</u>
TOTAL LIABILITIES, EQUITY AND OTHER CREDITS	<u>\$ 334,628</u>	<u>\$ 8,659</u>	<u>\$ 25,414</u>

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

Statement A

FEDERAL FUNDS- AGENCY FUNDS	*****ACCOUNT GROUPS*****		TOTAL (MEMORANDUM DOLL.)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
\$ 15,820 \$	\$ 0 \$	\$ 0 \$	48,576
0	0	0	149,025
0	0	0	44,083
0	0	0	7,040
0	0	0	48,589
0	8,665,302	0	8,665,302
0	0	2,802,147	2,802,147
<u>\$ 15,820 \$</u>	<u>8,665,302 \$</u>	<u>2,802,147 \$</u>	<u>11,881,482</u>
\$ 0 \$	\$ 0 \$	\$ 0 \$	38,530
0	0	0	7,040
10,820	0	0	18,800
0	0	0	8,762
0	0	18,849	18,849
0	0	2,891,589	2,891,589
<u>\$ 10,820 \$</u>	<u>0 \$</u>	<u>2,891,589 \$</u>	<u>2,873,268</u>
\$ 0	8,665,302 \$	\$ 0 \$	8,665,302
0	0	0	48,388
0	0	0	295,252
<u>\$ 0 \$</u>	<u>8,665,302 \$</u>	<u>0 \$</u>	<u>8,998,812</u>
<u>\$ 15,820 \$</u>	<u>8,665,302 \$</u>	<u>2,891,589 \$</u>	<u>11,881,482</u>

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
 New Orleans, Louisiana

ALL GOVERNMENTAL FUNDS
 Combined Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended March 31, 1997

Statement 0

	GENERAL FUNDS	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	TOTAL (MEMORANDUM ONLY)
REVENUES				
Local sources:				
Dwelling rental	\$ 318,886	\$ 0	\$ 0	\$ 318,886
Interest earnings	5,485	0	0	5,485
Other	12,487	0	0	12,487
State sources	3,683	0	0	3,683
Federal sources:				
Operating subsidy	278,005	0	0	278,005
Grants	0	608,729	138,458	747,187
Total revenues	\$ 617,956	\$ 608,729	\$ 138,458	\$ 1,365,143
EXPENDITURES				
Current:				
Administration	\$ 50,530	\$ 111,880	\$ 0	\$ 162,410
Utilities	208,769	0	0	208,769
Tenant services	21,841	0	0	21,841
Ordinary maintenance	198,039	0	0	198,039
Protective services	(2,853)	98,034	0	95,181
General expenditures	124,813	0	0	124,813
Extraordinary maintenance	3,523	0	0	3,523
Facilities acquisition and construction	17,434	13,265	138,458	269,157
Total expenditures	\$ 636,992	\$ 193,179	\$ 138,458	\$ 968,629
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ 18,964	\$ 415,550	\$ 0	\$ 614,514
FUND BALANCES AT BEGINNING OF YEAR	381,818	(5,822)	0	375,996
FUND BALANCES AT END OF YEAR	\$ 400,782	\$ 409,728	\$ 0	\$ 810,510

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HOUSING AUTHORITY OF THE CITY OF NEW BERNE
New Berne, Louisiana

GOVERNMENTAL FUNDS - GENERAL FUND
Condensed Statement of Revenues, Expenditures, and Changes
in Fund Balances - Budget (GAAP Basis) and Actual
For the Year Ended March 31, 1997

Statement C

	GENERAL FUND		
	BUDGET	ACTUAL	VARIANCE (FAVORABLE)
REVENUES			
Local sources:			
Dwelling rental	\$ 200,140	\$ 210,080	\$ 9,940
Interest earnings	14,000	5,485	(8,515)
Other	11,000	12,887	1,887
State sources	0	0,000	0,000
Federal sources:			
Operating subsidy	210,320	210,320	0
Total revenues	\$ 425,460	\$ 438,685	\$ 13,225
EXPENDITURES			
Current:			
Administration	\$ 110,370	\$ 67,600	\$ 42,770
Utilities	208,480	208,780	(300)
Tenant services	28,282	21,041	7,241
Capital maintenance	175,200	158,000	17,200
Protective services	10,000	(3,000)	13,000
General expenditures	114,875	124,010	(9,135)
Extraordinary maintenance	17,000	3,000	14,000
Facilities acquisition and construction	28,560	12,824	15,736
Total expenditures	\$ 613,367	\$ 608,245	\$ 5,122
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ (87,907)	\$ 3,440	\$ 91,347
FUND BALANCES AT BEGINNING OF YEAR	301,810	301,810	0
FUND BALANCES AT END OF YEAR	\$ 213,903	\$ 305,250	\$ 91,347

THE NOTES TO THE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

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HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

INTRODUCTION

Housing Authority was chartered as a public corporation under the laws (LSA-RS 40:331) of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations. This creation was contingent upon its local governing body of the city declaring a need for the Housing Authority to function in such city. The Housing Authority is governed by a five-member Board of Commissioners. The members, appointed by the Honorable Mayor of the City of New Orleans, serve a staggered term of four years.

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

The Housing Authority had 280 units in management as projects LA 27-10.

PHS rental housing

FW 2264

280

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Housing Authority of the City of New Orleans have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Housing Authority is legally separate and financially independent, the Housing Authority is a separate governmental reporting entity.

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

The Housing Authority includes all funds, account groups, activities, or others, that are within the oversight responsibility of the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. REPORTING ENTITY (Continued)

Certain units of local government over which the Housing Authority exercises an oversight responsibility, such as the school boards, parish police juries, other independently elected parish officials, and municipalities within the parish, are included from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Housing Authority. In addition, the accompanying financial statements do not include various trust associations which are legally separate entities.

B. FUNDS AND ACCOUNT GROUPS

The accounts of the Housing Authority are organized and reported on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

Funds of the Housing Authority are classified into two categories: governmental and fiduciary. In turn, each category is divided into separate fund types. The fund classifications and a description of each existing fund type follow:

Governmental Funds — Governmental funds account for all or most of the Housing Authority's grant activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fund assets, and the servicing of general long-term debt. Governmental funds include:

1. **General fund** — the primary operating fund of the Housing Authority. It accounts for all financial resources, except those required to be accounted for in other funds. The general fund includes transactions of the low cost housing assistance programs.
2. **Special revenue funds** — account for revenues sources that are legally restricted to expenditures for specified purposes. Special revenue funds contain transactions of the Drug Elimination and Family Investment Center programs administered by the Housing Authority.
3. **Capital projects funds** — account for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds. Capital projects funds contain transactions relating to active modernization and development programs.

Fiduciary Funds — Fiduciary funds account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. FUNDS AND ACCOUNT GROUPS (Continued)

Agency Funds — Agency funds are controlled in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in its agency capacity. The agency fund is as follows:

1. **Tenant's Security Deposits Agency Fund** — accounts for assets held by the Housing Authority as an agent for the individual tenants.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when receivable in current year, when they are "measurable and available". "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 90 days after year-end. However, proceeds from an employee liability bond were accrued and offset against current expenditures. Expenditures are recorded when the related fund liability is incurred except for unaccrued interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with available financial resources.

With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets. The governmental funds use the following practices in recording revenues and expenditures:

Revenues

Federal entitlements are recorded as unrestricted grants-in-aid when available and measurable. Federal restricted grants are recorded when the reimbursable expenditures have been incurred.

Rental income is recorded in the month earned.

Interest earnings on time deposits are recorded when the time deposits have matured and the interest is available. Interest income on interest bearing demand deposits is recorded each month when credited to the bank to the account.

Operating subsidies received from HUD are recorded when available and measurable.

Other receipts become measurable and available when cash is received by the Housing Authority and is recognized as revenue at that time.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. BUDGETS

The following summarizes the budget activities of the Housing Authority during the year ended March 31, 1997:

1. The Housing Authority adopted budgets for the general fund, the special revenue funds and the capital project funds. The special revenue and capital project funds budget to actual comparisons have not been included since the special revenue and capital projects are multiple-year endeavors.
2. The budgets are prepared on the modified accrual basis of accounting. All appropriations lapse at year end.
3. Encumbrances are not recognized within the accounting records for budgetary control purposes.
4. Fiscal budget integration (within the accounting records) is employed as a management control device.
5. The Executive Director is authorized to transfer amounts between line items within any fund, with the exception of salaries, provided such does not change the total of any function.
6. HUD approves the original budget adopted by the Housing Authority. Any budget amendments approved by the Board do not have to be approved by HUD since the Housing Authority is a high-priority agency according to the FIMAP rules.

E. ENCUMBRANCES

Encumbrance accounting, under which purchase orders are recorded in order to reserve that portion of the applicable appropriation, is not employed. However, outstanding purchase orders are taken into consideration before expenditures are incurred in order to assure that applicable appropriations are not exhausted. In addition, the monthly budget reports are reviewed to ensure compliance with the budget, and where necessary, revisions to the budget are made.

F. CASH AND CASH EQUIVALENTS

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

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

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for services rendered. Those receivables and payables are classified as due from other funds or due to other funds on the balance sheet. Short-term inter-fund loans are classified as inter-fund receivables/payables.

H. PREPAID ITEMS

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

I. FIXED ASSETS

Fixed assets of governmental funds are recorded as expenditures at the time they are purchased or constructed and the related assets are capitalized (reported) in the general fixed assets account group. Public domain or infrastructures such as sidewalks and parking lots are capitalized. Interest expense during construction is capitalized. Depreciation has not been provided on general fixed assets. All fixed assets are valued at historical cost.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend useful lives are not included in the general fixed asset account group.

J. COMPENSATED ABSENCES

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

The Housing Authority's recognition and measurement criteria for compensated absences follow:

GAISS Statement No. 14 provides that vacation leave and other compensated absences with similar characteristics should be accrued as a liability as the benefits are earned by the employees if both of the following conditions are met:

- A. The employees' right to receive compensation is attributable to services already rendered.
- B. It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

**HOUSING AUTHORITY OF THE CITY OF NEW BEREA
New Beria, Louisiana**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. COMPENSATED ABSENCES (Continued)

GASB Statement No. 16 provides that a liability for sick leave should be accrued using one of the following termination approaches:

- A. An accrual for earned sick leave should be made only to the extent it is probable that the benefit will result in termination payments, rather than be taken as absences due to illness or other contingencies, such as medical appointments and funerals.
- B. Alternatively, a governmental entity should estimate its accrued sick leave liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as well as other employees who are expected to become eligible in the future to receive such payments.

Only the current portion of the liability for compensated absences is reported in the fund. The current portion is the amount left unpaid at the end of the reporting period that normally would be liquidated with expendable financial resources. The remainder of the liability is reported in the general long-term obligations account group.

K. LONG-TERM OBLIGATIONS

Long-term obligations expected to be financed from governmental funds are reported in the general long-term obligations account group. Expenditures for principal and interest payments for long-term obligations are recognized in the governmental funds when due.

L. FUND EQUITY

Reserves

Reserves represent those portions of fund equity not appropriable for expenditures or legally segregated for a specific future use.

Designated Fund Balances

Designated fund balances represent tentative plans for future use of financial resources.

Quasi-reversed transactions are accounted for as revenues, expenditures, or expenses.

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

HOUSING AUTHORITY OF THE CITY OF NEW IBERIA
New Iberia, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. FUND EQUITY (Continued)

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Misaccounting or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers.

M. TOTAL COLUMNS ON COMBINED STATEMENTS

The total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

N. USE OF ESTIMATES

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

NOTE 2 - DEPOSITS AND INVESTMENTS

At March 31, 1997, the Housing Authority has cash and cash equivalents totaling \$780,930 as follows:

Cash on hand	\$ 373
Demand deposits	8,651
Interest-bearing demand deposits	58,800
Time deposits	<u>249,825</u>
	<u>\$316,649</u>
Cash and cash equivalents	\$ 28,756
Cash and cash equivalents - restricted	13,950
Investments	<u>248,125</u>
	<u>\$390,831</u>

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 of deposits with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At March 31, 1997, the Housing Authority has \$315,815 in deposits (collected bank balances). These deposits are secured from risk by \$381,372 of federal deposit insurance and \$18,743 of pledged securities held by the custodial bank in the name of the fiscal agent bank (11A)(3) Category 2).

Even though the pledged securities are considered uncollateralized (Category 2) under the provisions of GASB Statement 3, Louisiana Revised Statute 26:1239 imposes a statutory requirement on the custodial bank to advance, and sell the pledged securities within ten days of being notified by the Housing Authority that the fiscal agent failed to pay deposited funds upon demand.

Investments during the year were either in demand or money market deposits at banks.

NOTE 3 - RECEIVABLES

The receivables of \$44,893 at March 31, 1997, are as follows:

Class of Receivable	General Fund	Capital Projects Fund	Total
Local sources:			
Taxes	\$ 6,608	\$ -	\$ 6,608
Employer Facility bond	12,808	-	12,808
Federal sources:			
Due from HUD	-	25,414	25,414
Total	\$19,416	\$25,414	\$44,830

NOTE 4 - FIXED ASSETS

The changes in general fixed assets are as follows:

	Balance April 1, 1996	Additions	Deletions	Balance March 31, 1997
Land and buildings	\$7,999,250	\$ -	\$ -	\$7,999,250
Furniture and equipment	148,963	143,293	-	292,256
Construction in progress	218,863	128,872	-	347,735
Total	\$8,367,076	\$272,165	\$ -	\$8,639,241

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 3 - RETIREMENT SYSTEM

The Housing Authority participates in the Housing Revenue and Local Agency Retirement Plan which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, the Housing Authority provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan from the first anniversary date of the employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Each participant in the plan is required to make a monthly contribution equal to 5.5 percent of his effective compensation. The employer is required to make monthly contributions equal to 7.5 percent of each participant's effective compensation.

The Housing Authority's contribution for each employee and income allocated to the employee's account is fully vested after five years of continuous service. Housing Authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the Housing Authority.

The Housing Authority's total payroll for year ended March 31, 1997 was \$127,935. The Housing Authority's contributions were calculated using the base salary amount of \$138,000. The Housing Authority made the required contributions of \$36,174 for the year ended March 31, 1997 and E-O was paid out of the forfeiture account.

NOTE 4 - ACCOUNTS PAYABLES

The payables of \$39,538 at March 31, 1997, are as follows:

	General Fund	Capital Projects Fund	Total
Wages	\$12,859	\$ -	\$12,859
Payroll withholdings	1,361	-	1,361
Contributions	—	25,414	25,414
Total	\$14,220	\$25,414	\$39,634

NOTE 5 - DEFERRED REVENUE

Deferred revenue consists of the following as of March 31, 1997:

General Fund	\$6,250
--------------	---------

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

NOTE 8 - COMPENSATED ABSENCES

At March 31, 1997, employees of the Housing Authority have accumulated and vested \$10,548 of employee leave benefits, which was computed in accordance with GASB Codification Section C90. This amount is not expected to be paid from current available resources; therefore the liability of \$10,548 is recorded within the general long-term obligations account group.

NOTE 9 - CHANGES IN AGENCY FUND DEPOSITS DUE OTHERS

	Balance March 31, 1996	Additions	Deductions	Balance March 31, 1997
Agency funds:				
Tombala Security Deposit	<u>\$11,500</u>	<u>\$2,800</u>	<u>\$2,800</u>	<u>\$11,500</u>

NOTE 10 - GENERAL LONG-TERM OBLIGATIONS

The following is a summary of the long-term obligation transactions for the year ended March 31, 1997:

	Interest Payable - Long-Term	Compensated Absences	Notes and Bonds (A)	Total
Balance, April 1, 1996	\$623,708	\$ 9,172	\$2,960,275	\$3,593,155
Additions	-	2,777	-	2,777
Deductions	182,853	-	387,810	570,663
Balance, March 31, 1997	<u>\$440,855</u>	<u>\$10,949</u>	<u>\$2,572,465</u>	<u>\$3,024,269</u>

(A) Project Notes - Non HUD are obligations due HUD. The Debt Forgiveness Act of 1985 forgives these notes: \$577,903 of Project Notes and \$183,853 of related interest were officially canceled by HUD during the year ended March 31, 1997. The timing of the official cancellation of the remaining notes is unknown. The Housing Authority has not accrued interest on Project Notes - Non HUD since HUD will eventually forgive the principal and interest amounts. Due to the uncertainty of the outcome of these notes, a schedule of maturities is not presented for the Project Notes - Non HUD.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1993

NOTE 11 - INTERFUND ASSETS/LIABILITIES

Due from/to other funds:

Fund	<u>Receivable Amount</u>	<u>Payable Amount</u>
General	\$7,048	\$ -
Special Revenue Funds		
PIREP	-	2,436
PIC	-	4,800
Total	<u>\$7,048</u>	<u>\$7,236</u>

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Certain major construction projects are in progress at March 31, 1993. These include modernizing rental units on all of the three projects. As approved by HUD, these projects are being funded by HUD. Funds are requested periodically as the cost is incurred. Costs incurred on these projects and estimated cost to complete these projects total \$260,113 and \$124,885, respectively, as of March 31, 1993.

The Housing Authority participates in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the Single Audit Act of 1984 through March 31, 1993, these programs are still subject to compliance audits. Housing Authority management believes that the amount of disallowances, if any, which may arise from future audits will not be material.

NOTE 13 - FUND EQUITY

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The reservation of fund balances in the General Fund is for prepaid insurance.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES -
GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

SPECIAL REVENUE FUNDS

SPECIAL PROGRAMS

DRUG ELIMINATION YEAR 1

(Public and Indian Housing Drug Elimination Program, CFDA #16.854)

The purposes of the Public Housing Drug Elimination Program are to: (A) eliminate drug-related crime in and around the real property comprising public housing projects; (B) encourage Public Housing Agencies (PHAs) and Indian Housing Authorities (IHAs) to develop a plan that includes initiatives that can be sustained over a period of several years for addressing the problem of drug-related crime in and around the premises of its Public and Indian housing projects proposed for funding under this part, and; (C) make available federal grant to help PHAs and IHAs carry out their plans.

Grant funds may be used for the following activities designed to reduce drug-related crime: (1) employment of security personnel; (2) reimbursement of local law enforcement agencies for additional security or protective services; (3) physical improvements designed to enhance security; (4) the employment of one or more individuals to investigate drug-related crime; (5) printing, communications equipment, and other related equipment; (6) programs designed to reduce use of drugs in and around Public and Indian housing projects including drug prevention, intervention, referral, and treatment programs; and; (7) providing funding to develop security and drug abuse prevention programs involving the residents.

FAMILY INVESTMENT CENTERS

(Public and Indian Housing Family Investment Center Program - CFDA 884.061)

The Family Investment Program is designed to provide families living in public and Indian housing with better access to educational and employment opportunities by: developing facilities in or near public housing to training and support services, mobilizing public and private resources to expand and improve the delivery of such services; providing funding for essential training and support services that cannot otherwise be funded and improving the capacity of management to access the training and service needs of families, coordinate the provision of training and services that meet such needs, and ensure the long-term provision of such training and services.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SPECIAL REVENUE FUNDS
Combining Balance Sheet
March 31, 1997

Schedule 1

	PHDP	CO	TOTAL
ASSETS			
Cash and cash equivalents	\$ 2,430	\$ 5,202	\$ 7,632
TOTAL ASSETS	\$ 2,430	\$ 5,202	\$ 7,632
LIABILITIES AND FUND EQUITY			
<i>Liabilities</i>			
Unfunded payables	\$ 2,430	\$ 4,681	\$ 7,111
Total liabilities	\$ 2,430	\$ 4,681	\$ 7,111
<i>Fund equity</i>			
<i>Fund balances:</i>			
Unreserved and undesignated	0	5,011	5,011
Total equity	\$ 0	\$ 5,011	\$ 5,011
TOTAL LIABILITIES AND FUND EQUITY	\$ 2,430	\$ 5,202	\$ 7,632

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SPECIAL REVENUE FUNDS
Condensing Statement of Revenues, Expenditures,
and Changes in Fund Balances
For the Year Ended March 31, 1987

Schedule 2

	<u>PARISH</u>	<u>REC</u>	<u>TOTAL</u>
REVENUES			
Federal sources:			
Grants	\$ 88,380	\$ 134,368	\$ 222,748
Total revenues	\$ 88,380	\$ 134,368	\$ 222,748
EXPENDITURES			
Current:			
Administration	\$ 1,884	\$ 110,812	\$ 112,696
Protective services	80,478	3,858	84,336
Facilities acquisition and construction	0	15,868	15,868
Total expenditures	\$ 82,362	\$ 129,538	\$ 211,900
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	\$ 6,018	\$ 4,830	\$ 10,848
FUND BALANCES AT BEGINNING OF YEAR	0	(5,822)	(5,822)
FUND BALANCES AT END OF YEAR	\$ 6,018	\$ 1,811	\$ 7,829

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

CAPITAL PROJECTS FUNDS

PROJECT LA 27-905

(Comprehensive Improvement Assistance Program, CFDA# 14.852)

Project LA 27-905 is a Federal (HUD) funded "Comprehensive Improvement Assistance Program" for modernizing project LA 27 - 12/3.

PROJECT LA 27-906

(Comprehensive Improvement Assistance Program, CFDA# 14.852)

Project LA 27-906 is a Federal (HUD) funded "Comprehensive Improvement Assistance Program" for modernizing project LA 27 - 12/3.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
 New Orleans, Louisiana

CAPITAL PROJECTS FUNDS
 Condensed Balance Sheet
 March 31, 1993

Schedule 3

	1992-93	1991-92	1990-91
ASSETS			
Receivables	\$ 35,414	\$ 35,414	\$ 35,414
TOTAL ASSETS	<u>\$ 35,414</u>	<u>\$ 35,414</u>	<u>\$ 35,414</u>
LIABILITIES AND FUND EQUITY			
Liabilities			
Accounts, salaries and other payables	\$ 35,414	\$ 35,414	\$ 35,414
Total liabilities	<u>\$ 35,414</u>	<u>\$ 35,414</u>	<u>\$ 35,414</u>
Fund equity			
Fund balances:			
Unreserved and undesignated	0	0	0
Total equity	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 35,414</u>	<u>\$ 35,414</u>	<u>\$ 35,414</u>

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
 New Orleans, Louisiana

CAPITAL PROJECTS FUNDS
 Combining Statement of Revenues, Expenditures,
 and Changes in Fund Balances
 For the Year Ended March 31, 1997

Schedule 4

	<u>12/31/96</u>	<u>12/31/96</u>	<u>TOTAL</u>
REVENUES			
Federal sources			
Grants	\$ 85,218	\$ 73,201	\$ 158,419
Total revenues	<u>\$ 85,218</u>	<u>\$ 73,201</u>	<u>\$ 158,419</u>
EXPENDITURES			
Facilities acquisition and construction	\$ 85,218	\$ 73,201	\$ 158,419
Total expenditures	<u>\$ 85,218</u>	<u>\$ 73,201</u>	<u>\$ 158,419</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>
FUND BALANCES AT BEGINNING OF YEAR	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCES AT END OF YEAR	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

AGENCY FUNDS

TENANTS' SECURITY DEPOSITS AGENCY FUND

The activities of the various tenant security deposits accounts are accounted for in the Tenants' Security Deposits Agency Fund. While the accounts are under the supervision of the Housing Authority, they belong to the tenants and are not available for use by the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

Schedule B

TENANTS' SECURITY DEPOSITS AGENCY FUND
Schedule of Changes in Deposits Due Others
For the Year Ended March 31, 1987

PROJECT	Balance, Beginning	Additions	Deductions	Balance, Ending
LA 27 - 1	\$ 6,000	\$ 1,440	\$ 1,440	\$ 6,000
LA 27 - 2	7,300	1,200	1,200	7,300
LA 27 - 3	2,400	240	240	2,400
	<u>\$ 15,700</u>	<u>\$ 2,880</u>	<u>\$ 2,880</u>	<u>\$ 15,700</u>

HOUSING AUTHORITY OF THE CITY OF NEW BERNEA
New Berne, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

GENERAL

COMPENSATION PAID BOARD MEMBERS

The members of the Board of Commissioners serve without compensation.

FEDERAL FINANCIAL ASSISTANCE PROGRAMS

In accordance with Office of Management and Budget (OMB) Circular A-128, a schedule of federal financial assistance is presented.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
 New Orleans, Louisiana

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 For the Year Ended March 31, 1987

Schedule 6

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR / PROGRAM NAME	CFDA NUMBER	GRANT ID #	PROGRAM OR AWARDED AMOUNT
U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT			
DIRECT PROGRAMS			
Public and Indian Housing Operating Subsidy (*)	14.850	* FW 1284	\$ 278,001
Drug Elimination Program Year 1 (1985)	14.854	FW 1284	58,381
Comprehensive Improvement Assistance Programs	14.852	* FW 1284	138,480
Family Investment Centers Program	14.881	FW 1284	<u>134,389</u>
TOTAL U.S. DEPT OF HOUSING AND URBAN DEVELOPMENT			<u>\$ 609,251</u>

(1) The Housing Authority is indebted to the U. S. Department of Housing & Urban Development for project loans of \$2,752,342 at year end plus accrued interest of \$439,296.

* Indicates Major Program

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SUPPLEMENTAL INFORMATION SCHEDULES -
BID PRESCRIBED FORMAT

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

Exhibit A

ANALYSIS OF SURPLUS
STATUTORY BASIS

For the Year Ended March 31, 1997

FHA OWNED HOUSING (ACC FW 1284)

UNRESERVED SURPLUS	
BALANCE PER PRIOR AUDIT	\$ (1,498,800)
Prior audit adjustments	<u> </u>
BALANCE PER BOOKS, BEGINNING	\$ (1,498,800)
Net Loss	(244,719)
(Provision for) reduction of operating reserve	<u>20,711</u>
BALANCE, ENDING	\$ (1,868,049)
OPERATING RESERVE	
BALANCE, BEGINNING	\$ 292,460
Provision for (reduction of) operating reserve	<u>20,711</u>
BALANCE, ENDING	\$ 289,270
CUMULATIVE HUD CONTRIBUTION	
BALANCE, BEGINNING	\$ 8,667,300
PHIDEP Grant	56,794
FIC Grant	138,300
HUD Project Rental Program	884,146
Operating Subsidy	<u>270,320</u>
BALANCE, ENDING	\$ 9,206,820
CUMULATIVE HUD GRANTS	
BALANCE, BEGINNING	\$ 2,714,841
Comprehensive Improvement Assistance Grant	<u>120,000</u>
BALANCE, ENDING	\$ 2,884,841
CUMULATIVE DONATIONS	
BALANCE, BEGINNING	\$ 0
Donations	<u>300</u>
BALANCE, ENDING	\$ 300
TOTAL SURPLUS	<u>\$ 8,330,621</u>

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

Exhibit B

STATEMENT AND CERTIFICATION OF ACTUAL
MODERNIZATION COSTS
COMPREHENSIVE IMPROVEMENT ASSISTANCE PROGRAM
March 31, 1997

1. The actual Comprehensive Improvement Assistance Program costs is as follows:

	PROJECT 04-27-92B
Funds Approved	\$ 265,080
Funds Expended	<u>265,080</u>
Excess of Funds Approved	\$ <u>0</u>
Funds Advanced	\$ 265,080
Funds Expended	<u>265,080</u>
Excess of Funds Advanced	\$ <u>0</u>

2. The distribution of costs by project as shown on the first schedule of Comprehensive Improvement Assistance Program expenditures dated April 28, 1997 accompanying the actual modernization certificate submitted to HUD for approval is in agreement with the PHA's records.
3. All Comprehensive Improvement Assistance Programs costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

**OTHER REPORTS REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain reports on internal control structure and compliance required by *Government Auditing Standards*, issued by the Comptroller General of the United States. The report on internal control structure is based solely on the audit of the basic financial statements and includes, where appropriate, any reported conditions and/or material weaknesses. The report on compliance is, likewise, based solely on the audit of the basic financial statements and presents, where applicable, compliance matters that could be material to the basic financial statements.

ALLEN, GREEN & COMPANY, LLP

GENERAL PURPOSE ACCOUNTANTS



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

U. S. Department of Housing and Urban Development
Housing Management Division
501 Magallanes Street, 8th Floor
New Orleans, Louisiana

We have audited the general purpose financial statements of the Housing Authority of the City of New Orleans Louisiana as of and for the year ended March 31, 1997, and have issued our report thereon dated June 13, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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 misstatements.

The management of the Housing Authority of the City of New Orleans is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the general purpose financial statements of the Housing Authority of the City of New Orleans for the year ended March 31, 1997, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants as listed in the accompanying Schedule of Reportable Conditions. Reportable conditions involve matters relating to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that none of the reportable conditions described in the accompanying Schedule of Reportable Conditions is a material weakness.

This report is intended for the information of the Board of Commissioners, management, and the U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Allen Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Metairie, Louisiana
June 13, 1997

ALLEN, GREEN & COMPANY, LLP

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

U. S. Department of Housing and Urban Development
Housing Management Division
381 Magazine Street, 9th Floor
New Orleans, Louisiana

We have audited the general purpose financial statements of the Housing Authority of the City of New Orleans, Louisiana as of and for the year ended March 31, 1997, and have issued our report thereon dated June 13, 1997.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts and grants applicable to the Housing Authority is the responsibility of the Housing Authority's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Housing Authority's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the general purpose financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards. However, we noted one immaterial instance of noncompliance which is included in Finding #1 on the Schedule of Findings and Questioned Costs.

This report is intended for the information of the Board of Commissioners, management, and the U. S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Allen Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
June 13, 1997

HOUSING AUTHORITY OF THE CITY OF NEW IBERIA
New Iberia, Louisiana

OTHER REPORTS REQUIRED BY
OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-128

The following pages contain information on internal control and compliance required by OMB Circular A-128. The report on internal accounting and administrative controls relates to matters that would be significant and/or material to Federal financial assistance programs. The report on compliance is, likewise, related to tests of compliance relating to Federal financial assistance programs.

ALLEN, GREEN & COMPANY, LLP

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Ernest L. Allen, CPA
(a Member of the American Institute of Certified Public Accountants)

Tim Green, CPA

Margie Williams - CPA

INDEPENDENT AUDITORS' REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

U. S. Department of Housing and Urban Development
Housing Management Division
201 Magazine Street, 9th Floor
New Orleans, Louisiana

We have audited the general purpose financial statements of the Housing Authority of the City of New Orleans, Louisiana as of and for the year ended March 31, 1997, and have issued our report thereon dated June 13, 1997. We have also audited the compliance of the Housing Authority of the City of New Orleans with requirements applicable to major federal financial assistance programs and have issued our report thereon dated June 13, 1997.

We conducted our audits in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, "Audits of State and Local Governments." These standards and OMB Circular A-128 require the use and performance of the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement and about whether the Housing Authority of the City of New Orleans, Louisiana, complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended March 31, 1997, we considered the internal control structure of the Housing Authority in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements of the Housing Authority of the City of New Orleans, Louisiana, and on the compliance of the Housing Authority of the City of New Orleans, Louisiana with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the general purpose financial statements in a separate report dated June 13, 1997.

The management of the Housing Authority of the City of New Orleans, Louisiana, is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by

managements are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are recorded in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting controls:

1. Cash
2. Expenditures for goods and accounts payable
3. Payroll and related liabilities
4. Property, equipment and capital expenditures
5. Single audit and similar grant programs

Administrative controls:

- | | |
|--------------------------------------|--|
| 1. Political activity | 8. Administrative requirements |
| 2. Davis-Bacon Act compliance | 9. Eligibility |
| 3. Civil rights | 10. Types of services |
| 4. Cash management | 11. Reporting |
| 5. Federal financial reports | 12. Special provisions |
| 6. Allowable cost/expense principles | 13. Claims for advances and reimbursements |
| 7. Drug-Free Workplace Act | |

For all the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended March 31, 1997, the Housing Authority of the City of New Orleans, Louisiana expended 88% of its total federal financial assistance under major federal financial assistance programs and the following nonmajor federal financial assistance programs: Public and Indian Housing - Comprehensive Improvement Assistance Programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to each of the Housing Authority of the City of New

Board of Commissioners
Housing Authority of the City of New Iberia
New Iberia, Louisiana

Iberia, Louisiana's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance, and the aforementioned mortgage programs. Our procedures went less in depth than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants as described in the Schedule of Reportable Conditions. Reportable conditions involve matters giving to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Housing Authority of the City of New Iberia, Louisiana's ability to administer Federal financial assistance programs in accordance with applicable laws and regulations.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described in the accompanying Schedule of Reportable Conditions is a material weakness.

This report is intended for the information of the Board of Commissioners, management, and the U. S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Allen Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
June 13, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

U. S. Department of Housing and Urban Development
Housing Management Division
361 Magazine Street, 9th Floor
New Orleans, Louisiana

We have audited the general purpose financial statements of the Housing Authority of the City of New Orleans, Louisiana, as of and for the year ended March 31, 1997 and have issued our report thereon dated June 13, 1997.

We have applied procedures to test the Housing Authority of the City of New Orleans, Louisiana's compliance with the following requirements applicable to its Federal financial assistance programs, which are identified in its Schedule of Federal Financial Assistance, for the year ended March 31, 1997: political activity, Davis-Bacon Act civil rights, cash management, federal financial reports, allowable costs/cost principles, Drug-free Workplace Act and administrative requirements.

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Single Audits of State and Local Governments." Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Housing Authority of the City of New Orleans, Louisiana's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested nothing came to our attention that caused us to believe that the Housing Authority of the City of New Orleans, Louisiana had not complied, in all material respects, with these requirements. Also, the results of our procedures did not disclose any material instances of noncompliance with these requirements.

This report is intended for the information of the Board of Commissioners, management, and the U. S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Allen, Green & Company, LLP

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Monroe, Louisiana
June 13, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

Board of Commissioners
Housing Authority of the City of New Iberia
New Iberia, Louisiana

U. S. Department of Housing and Urban Development
Housing Management Division
501 Magazine Street, 9th Floor
New Orleans, Louisiana

We have audited the general purpose financial statements of the Housing Authority of the City of New Iberia, Louisiana, as of and for the year ended March 31, 1997, and have issued our report thereon dated June 13, 1997.

We have also audited the Housing Authority of the City of New Iberia, Louisiana's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal financial assistance program which is identified in the accompanying Schedule of Federal Financial Assistance, for the year ended March 31, 1997. The management of the Housing Authority of the City of New Iberia, Louisiana, is responsible for the Housing Authority's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, "Measures of State and Local Governments." These standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of the City of New Iberia, Louisiana's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to above, which is described in finding #2 of the accompanying Schedule of Findings and Questioned Costs. We considered this instance of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Housing Authority of the City of New Iberia, Louisiana, complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal financial assistance program for the year ended March 31, 1997.

Board of Commissioners
Housing Authority of the City of New Orleans
New Orleans, Louisiana

This report is intended for the information of the Board of Commissioners, management, and the U. S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

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ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
June 13, 1997

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS APPLICABLE TO HOUSING FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

Board of Commissioners
Housing Authority of the City of New Iberia
New Iberia, Louisiana

U. S. Department of Housing and Urban Development
Housing Management Division
501 Magazine Street, 9th Floor
New Orleans, Louisiana

We have audited the general purpose financial statements of the Housing Authority of the City of New Iberia, Louisiana as of and for the year ended March 31, 1997, and have issued our report thereon dated June 13, 1997.

In connection with our audit of the general purpose financial statements of the Housing Authority of the City of New Iberia, Louisiana, and with our consideration of the Housing Authority's control structure used to administer federal financial assistance programs, as required by Office of Management and Budget (OMB) Circular A-124 "Methods of State and Local Governments," we selected certain transactions applicable to certain housing federal financial assistance programs for the year ended March 31, 1997. As required by OMB-Circular A-124, we performed auditing procedures to test compliance with the requirements governing types of services allowed or disallowed, special reporting requirements, and claims for advances and reimbursements that are applicable to these transactions. Our procedures were substantially less in scope than an audit, the objectives of which is the expression of an opinion on the Housing Authority of the City of New Iberia, Louisiana's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Housing Authority of the City of New Iberia, Louisiana, had not complied, in all material respects, with these requirements. Also, the results of our procedures did not disclose any immaterial instances of noncompliance with these requirements.

This report is intended for the information of the Board of Commissioners, management, and the U. S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

Allen, Green & Company, LLP

ALLEN, GREEN & COMPANY, LLP

Monroe, Louisiana
June 13, 1997

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

STATUS OF PRIOR REPORTABLE CONDITIONS
FOR THE YEAR ENDED MARCH 31, 1997

1. Detail of Accounts Receivable Not Maintained

This item is considered resolved.

2. Invoices not Canceled

See current-year Schedule of Reportable Conditions.

3. CASE Reimbursements Requested Twice

This item is considered resolved.

4. Inadequate Segregation of Duties

See current-year Schedule of Reportable Conditions.

5. Inadequate Controls Over Cash Collections

See current-year Schedule of Reportable Conditions.

6. Deposits Not Made Daily

See current-year Schedule of Reportable Conditions.

7. No Board Authorization for New Checking Account

This item is considered resolved.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

STATUS OF PRIDE ALERT FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED MARCH 31, 1997

1. CIAP Reimbursements Requested Twice

This item is considered resolved.

2. Error on PHMAP Assessment

This item is considered resolved.

3. Problems Noted in List of Tenant Files

See current-year Schedule of Findings and Occasional Costs.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SCHEDULE OF REPORTABLE CONDITIONS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1990

1. Canceled and Voided Check Documentation

(All Programs)

CONDITION: During testing of one month's checks, the following were found:

1. Twenty-four checks were voided but the original voided check was not maintained as documentation.
2. Five checks appeared to be voided, but there was no documentation to verify this fact.
3. Also, from a random sample of twenty-five disbursements, ten invoices were not properly defaced.

REASON/IMPROVEMENT NEEDED: One component of a strong internal control system is to use sequential, pre-numbered checks in order to make it possible to account for each check used by the entity. When canceled or voided checks are not retained, documentation to support use of each check number is not possible. Also, strong internal controls require that all invoices be defaced to prevent duplicate payment.

CAUSE OF CONDITION: The employee responsible for maintaining and filing the voided or canceled checks was not aware that they should be retained. The employee was also unaware of the importance of properly canceling invoices.

EFFECT OF CONDITION: Internal controls have been weakened.

RECOMMENDATION: All voided or canceled checks should be retained to document their use. All invoices should be marked "paid" after payment.

MANAGEMENT'S RESPONSE: During fiscal year 1990, management discovered a former employee was not performing the administrative job duties correctly. Immediately, the Executive Director redefined administrative job duties requiring every voided check (original and carbon copy) to be filed in sequential order. Invoices are also now being properly defaced. Management will conduct reviews to be sure administrative duties are performed correctly.

2. Inadequate Segregation of Duties

(Public and Indian Housing - CFDA #14.850)

(Public and Indian Housing - Comprehensive Improvement Assistance Program - CFDA #14.852)

(Public and Indian Housing - Drug Elimination Program - CFDA #14.854)

(Public and Indian Housing - Family Investment Centers Program - CFDA #14.861)

CONDITION: Due to the small size of the Housing Authority, segregation of duties is not adequate to provide sufficient internal control. The functions of opening the mail, collecting rent, recording the receipt in the rent register, preparing the deposit, making the deposit and check preparation are all performed by two administrative employees. The Housing Authority does have some compensating controls for the inadequate segregation of duties. The deposit is prepared and made by an employee not collecting rent on that day as well as reconciled to the daily payments receivable detail. Receipts from HUD are wire-transferred to the bank account. All checks require two signatures, the Executive Director and a Board member. Reconciling of rent receipts and disbursements and preparation of bank reconciliations are performed by the two accountants for the Housing Authority.

HOUSING AUTHORITY OF THE CITY OF NEW IBERIA
New Iberia, Louisiana

SCHEDULE OF REPORTABLE CONDITIONS
AS OF AND FOR THE YEAR ENDED MARCH 31, 2007

2. **Inadequate Segregation of Duties (Continued)**

CAUSE OF CONDITION: Due to the small size of the Housing Authority,

RECOMMENDATION: It would not be cost beneficial for the Housing Authority to hire the additional personnel required for adequate segregation of duties.

MANAGEMENT'S RESPONSE: Due to the small size of the Housing Authority of the City of New Iberia it is not cost effective to hire more personnel to improve the internal control situation. However, to improve internal control, the Executive Director has added himself to help the two administrative employees.

3. **Rental Receipts**

(Public and Indian Housing - CFDA #14.850)

CONDITION: Rental receipts totaling \$16,379 from the Housing Authority owned rental units were never deposited into the Housing Authority's bank account. The receipts represented a portion of two separate months' receipts.

CAUSE OF CONDITION: The Housing Authority received much of its rental income in cash. Internal controls over the rental receipts process were weak in the area of physical security. In addition, daily deposits were not made and were accounts of cash on hand performed by management. The Housing Authority did have good controls concerning recording of rental income from the rental register and subsequent monitoring of cash receipts deposited and accounts receivable balances. However, since daily deposits were not made and are accounts of cash on hand performed, the receipts not deposited were considered to be deposits outstanding for approximately one month. This allowed the \$16,379 to be unaccounted for until one month had passed.

EFFECT OF CONDITION: The Housing Authority may lose a portion of two months' rental income. Recovery of approximately \$12,000 is considered likely by legal counsel through an employee liability bond.

RECOMMENDATION: Management has already improved internal controls by changing several policies of the Housing Authority. Rental payments are no longer accepted in cash, only money orders or personal checks. In addition, daily deposits are made and reconciled to the accounts receivable detail for each day. Management should continue to enforce these positive changes.

MANAGEMENT'S RESPONSE: To maintain the improved internal controls, management will continue to enforce these changes.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

1. Employee Versus Independent Contractors
(Public and Indian Housing - CPDA #14 B50)

CONDITION: It was noted in a test of a random sample of twenty-five vendor disbursements that the Housing Authority employed three tenants during the year to perform lawn maintenance duties. Payments to these three tenants in the total of \$477.58 were noted in the sample. The tenants were paid as contract labor instead of being paid as employees through regular payroll even though they were under full control of management, used the equipment of the Housing Authority to perform their duties, and did not perform similar services for anyone else.

REASON IMPROVEMENT NEEDED: Internal Revenue Service regulations and state regulations require that when compensation paid should be treated as payroll payments and all applicable withholdings should be made and remitted to the proper agency. In the case where an employer/employee relationship exists, as in the case of the Housing Authority's payments, the payments are required to be treated as payroll.

CAUSE OF CONDITION: Management was unaware that the tenants did not qualify as contract laborers.

EFFECT OF CONDITION: The Housing Authority may be in violation of Internal Revenue Service and state regulations concerning wages paid to employees.

RECOMMENDATION: In the future, all payments made to persons who work under an employer/employee relationship should be made through payroll. All applicable withholdings should be withheld by the Housing Authority.

MANAGEMENT'S RESPONSE: Management has corrected the employer/independent contractors situation by following the Internal Revenue Service and state regulations designating employees from independent contractors. Random inspecting of records will be performed by management to ensure compliance.

2. Tenant Files
(Public and Indian Housing - CPDA #14 B50)

CONDITION: Out of ten tenant files tested, the following exceptions existed:

- Four instances of no proof of birth date or social security number in the file.
- Three instances where income had not been verified for the current year.
- One instance where a dependent had moved out but was not removed from Form 9001A.
- One instance of no annual inspection in the file.
- One instance of new dependent not included on Form 9001A.

For all files no "Release of Information - HUD 9007" forms were found.

HOUSING AUTHORITY OF THE CITY OF NEW ORLEANS
New Orleans, Louisiana

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
AS OF AND FOR THE YEAR ENDED MARCH 31, 1997

2. Tenant Files (Continued)

REASON/IMPROVEMENT NEEDED: To ensure information required on the HUD Form 5035 is verified and all required information is obtained from the tenants.

CAUSE OF CONDITION: Unknown.

EFFECT OF CONDITION: Noncompliance with HUD guidelines.

RECOMMENDATION: A checklist of all information required to be in the tenant's file could be used to ensure completeness. Also, an employee independent of compiling the tenant's file should perform a periodic review of the file to ensure accuracy and completeness.

MANAGEMENT'S RESPONSE: Management has implemented a checklist of all information required to be put in every tenant's file. Management will review files at random to ensure compliance.

