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HOUSING AUTHORITY OF NEW ORLEANS

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED FINANCIAL STATEMENTS AND
OTHER INFORMATION AND REPORTS

SEPTEMBER 30, 1996

These financial statements were prepared in accordance with the provisions of the Louisiana Constitution and the Louisiana Code of Governmental Accounting. The financial statements are prepared on the basis of the records and data furnished by the various departments and agencies of the Housing Authority of New Orleans. The financial statements are prepared on the basis of the records and data furnished by the various departments and agencies of the Housing Authority of New Orleans. The financial statements are prepared on the basis of the records and data furnished by the various departments and agencies of the Housing Authority of New Orleans.

Prepared Date: 4-2-97

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NEW ORLEANS, LOUISIANA

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PricewaterhouseCoopers



Report of Independent Accountants

The Management of the Housing Authority
of New Orleans

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1996. These combined financial statements are the responsibility of HANO's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined 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.

As discussed in Note 13, HANO is self-insured for certain claims and losses and is a defendant in numerous legal actions. Legal counsel has estimated a possible liability to HANO of \$17,908,000 resulting from legal actions, including \$12,468,000 that HANO has agreed to settle. It is HANO's policy to record losses relating to self-insurance and legal actions based on the annual budget for such claims rather than recording estimated liabilities as required by generally accepted accounting principles.

In our opinion, except for the effects of not recording estimated liabilities for losses related to self-insurance and legal actions as discussed in paragraph three of this report, the combined financial statements present fairly, in all material respects, the financial position of the Housing Authority of New Orleans, Louisiana as of and for the year then ended September 30, 1996 in conformity with generally accepted accounting principles.



HANO's fixed liabilities are administered by United States Department of Housing and Urban Development (HUD) and all fixed liability transactions are recorded by HANO based on HUD's directive. As discussed in Note 9, at September 30, 1996, HANO has been informed by HUD that 342,862,244 of fixed liabilities are in the process of being forgiven by HUD. HANO will record this forgiveness as an adjustment of the cumulative HUD contribution when it receives formal notification from HUD.

In accordance with Government Auditing Standards, we have also issued a report dated March 21, 1997 on our consideration of HANO's internal control structure and a report dated March 21, 1997 on its compliance with laws and regulations.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The combining financial statements at Exhibits A and B are presented for purposes of additional analysis and are not a required part of the combined financial statements of HANO. Such information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, except for the effects described in paragraph three of this report, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

This report is intended for the information and use of the management of the Housing Authority of New Orleans, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Price Waterhouse LLP
March 20, 1997

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED BALANCE SHEET
ALL FUNDS AND ACCOUNT GROUPS
SEPTEMBER 30, 1978

	Governmental Fund Types			Debt Service	Capital Expenditures	Agency	Account Groups			Total (Memorandum Debit)	
	General	Special Revenue	Fund Balance				Fund Balance	Long-Term Debt	General		
									Debit		Credit
ASSETS											
Cash (Note 2)	\$ 494,588	\$ 60,087,209	\$ -	\$ 16,864	\$ 684,681	\$ -	\$ -	\$ -	\$ 16,535,132		
Investments (Note 2)	3,372,859	-	-	-	677,653	-	-	-	3,995,448		
Deposits with HUD	-	2,218,982	-	-	-	-	-	-	2,218,982		
Accounts receivable (Note 3)	3,214,315	181,797	-	-	-	-	-	-	3,396,112		
Due from other funds (Note 4)	1,207,255	640,695	-	-	-	-	-	-	1,847,950		
Receivable from HUD for debt service	-	3,174,794	-	-	-	-	-	-	3,174,794		
Due from other programs	44,825	-	-	-	-	-	-	-	44,825		
Other current assets (Note 5)	1,179,625	-	-	-	-	-	-	-	1,179,625		
Land, structures and equipment (Notes 1 and 6)	-	-	-	-	-	293,053,342	-	-	293,053,342		
Construction in process	-	-	-	-	-	66,794,313	-	-	66,794,313		
Amounts to be provided by HUD	-	-	-	-	-	-	-	61,573,807	61,573,807		
Amounts available to debt service funds	-	-	-	-	-	-	-	7,465,695	7,465,695		
Total assets and other debits	\$13,170,428	\$5,924,672	\$2,465,688	\$ 16,864	\$1,118,318	\$33,071,689	\$ 21,987,258	\$ 7,465,695	\$48,132,251		

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

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 2006

	Governmental Fund Types				Totals (Memorandum Only)
	General	Special Revenues	Debt Service	Capital Projects	
Revenues:					
Dwelling rental	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000
Non-dwelling rental	9,340	-	-	-	9,340
Interest on operating reserves and general fund investments	-	111,824	-	-	111,824
Total revenues	<u>10,009,340</u>	<u>111,824</u>	<u>-</u>	<u>-</u>	<u>10,121,164</u>
Expenditures:					
Administration	7,187,189	1,220,096	-	-	8,407,285
Tenant services	2,231,292	-	-	-	2,231,292
Utilities	15,713,548	-	-	-	15,713,548
Ordinary maintenance	13,582,541	6,391	-	-	13,588,932
Protective services	1,788,139	-	-	-	1,788,139
General expenditures	6,826,262	143,042	-	-	6,969,304
Housing assistance payments	-	16,655,490	-	-	16,655,490
Capital outlays	-	-	-	14,781,179	14,781,179
Other expenditures	414,468	145,611	-	-	560,079
Total operating expenditures	<u>47,754,931</u>	<u>18,125,430</u>	<u>-</u>	<u>14,781,179</u>	<u>80,661,540</u>

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

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED SEPTEMBER 30, 1988

	Governmental Fund Types				Totals (Memorandum Only)
	General	Social Services	Debt Service	Capital Projects	
Operating (Deficit)	\$ 6,024,442	\$ 278,083	\$ -	\$ 14,200,179	\$ 15,502,694
Other changes:	-	-	(1,338,865)	-	(1,338,865)
Interest on notes and bonds	525,977	-	-	-	525,977
Interest on general fund investments	1,412,928	-	-	-	1,412,928
Miscellaneous receipts from HUD	3,208,311	18,242,119	-	-	21,850,430
Annual contributions earned	5,448,218	18,242,119	-	-	23,690,337
Total other revenues	-	-	-	-	-
Excess (deficiency) of revenues over expenditures before HUD contributions, grants, and other changes	(12,276,626)	203,524	(1,338,865)	(14,781,179)	(14,053,146)
Basic annual contribution	28,114,368	-	-	-	28,114,368
Medicaid grants received	-	-	-	12,063,083	12,063,083
Annual contributions for debt service	-	-	4,379,646	-	4,379,646
Principal payments on notes and bonds	-	-	(3,181,487)	-	(3,181,487)
Other changes	(173,888)	-	(78,285)	2,942,321	2,689,748
Excess (deficiency) of revenues over expenditures	(1,868,126)	203,524	(20,460)	309,628	(1,385,434)
Fund balances, beginning of year	18,128,512	1,814,597	2,514,189	(2,474,215)	19,978,983
Fund balances, end of year	\$ 16,260,386	\$ 2,018,121	\$ 2,493,729	\$ 2,164,453	\$ 23,936,689

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

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

NOTES TO THE COMBINED FINANCIAL STATEMENTS

SEPTEMBER 30, 1996

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Housing Authority of New Orleans (HANO) was organized on September 29, 1956 to assist and provide housing to low-income residents in New Orleans. HANO was governed by a seven member Board of Commissioners and headed by an Executive Director until February 1996. At that time, the United States Department of Housing and Urban Development (HUD), through a cooperative endeavor agreement with the City of New Orleans, appointed a consultant to directly oversee the daily operations of HANO, including monitoring the work performed by the Executive Director and management. Also, the role of the Board of Commissioners was reduced to an advisory capacity. The cooperative endeavor agreement will expire on December 31, 1997.

Funding for the operations of HANO is provided by HUD through annual contribution contracts related to specific programs. At September 30, 1996, HANO had the following number of units in Active Development, Active Modernization, Community Development and Assistance Programs:

Contract	Program	Number of Units
FW-1190	PHA Owned	13,141
FW-1190	Homeownership	279
FW-2053	Section 8	3,577
FW-2201	Section 8	322
FW-2217	Housing Certificate and Voucher Program	489
		<u>17,808</u>

Account Groups

Account groups are used to establish accounting control and accountability of HANO's general fixed assets and general long-term debt. They are self-balancing groups of accounts that are concerned only with the measurement of financial position, not with the measurement of results of operations. The following are HANO's account groups:

General Fixed Assets Account Group - This group of accounts is established to account for fixed assets of HANO, such as the completed modernization and development programs and other land, structures and equipment.

General Long-Term Debt Account Group - This group of accounts is established to account for all long-term debt recorded by HANO at the direction of HUD. (Note 9.)

Basis of Accounting - All governmental funds and the agency fund are accounted for using the modified accrual basis of accounting. Governmental fund revenues are recognized when susceptible to accrual (i.e. both measurable and available). Available means currently due and collectible to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred except for debt service and other long-term obligations which are recognized when paid.

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

Investments - Investments are non-convertible instruments similar to deposits and are stated at cost which approximates market value.

Fair Value of Financial Instruments - The carrying amount of HANO's financial instruments at September 30, 1990 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

Allowance for Doubtful Accounts - Accounts receivable are expensed upon approval of the HANO Board of Commissioners rather than using a valuation allowance to charge doubtful accounts to expenses as required by generally accepted accounting principles. The allowance required is not material to the financial statements as a whole.

Debt Service Funds - HANO's debt is administered by HUD. Debt service funds are amounts on deposit with fiscal agents or due from HUD to pay principal and interest on the obligations recorded by HANO at the directive of HUD and for such other purposes as may be provided in annual contribution contracts. The amount due from HUD is based on the maximum annual contribution during the fiscal year. The actual amount when received may differ depending on the amount required for payment of interest and principal.

Inventory - Materials and equipment inventories are recorded on a basis equivalent to FIFO.

General Fixed Assets - Land, structures and equipment are recorded at cost in the General Fixed Assets Account Group. Maintenance and repair costs are charged against income as incurred. Significant renewals and betterments are capitalized. The records of HANO do not allow for a disclosure of the major composition of land, structures and equipment (Note 5). In accordance with generally accepted accounting principles, structures and equipment are not depreciated. Construction in process consists of modernization costs incurred for fiscal years that have not been officially closed out.

Long-Term Liabilities - HANO's consolidated financing program is administered by HUD. Major capital improvement projects are financed by issuing a series of short-term notes payable or by issuing bonds. HUD and HANO retire such notes and bonds through annual contribution contracts as if the financing was long-term. Fixed liabilities are accounted for in the General Long-Term Debt Account Group.

Annual Leave - Annual leave is expensed when taken rather than accrued as earned, as required by generally accepted accounting principles. The accrual required is not material to the financial statements as a whole.

Self-Insurance and Litigation - HANO recognizes losses related to self-insurance programs and litigation based on the annual budget for such claims rather than recording estimated liabilities when losses occur, as required by generally accepted accounting principles.

Annual Contributions Contracts - Annual Contributions Contracts provide that HUD shall have the authority to audit and maintain the records of public housing authorities. Accordingly, final determination of HANO's financing and contribution status for the Annual Contributions Contracts is the responsibility of HUD based upon financial reports submitted by HANO.

Reserves - Reserves are reported in the various funds to indicate the amount established for a specific purpose.

Total Columns on Combined Financial Statements

The total columns on the combined financial statements are captioned "nonrecurring only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations on the combined statements have not been made in the aggregation of this data.

NOTE 2 - CASH AND INVESTMENTS

All bank balances and investments of HANO at September 30, 1996, some of which bear interest, are entirely insured or collateralized with securities held by its agent in HANO's name. Cash in excess of current requirements is invested.

At September 30, 1996 investments consist of the following:

	General Fund	Agency Fund	Total	Interest Rate	Maturity
Certificates of Deposit	\$3,352,856	\$ 480,426	\$ 3,833,282	Various	Various
Money market accounts	-	152,199	152,199	Various	-
Total investments	<u>\$3,352,856</u>	<u>\$ 632,625</u>	<u>\$ 3,985,481</u>		

NOTE 3 - ACCOUNTS RECEIVABLE

Accounts receivable at September 30, 1996 consist of the following:

	General Fund	Special Revenue Fund	Total
Taxes	\$ 445,299	\$ -	\$ 445,299
Homebuyers	1,588	-	1,588
HOV	1,474,326	13,353	1,487,679
Modernization program	1,993,400	-	1,993,400
Other (including various State and Federal sources)	<u>1,681,882</u>	<u>174,439</u>	<u>1,856,321</u>
Total accounts receivable	<u>\$ 3,196,595</u>	<u>\$ 187,792</u>	<u>\$ 3,384,387</u>

NOTE 4 - DUE TO/FROM OTHER FUNDS

Interfund receivables and payables at September 30, 1996 consist of the following:

	Due from Other Funds	Due to Other Funds
General fund	\$1,787,535	\$1,747,256
Special revenue funds:		
Certificate program - FW-2013	682,228	-
Housing assistance program - FW-2201	6,237	68,400
Voucher program - FW-2317	<u>142,238</u>	<u>732,594</u>
Total interfund receivables/payables	<u>\$2,548,038</u>	<u>\$2,548,038</u>

NOTE 5 - OTHER CURRENT ASSETS

Other current assets at September 30, 1996 consist of the following:

	General Fund
Prepaid insurance	\$ 382,582
Materials and equipment inventories	<u>1,796,942</u>
Total other current assets	<u>\$ 2,179,524</u>

NOTE 6 - LAND, STRUCTURES AND EQUIPMENT

Activity for general fund assets which are capitalized by HANO is summarized below:

	Balance at October 1, 1995	Additions	Deductions	Balance at September 30, 1996
Land, structures and equipment	\$298,892,817	\$ 1,216,227	\$ 7,113,787	\$298,193,257
Construction in process	<u>72,883,154</u>	<u>14,301,179</u>	<u>-</u>	<u>86,784,333</u>
	<u>\$331,175,971</u>	<u>\$15,917,506</u>	<u>\$ 7,113,787</u>	<u>\$339,871,690</u>

HANO received approval from EPUD for the destruction of several structures during 1996. HANO completed destruction of structures with an estimated carrying value of \$6,608,000 which was recognized as a reduction in the investment in general fund assets.

The estimated carrying value of additional structures that have been approved for demolition but continue to be used for operations and receive subsidies from HUD totaled \$32,255,800 at September 30, 1996. Management plans to record the write-off of these assets in the period the destruction occurs or when it is otherwise determined that the assets have no future value.

During fiscal 1995, HUD applied to HUD for the destruction of additional structures, which has not yet been approved by HUD. Management has not yet estimated the carrying value for these structures, however, management believes the value is material.

Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" in accordance with GAAP is effective for fiscal 1997. Under the provisions of this Statement, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying amount of the assets, an impairment loss is recognized by recording a reduction in the investment in general fixed assets. Management has not begun to estimate the effects of adoption but believes it could result in a material adjustment.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at September 30, 1996 consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund	Agency Fund	Total
Tenant security deposits	\$ -	\$ -	\$ -	\$684,691	\$ 684,691
Contract retentions and performance deposits	-	-	2,575,940	-	2,575,940
Vendors, contractors and other HUD	1,438,636	32,281	-	-	1,471,917
	<u>37,737</u>	<u>2,768,685</u>	<u>-</u>	<u>-</u>	<u>7,800,422</u>
Total accounts payable	<u>\$1,476,373</u>	<u>\$2,801,566</u>	<u>\$2,575,940</u>	<u>\$684,691</u>	<u>\$11,539,070</u>

NOTE 8 - ACCRUED LIABILITIES

Accrued liabilities consist of the following at September 30, 1996:

	General Fund	General Long-Term Debt Account Group	Total
Accrued interest on notes and bonds to be forgiven (Note 9)	\$ -	\$795,163	\$ 795,163
Accrued utilities expense	380,582	-	380,582
Self-insurance and legal claims	1,301,198	-	1,301,198
Other liabilities	<u>795,342</u>	<u>-</u>	<u>795,342</u>
Total accrued liabilities	<u>\$ 2,380,080</u>	<u>\$795,163</u>	<u>\$3,175,243</u>

NOTE 9 - FIXED LIABILITIES

The following is a summary of HANO's long-term debt transactions for the year ended September 30, 1996:

	Balance at October 1, 1995	Retirements, Repayments and Forgiveness	Balance at September 30, 1996
General Long-Term			
Debt Account Group			
Project loan notes	\$ 3,728,968	\$ -	\$ 3,728,968
Permanent notes - HUD	43,878,976	(3,745,008)	40,133,976
Federal financing bank notes	4,238,530	(996,038)	3,242,492
New housing authority bonds	27,275,041	(2,385,428)	24,889,613
Total fixed liabilities	\$75,121,515	\$5,126,464	\$70,000,051

Administrative control over the consolidated financing process is vested in HUD. HANO has participated in several consolidated bond issues and consolidated issues of short-term notes (six-month maturities). Active debt includes the Federal Financing Bank notes and the New Housing Authority bonds. The Federal Financing Bank notes were issued in 1982 and 1983 for the modernization of the existing housing developments. The New Housing Authority bonds were issued between 1959 and 1979 to fund the original construction of certain housing developments.

These notes and bonds bear interest at 2.125% to 5.35% and have various maturity dates. Interest and principal payments on these notes and bonds are made by HUD in accordance with the terms of the annual contribution contracts. HANO records all debt transactions upon the directive from HUD. This includes the portion of debt allocated to HANO and accounting entries to record payments made by HUD for principal and interest.

Debt service annual contributions ceased on April 1, 1985 for the project loan notes and the permanent notes - HUD. Under the provisions of the Housing and Community Development Reconciliation Amendments of 1985 (P.L. 99-272 enacted April 7, 1986), the Secretary of Housing and Urban Development was authorized to forgive the outstanding principal and interest on the project loan notes and the permanent notes - HUD. The Reconciliation Amendments require the execution of a debt forgiveness agreement to the consolidated annual contribution contract. This amendment has been executed by HUD and HANO. It also requires the audit and approval of the Actual Development Cost Certificate or the Actual Modernization Cost Certificate which has not yet been completed for all projects. HANO has recorded debt forgiveness of \$9,327,000 for certain notes that were forgiven by HUD, including \$3,343,080 that was recorded in 1996. The balance of remaining notes to be forgiven was \$43,862,144 at September 30, 1996. The balance of accrued interest on the notes to be forgiven was \$755,103 at September 30, 1996.

NOTE 10 - FUND EQUITY

Reservations of fund balances of governmental funds are created to identify the portion of the fund balance that is not available for future expenditures. Specific reservation of the fund balance accounts is summarized as follows:

Reserve for debt service - This reserve was created to segregate a portion of the fund balance account for debt service, including both principal payments and interest payments on fixed liabilities. HUD is responsible for funding the debt service and for directing interest and principal payments in accordance with the annual contribution contract.

NOTE 11 - EMPLOYEE PENSION PLAN

HAND has a pension plan which covers all full-time employees after one year of service. The plan is a defined contribution plan whereby no actuarial determinations or valuations are made. HAND's contribution rate was one-half percent of the covered employee's salary until September 30, 1991. On October 1, 1991, the plan was amended to increase HAND's contribution rate to 3% of the covered employee's salary. Total contributions for the year ended September 30, 1996 amounted to \$194,389 (4% of total covered payroll for the year ended September 30, 1996). HAND's total payroll for all employees was \$14,487,808 and the total covered payroll was \$30,094,336 for the year ended September 30, 1996.

NOTE 12 - ANNUAL LEAVE

HAND's policy is to pay up to 300 hours of accrued annual leave when employees terminate. At September 30, 1996, total leave to be paid upon termination was \$1,348,068.

NOTE 13 - SELF-INSURANCE AND CONTINGENCIES

HAND is self-insured for general liability, workers' compensation claims, fire and extended coverages. In addition, HAND is a defendant in various legal actions. Legal counsel estimates that exposure to HAND approximates \$17,900,000, including \$12,468,000 that HAND has agreed to pay. HAND's policy is to recognize losses related to the self-insurance programs and litigation based on the annual budget for each claim rather than recording estimated liabilities when losses occur, as required by generally accepted accounting principles. During 1996, HAND recorded expense of approximately \$2,421,000 and paid \$1,843,744 for settled claims. The allowance for self-insurance and legal claims totals \$1,391,156 at September 30, 1996.

NOTE 14 - SINGLE AUDIT

The Single Audit Act of 1984 (Single Audit) established audit requirements for financial statements and requirements for testing and reporting on internal controls and compliance with laws and regulations relevant to federal financial assistance programs. The Single Audit testing of internal controls and compliance relevant to federal financial assistance programs for the year ended September 30, 1994 is not complete. Any issues or exceptions that may result from that audit have not been considered in the audit of the financial statements or the Single Audit for 1994.

NOTE 15 - BUDGET INFORMATION

The annual budgets for all funds at HANO are approved by BRUD and are not legally adopted.

EXHIBIT A

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANASPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET

SEPTEMBER 30, 1990

	Certificate Program FR-2853	Housing Assistance Program FR-2281	Voucher Program FR-2217	Total
ASSETS				
Cash	\$ 7,448,686	\$ 66,439	\$ 1,384,234	\$ 8,899,359
Accounts receivable	102,852	5,811	79,124	187,787
Due from other funds	878,394	6,237	157,865	1,042,496
Total assets	\$ 8,249,132	\$ 78,487	\$ 1,621,223	\$ 9,948,842
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,899,800	\$ 17,057	\$ 846,108	\$ 5,762,965
Due to other funds	-	68,400	732,324	800,724
Total liabilities	4,899,800	85,457	1,578,432	6,563,789
Fund equity:				
Cumulative HUD contributions, grants and other	217,323,768	25,788,381	27,480,528	270,592,677
Unreserved fund balance	(216,937,637)	(65,795,362)	(67,337,363)	(349,159,999)
Total fund equity	1,386,131	16,093	20,143	1,422,367
Total liabilities and fund balances	\$ 6,248,132	\$ 101,547	\$ 1,600,268	\$ 7,950,947

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SPECIAL REVENUE FUNDS
COMBING STATEMENT OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 1990

	Certificate Program [PW-2013]	Housing Assistance Program [PW-2200]	Voucher Program [PW-2217]	Total
Revenues:				
Interest on operating reserve and investments	\$ 84,085	\$ 1,538	\$ 26,218	\$ 111,841
Expenditures:				
Administration	1,180,368	31,100	89,586	1,299,054
Ordinary maintenance	6,201	-	-	6,201
General expenditures	147,216	3,258	12,948	163,422
Housing assistance payments	18,614,431	1,264,289	1,748,760	21,627,480
Other expenditures	84,651	-	82,850	167,501
Total expenditures	18,952,927	1,298,647	1,933,144	22,184,718
Operating deficit	(18,868,842)	(1,297,109)	(1,901,616)	(21,067,567)
Other income including annual contributions earned	15,152,183	1,299,483	1,901,613	18,353,279
Net income (deficit)	283,241	284	(1)	283,524
Fund equity, beginning of year	1,823,680	7,285	23,782	1,854,747
Fund equity, end of year	\$ 1,896,321	\$ 6,984	\$ 22,781	\$ 1,926,086

PricewaterhouseCoopers



**REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF THE COMBINED
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**The Management of the Housing Authority
of New Orleans**

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HAND) as of and for the year ended September 30, 1996, and have issued our report thereon dated March 15, 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 combined financial statements are free of material misstatement.

The management of HAND 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 executed in accordance with management's authorization and recorded properly to permit the preparation of the combined 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 combined financial statements of HANO for the year ended September 30, 1996, 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 combined financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters described in the Schedule of Material Weakness, Reportable Conditions and Other Recommendations 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. Reportable conditions involve matters coming 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 combined the 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 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 noted the following matter involving the internal control structure and its operation, which is discussed in Recommendation 1 in Section I of the Schedule of Material Weakness, Reportable Conditions and Other Recommendations, that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the financial statements of HANO for the year ended September 30, 1996.

The Management of the Housing Authority
of New Orleans

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This report is intended for the information of the management of the Housing Authority of New Orleans, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Paul Waterhouse, L.P.
March 23, 1997

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF MATERIAL WEAKNESS, REPORTABLE CONDITIONS AND
OTHER RECOMMENDATIONS

SEPTEMBER 30, 1996

I. MATERIAL WEAKNESS

Recommendation 1:

Maintain supporting documentation for all accounting transactions. Improve the administrative filing and retention of important documentation.

Documentation supporting certain accounting transactions, including voucher packages, contracts and/or bidding documentation, deposit tickets and tenant rent receipts, could not be located for testing. We noted several important documents including uncashed checks, invoices, and voucher packages lying on desk tops and in boxes throughout the finance department. These documents should be maintained using an accurate filing system because supporting documentation provides evidence of authorization for transactions. Without supporting documentation, there is no evidence that the transactions are valid. We recommend that all supporting documentation be properly filed at HANO or the warehouse so that it is readily available. Also, when a document is used by personnel or an auditor, require signature of receipt prior to release of the document.

Management's Response:

We agree that the current filing system needs improvement and we are in the process of correcting this situation. We have instituted a firm to be used for requested documents.

II. REPORTABLE CONDITIONS

Recommendation 1:

Improve communication between the finance and budgeting departments to ensure that all financial information and plans are accurate.

During fiscal 1996, HANO over-acquisitioned funds in excess of \$6 million from HUD for the voucher and certificate programs. Management informed us that this resulted from a lack of communication between the finance and budgeting departments. Without accurate information for budgeting, planning, and financial programs, management may make

invoiced financial and cash management decisions. We recommend that management evaluate the structure of the finance and budgeting departments and ensure that appropriate procedures are established to produce reliable financial information.

Management's Response

Communication between the budget and accounting departments has been addressed. Procedures in the Finance department have been implemented to insure completion of all finance related activities.

Recommendation 2:

Designate a person in each department to monitor compliance with laws and regulations.

IBAND must comply with numerous federal, state and local laws and regulations. During 1996, IBAND was not in compliance with certain HUD regulations concerning delinquent financial statements and reports for the Section 8 program. Because IBAND operates in a highly regulated environment, we recommend that a person in each department be trained to monitor the compliance with all laws and regulations applicable to that department. Oversight of this function could be provided by the Internal Audit department, including surprise audits of compliance monitoring procedures.

Management's Response

The Housing Authority of New Orleans acknowledges the need for a more directed approach to the issue of monitoring compliance with laws and regulations. However, the designation of an individual in each department may not be the best approach given the organizational structure of the Housing Authority. The Office of Audit and Compliance will work with IBAND's administration to develop a system which will adequately address the issues of compliance. A draft plan with procedures is expected to be in place by July 1997.

Recommendation 3:

Review all receivable balances periodically for collectibility.

There are several rental accounts receivable balances that had little or no activity during the year. These include, but are not limited to, the following accounts: 112894, 112928, 112906, 112836, 112897, 112888, 112885, 112302, 112303, 112305, 112306, and 112307. The balances of these accounts individually and in the aggregate are immaterial to the financial statements as a whole. However, management should review the contents of these accounts and pursue collection, if appropriate. All uncollectible amounts should be removed from the accounting records. In addition, these inactive accounts should be closed to avoid improper use in the future.

Management's Response:

Currently there is a system in place for review of all accounts. However, we agree with the recommendation for establishing a procedure for collections of accounts receivable.

Recommendation 4:

Maintain subsidiary ledgers for all significant general ledger accounts. Perform monthly reconciliations of subsidiary ledgers to the general ledger.

There are several accounts in the general ledger for which management is unaware of the contents or purpose. During the audit, we requested management to research several accounts to identify the appropriateness of the balances. Because subsidiary ledgers are not maintained for all accounts, management had to reconstruct the annual activity. We recommended that management establish subsidiary ledgers for all significant accounts and perform monthly reconciliations of those ledgers to the general ledgers. The reconciliations should be prepared in writing and all reconciling items should be documented and the necessary corrections made to the applicable subsidiary or general ledger. These reconciliations should be reviewed and approved by the preparer's immediate supervisor.

Management's Response:

We do agree that certain accounts require subsidiary ledgers. We have contracted with a consultant to help revise the general ledger and set up the necessary subsidiary ledgers through the CCS system. That revision is now complete and is currently being reviewed by HAWG's Finance department.

Recommendation 5:

Reconcile the interfund receivable and payable balances monthly.

Interfund advances are not reimbursed by the borrowing fund on a timely basis. In addition, no reconciliation is performed to reconcile interfund activity (receivable/payable). Several audit adjustments were necessary to correct errors noted in the reimbursement process (i.e. funds applied to the incorrect account) which may have been detected through a reconciliation process. We recommended that interfund advances (receivable/payable) be reviewed by a designated individual on a monthly basis and the interfund advances be reimbursed on a timely basis. We also recommended that interfund activity be reconciled on a monthly basis and the interfund receivables/payables be readily identified in the reconciliation.

Pricewaterhouse LLP



**REPORT ON COMPLIANCE WITH LAWS, REGULATIONS,
CONTRACTS AND GRANTS BASED ON AN AUDIT OF THE COMBINED
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Management of the Housing Authority
of New Orleans

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1996, and have issued our report thereon dated March 21, 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 combined financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to HANO is the responsibility of HANO's management. As part of obtaining reasonable assurance about whether the combined financial statements are free of material misstatement, we performed tests of HANO's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the combined financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. For the purposes of this report, we have categorized the provisions of laws, regulations, contracts, and grants we tested as part of obtaining such reasonable assurance into the following categories:

- Legal compliance
- Asset management
- Fiscal agency and cash management
- Debt restrictions
- Grant revenues and cash receipts
- Purchases and cash disbursements
- General ledger and financial reporting
- Grant accounting
- Compliance with regulations of the U.S. Department of Housing and Urban Development

The Management of the Housing Authority
of New Orleans

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The results of our tests disclosed the following instances of noncompliance that are required to be reported under Government Auditing Standards.

- (a) HANO did not provide sufficient documentation of compliance with contract provisions and competitive bidding requirements for one disbursement of the sixty disbursements selected for testing related to the Modernization Program.
- (b) Of the sixty disbursements selected for the Section 8 Program, canceled checks for two disbursements could not be provided by HANO to adequately support the participant costs.
- (c) HANO did not submit revised budgets to HUD for the Section 8 Program as required by HUD Notice PIH 94-64.
- (d) HANO did not electronically submit Form HUD-55058 for Section 8 participants as required by HUD Notice PIH 94-28.

We considered these instances of noncompliance in forming our opinion on whether HANO's 1996 combined financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated March 21, 1997, on these combined financial statements.

This report is intended for the information of the management of the Housing Authority of New Orleans, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Paul W. Whitman, A.C.P.
March 21, 1997

New Waterhouse LLP



**REPORT OF INDEPENDENT ACCOUNTANTS ON THE
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE**

The Management of the Housing Authority
of New Orleans

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1996, and have issued our report thereon dated March 21, 1997. These combined financial statements are the responsibility of HANO's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the combined financial statements of HANO, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the combined financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.



The Management of the Housing Authority
of New Orleans

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This report is intended for the information and use of the management of the Housing Authority of New Orleans, Louisiana. However, this report is a matter of public record and its distribution is not limited.

Primo Whitehouse, Jr. A
March 21, 1967

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 1996

Federal Grant/Program Title	Federal CFDA Number	Contract Number	Expenditure
U.S. Department of Housing and Urban Development Direct Programs:			
Operating Subsidy	14.858*	FW-1190	\$ 28,516,388
Section 8	14.156*	FW-2301/2053/2217	18,391,130
CLAP Grant (Modernization)	14.858*	LA 48P00700	2,349,368
CCMP Grant (Modernization)	14.852*	LA 48P00178203	2,993,982
PLAD	14.177	LA 48DEP0010192	253,383
LEIP	14.157	LA 48DEP0010194	874,148
Urban Revitalization (Modernization)		LA 4811RD0011194	580,608
Vacancy Reduction (Modernization)		LA 48VSRP0194	585,367
Urban Youth Corp. (Modernization)		LA 86UYCOR0100195	<u>21,884</u>
Total Federal Assistance Expended			<u>\$ 32,828,032</u>

*Major program as defined by OMB Circular A-123.

Price Waterhouse LLP



**REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

The Management of the Housing Authority
of New Orleans

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1996, and have issued our report thereon dated March 21, 1997. We have also audited the compliance of HANO with requirements applicable to major federal financial assistance programs and have issued our report thereon dated March 21, 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 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 financial statements are free of material misstatement and about whether HANO 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 September 30, 1996, we considered the internal control structure of HANO in order to determine our auditing procedures for the purpose of expressing our opinions on the combined financial statements of HANO and on the compliance of HANO 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 combined financial statements in a separate report dated March 21, 1997.



The Management of the Housing Authority
of New Orleans

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The management of HANO 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 structures, 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 executed in accordance with management's authorization and recorded properly to permit the preparation of the combined 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:

- Legal compliance
- Asset management
- Debt restrictions
- Grant revenues and cash receipts
- Purchases and cash disbursements
- General ledger and financial reporting
- Grant accounting
- Compliance with regulations of the U.S. Department of Housing and Urban Development



The Management of the Housing Authority
of New Orleans

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Controls used in administering compliance with laws and regulations:

General Requirements

- Political activity
- Civil rights act
- Cash management
- Federal financial reports
- Allowable cost/cost principles
- Drug-free workplace act
- Administrative requirements
- Davis-Bacon act
- Relocation assistance and real property Acquisition

Specific Requirements

- Types of services
- Eligibility
- Advances and reimbursements
- Amounts claimed or used for matching as determined by the OMB Circulars A-87 and other applicable cost principles or regulations that are applicable to each of its major programs.
- Reporting

For all of 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 September 30, 1996, HANO expended 57% percent of its total federal financial assistance under major federal financial 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 and amounts claimed or used for matching that are applicable to each of HANO's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.



The Management of the Housing Authority
of New Orleans

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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. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect HANO's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

We believe the following are reportable conditions as described above:

- (a) HANO did not provide sufficient documentation of (1) compliance with contract provisions and competitive bidding requirements for one of the sixty disbursements selected for testing related to the Modernization Program and (2) eligibility for reimbursement of costs for two of the sixty participants selected for testing in the Section 8 Program.
- (b) Documentation of the contract administration process was inconsistent and incomplete in certain instances.

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 consider item (a) noted above to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of HANO with requirements applicable to its major federal financial assistance programs for the year ended September 30, 1996, and this report does not affect our report thereon dated March 23, 1997.

The Management of the Housing Authority
of New Orleans

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This report is intended for the information of the management of the Housing Authority of New Orleans, Louisiana. However, this report is a matter of public record, and its distribution is not limited.

Paul Waterhouse L.L.P.
March 21, 1997

Hier Waterhouse LLP



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

The Management of the Housing Authority
of New Orleans

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1996, and have issued our report thereon dated March 21, 1997.

We have also audited HANO's compliance with the requirements governing types of services allowed or unallowed, eligibility, reporting, and claims for advances and reimbursements, that are applicable to each of its major federal programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended September 30, 1996. The management of HANO is responsible for HANO's compliance with these requirements. Our responsibility is to express an opinion on compliance with those 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, 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 material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about HANO's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.



The Management of the Housing Authority
of New Orleans

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As further described in the accompanying Schedule of Findings and Questioned Costs, the results of our audit procedures for the Modernization Program disclosed that HANO did not comply with the requirement to maintain sufficient documentation for one of the sixty disbursements selected for testing of compliance with contractors provisions and competitive bidding requirements. Also, HANO was unable to locate supporting documentation as evidence of eligibility of reimbursement of costs as required by the Section 8 Program for two of the sixty participants selected for testing. In our opinion, HANO's compliance with these requirements is necessary for HANO to comply with the requirements of the Modernization Program and Section 8 Program.

In addition, the results of our audit procedures disclosed an immaterial instance of noncompliance with the requirements referred to in the second paragraph, which is described in 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, except for these instances of noncompliance with the requirements applicable to the Modernization Program and Section 8 Program referred to in paragraph four of this report, HANO complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; reporting; and claims for advances and reimbursements, that are applicable to each of its major federal programs for the year ended September 30, 1996.

This report is intended for the information of the management of the Housing Authority of New Orleans. However, this report is a matter of public record and its distribution is not limited.

Paula Waterhouse LLP
March 23, 1997

Price Waterhouse LLP



**REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS
APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS**

*The Management of the Housing Authority
of New Orleans*

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1996, and have issued our report thereon dated March 21, 1997.

We have applied procedures to test HANO's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance, for the year ended September 30, 1996:

- Political activity
- Davis - Bacon Act
- Civil Rights Act
- Cash Management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- 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 HANO'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 HANO had not complied, in all material respects, with these requirements.

The Management of the Housing Authority
of New Orleans

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This report is intended for the information of the management of the Housing Authority of New Orleans. However, this report is a matter of public record and its distribution is not limited.

P. W. Williams L. W. P.
March 21, 1997

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 1998

I. FINDINGS AND QUESTIONED COSTS

PROGRAM: MODERNIZATION PROGRAM

Finding 1

QUESTIONED COSTS: \$225,169

CONDITION:

The Modernization Program costs are substantially comprised of construction, rehabilitation and associated expenditures. These costs are generally significant and are subject to HANO's contractual requirements including federal and state competitive bidding provisions. For one of the sixty contractual disbursements selected for testing, HANO was unable to locate sufficient documentation to confirm compliance with contract intent and bidding requirements. Missing documentation included bidding information, invoice, purchase order, and receiving report.

EFFECT:

HANO is unable to demonstrate by documentation their determination of compliance with specific contract provisions as well as competitive bidding requirements for the contract, and to monitor the accuracy and reasonableness of this cost in accordance with federal requirements.

RECOMMENDATIONS:

Maintain comprehensive contract files on all contracted services, including evidence of competitive bidding, invoices, purchase orders, receiving reports, etc.

PROGRAM: MODERNIZATION PROGRAM

Finding 2

QUESTIONED COST: \$ 0

CONDITION:

Construction contract and architect contract files were inconsistent and incomplete in some instances. For the majority of contracts in process in 1998, evidence of the successful bidder's response was not maintained.

EFFECT:

As a result of the incomplete documentation, HANO is unable to demonstrate compliance with bidding requirements.

RECOMMENDATION:

Implement procedures to ensure that all contract administration processes are completely and uniformly performed and documented.

PROGRAM: SECTION 8

Finding 3

QUESTIONED COST: \$391

CONDITION:

Of the sixty disbursements selected for the Section 8 Program, canceled checks for two disbursements could not be provided by HANO to adequately support the participant costs.

EFFECT:

HANO is unable to demonstrate by documentation their determination that certain participant costs charged to the program are proper.

RECOMMENDATION:

Ensure that all supporting documentation is maintained and organized and that all participant files are current and complete.

II. STATUS OF PRIOR-YEAR FINDINGS

The findings reported in the schedule of findings and questioned costs for the fiscal year ended September 30, 1995 have not been resolved and are consistent with the findings noted above. The testing of internal controls and compliance relevant to federal financial assistance programs for the year ended September 30, 1994 is not complete. Any issues or exceptions that may result from the 1994 audit have not been considered in the audits performed for fiscal 1995 or 1996 in accordance with the Single Audit Act of 1984.

III. REFERENCE TO MATERIAL FINDINGS PRESENTED IN REPORTS OF OTHER AUDITORS OR FEDERAL INSPECTOR GENERAL

HUD and the Office of Inspector General performed several mini-audits during fiscal 1996. Significant weaknesses noted include:

- Differences between accounting records and physical appliance inventory at maintenance warehouses. Based on the insignificant dollar value of these items, there is no material effect to the financial statements.
- HANO issued a non-competitive contract for outsourcing the Resident Initiative Program valued at \$2,500,000 to an organization affiliated with the Executive Director. HUD did not view this contract to be in the best interest of HANO or HUD because HUD believed that efforts should be directed to HANO's most urgent needs.