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**ST. MARY PARISH HOUSING PROGRAM
STATE OF LOUISIANA**

**Annual Component Unit Financial Statements
with Independent Auditors' Report**

and

**Independent Auditors' Reports on Federal Awards, Internal Accounting Control,
and Compliance**

For the Year Ended September 30, 1987

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, electronically, at the office of the parish clerk of court.

Released Date JUN 03 1988

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**INDEPENDENT AUDITORS' REPORT**

Mr. Jim Firmin, Administrator
St. Mary Parish Housing Program
Morgan City, Louisiana

We have audited the accompanying general purpose financial statements and the combining individual fund financial statements of the St. Mary Parish Housing Program, a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 1997, as listed in the table of contents. These general purpose financial statements are the responsibility of the St. Mary Parish Housing Program'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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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 St. Mary Parish Housing Program, as of September 30, 1997, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the St. Mary Parish Housing Program, as of September 30, 1997, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 1998, on our consideration of the St. Mary Parish Housing Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audit of State, Local Governments, and Non-Profit Organizations, and is not a required part of the general purpose financial statements of the St. Mary Parish Housing Program. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.



CERTIFIED PUBLIC ACCOUNTANTS

May 19, 1998

ST. MARY PARISH HOUSING PROGRAM

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS

September 30, 1997

	GOVERNMENTAL FUND TYPE SPECIAL REVENUE FUNDS	ACCOUNT GROUP GENERAL FUND ASSETS	TOTAL (MEMORANDUM ONLY)
ASSETS			
Cash	\$269,401		\$269,401
Due from HUD	182,121		182,121
Fixed assets		\$1,925	1,925
Total assets	\$471,732	\$1,925	\$473,657
LIABILITIES AND EQUITY:			
Liabilities:			
Checks drawn in excess of bank balance	\$250		\$250
Accounts payable	115,808		115,808
Due to HUD	346,373		346,373
Loan payable	18,928		18,928
Total liabilities	473,057		473,057
Equity:			
Investments in general fixed assets		\$1,925	1,925
Fund balance (deficit)	(1,325)		(1,325)
Total equity	(1,325)	1,925	599
Total liabilities and equity	\$471,732	\$1,925	\$473,657

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

ST. MARY PARISH HOUSING PROGRAM**COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES**

For the Year Ended September 30, 1997

	GOVERNMENTAL FUND TYPE Special Revenue Funds
Revenues:	
Federal grants	<u>\$685,660</u>
Total expenditures	<u>685,660</u>
Expenditures:	
Health and welfare	
Housing assistance payments	390,440
Administrative costs	123,723
Construction/maintenance	<u>190,627</u>
Total expenditures	<u>704,790</u>
Excess (deficiency) of revenue over expenditures	(19,130)
Fund balance at beginning of year	<u>17,775</u>
Fund balance (deficit) at end of year	<u>(\$1,355)</u>

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

**ST. MARY PARISH HOUSING PROGRAM
CERTAIN SPECIAL REVENUE FUNDS**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
(Section 8 Housing - The Entity's Only Budgeted Fund)
For the Year Ended September 30, 1997**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Federal grant	<u>\$670,562</u>	<u>\$495,499</u>	<u>(\$175,063)</u>
Expenditures:			
Health and welfare:			
Housing assistance payments	597,500	390,440	207,060
Administrative costs	<u>72,952</u>	<u>79,033</u>	<u>(\$6,081)</u>
Total expenditures	<u>670,452</u>	<u>470,273</u>	<u>200,279</u>
Deficiency of revenue over expenditures		(4,664)	(4,664)
Fund balance at beginning of year	<u> </u>	<u>13,761</u>	<u>13,761</u>
Fund balance at end of year	<u> </u>	<u>\$8,997</u>	<u>\$8,997</u>

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

ST. MARY PARISH HOUSING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

September 30, 1987

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary Parish Housing Program administers housing assistance programs. The Section 8 Housing Program covers all of St. Mary Parish, excluding Morgan City and the Home Disaster Relief Program covers all of St. Mary Parish.

The Home Disaster Relief Program was created by Congress and the President in part in response to damage caused by Hurricane Andrew. The objective of St. Mary Parish in implementing this program is to assist low-to-moderate income families in the Parish with their efforts to recover from the damages and effects of Hurricane Andrew.

The financial statements of the St. Mary Parish Housing Program have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

In evaluating how to define the governmental unit, for financial reporting purposes, consideration has been given to the following criteria as set forth in GAAP:

- a. Financial benefit or burden
- b. Appointment of a voting majority
- c. Imposition of will
- d. Fiscally dependent

Based upon the above criteria, the Program is a component unit and integral part of St. Mary Parish (the primary government.)

These financial statements include only the operations of the Program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Fund Accounting

The Program uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Governmental Fund

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

C. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both 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 be used to pay liabilities of the current period. Federal grants are recorded when the Program is entitled to the funds. Expenditures are recorded when the related fund liability is incurred.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

The program director develops a budget for operation of the program based upon the number of approved residential units to be funded. The grantor approves the number of units, the total grant funds, and the allocation of expenditures between administrative and housing assistance payments.

The budget is prepared on a basis which is consistent with generally accepted accounting principles.

The program does not utilize encumbrance accounting.

No annual budget is prepared for the Home Disaster Relief Program due to the nature of the program which is to perform major repairs or reconstruction on eligible housing units. This Program has a total project length budget, but it is not allocated to separate fiscal periods.

E. Cash and Cash Equivalents

For financial statement purposes, cash and cash equivalents include demand deposits.

Cash and cash equivalents are stated at cost, which approximates market.

F. Fixed Assets

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisitions are reflected as expenditures in governmental funds and the related assets are reported in the general fixed assets account group. Fixed assets are valued at cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

G. Risk Management

The Program is exposed to various risks of loss related to torts and errors or omissions. The Corporation contracted to administer the program carries insurance to substantially cover all risk of the Program.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Memorandum Only - Total Column

Total columns on the financial 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 are such data comparable to a consolidation.

NOTE 2 - FUND DEFICIT

The Home Disaster Relief fund had a fund deficit at September 30, 1997, of \$10,292. This deficit will be eliminated by future program revenues.

NOTE 3 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the Program's cash and cash equivalents was \$389,611 and the bank balance was \$461,762.

Under state law, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the bank. These pledged securities are held in the name of the pledging bank in a custodial bank that is mutually acceptable to the parties involved.

Under the provision of the Governmental Accounting Standards Board (GASB) codification, accounts secured by pledged securities which are not in the name of the governmental unit are considered uncollateralized.

The following is a summary of the cash and cash equivalents, federal deposit insurance, and pledged securities as of September 30, 1997:

Cash and cash equivalents - stated value	<u>\$389,611</u>
Cash and cash equivalents - bank balance	461,762
Portion insured by federal deposit insurance	100,000
Collateralized by securities in the Program's name held by the Program or its agent	<u>NONE</u>
Balance uninsured and uncollateralized under GASB codification	361,762
Portion of deposits secured under Louisiana law	<u>361,762</u>
Amount unsecured under Louisiana law	<u>NONE</u>

NOTE 4 - CONTINGENCIES

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed expenditures may constitute a liability of the Program. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time; although, management of the Program believes disallowances, if any, to be immaterial.

NOTE 5 - FIXED ASSETS

A summary of the Program's fixed assets at September 30, 1997, follows:

	Balance			Balance
	9/30/96	Additions	Deletions	9/30/97
Office Equipment	\$1,925	—	—	\$1,925
Total	\$1,925	—	—	\$1,925

NOTE 6 - RELATED PARTY

The Section 8 Housing Program and the Home Disaster Relief Program are administered by a management company. The company employs all of the inspectors and administrative personnel and bills each Program periodically. During the year, the Company advanced the Home Disaster Relief Program funds for operations, pending reimbursement of grant funds. At September 30, 1997, the outstanding loan payable to the company was \$10,000.

COMBINING INDIVIDUAL FUND FINANCIAL STATEMENTS

**ST. MARY PARISH HOUSING PROGRAM
SPECIAL REVENUE FUNDS
September 30, 1997**

SECTION 8 HOUSING PROGRAM

The St. Mary Parish Housing Program administers the housing assistance programs for the Parish of St. Mary, excluding Morgan City.

HOME DISASTER RELIEF PROGRAM

The Home Disaster Relief Program assists primarily low to moderate income families in the Parish with their efforts to recover from the damages and effects of Hurricane Andrew.

**ST. MARY PARISH HOUSING PROGRAM
SPECIAL REVENUE FUNDS**

**COMBINING BALANCE SHEET
September 30, 1997**

	Section 8 Housing	Home Disaster Relief	Totals
ASSETS:			
Cash	\$268,811		\$268,811
Due from HUD	4,471	\$97,730	102,201
	<hr/>	<hr/>	<hr/>
Total assets	\$274,032	\$97,730	\$471,732
	<hr/>	<hr/>	<hr/>
LIABILITIES AND EQUITY:			
Liabilities:			
Checks drawn in excess of bank balance		\$200	\$200
Accounts payable	\$16,130	\$7,700	23,830
Due to HUD	\$46,575		46,575
Loan payable		10,000	10,000
	<hr/>	<hr/>	<hr/>
Total liabilities	\$68,875	187,680	256,555
	<hr/>	<hr/>	<hr/>
Equity:			
Fund balance (deficit)	8,927	(110,282)	(1,035)
	<hr/>	<hr/>	<hr/>
Total equity	8,927	(110,282)	(1,035)
	<hr/>	<hr/>	<hr/>
Total liabilities and equity	\$274,032	\$97,730	\$471,732
	<hr/>	<hr/>	<hr/>

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

**ST. MARY PARISH HOUSING PROGRAM
SPECIAL REVENUE FUNDS**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended September 30, 1997**

	Section 8 Housing	Home Disaster Relief	Totals
Revenues:			
Federal grant	<u>\$465,468</u>	<u>\$220,211</u>	<u>\$685,679</u>
Total revenues	<u>465,468</u>	<u>220,211</u>	<u>685,679</u>
Expenditures:			
Health and welfare			
Including assistance payments	580,440		580,440
Administrative costs	79,023	43,896	122,919
Construction/maintenance		<u>180,627</u>	<u>180,627</u>
Total expenditures	<u>470,273</u>	<u>224,517</u>	<u>794,790</u>
Excess (deficiency) of revenues over expenditures	<u>(4,804)</u>	<u>(14,306)</u>	<u>(19,110)</u>
Fund balance at beginning of year	<u>13,781</u>	<u>4,014</u>	<u>17,795</u>
Fund balance at end of year	<u>\$8,977</u>	<u>\$(10,292)</u>	<u>\$(11,315)</u>

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

SCHEDULE OF FEDERAL AWARDS

ST. MARY PARISH HOUSING PROGRAM

SCHEDULE FEDERAL AWARDS
For the Year Ended September 30, 1997

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ PROGRAM TITLE	CFDA NUMBER	REVENUE	EXPENDITURES
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Housing/Federal Housing Commissioner			
Section 8 Rental Voucher Program	14.005	\$54,370	\$66,967
*Section 8 Rental Certificate Program	14.057	406,000	414,516
Home Disaster Relief Program	14.209	<u>228,211</u>	<u>234,517</u>
Total U.S. Department of Housing and Urban Development		<u>\$685,581</u>	<u>\$716,000</u>

*Denotes major program

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

INTERNAL ACCOUNTING CONTROL AND COMPLIANCE



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

Mr. Jim Firmin
St. Mary Parish Housing Program
Morgan City, Louisiana

We have audited the general purpose financial statements of the St. Mary Parish Housing Program as of and for the year ended September 30, 1997, and have issued our report thereon dated May 10, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the St. Mary Parish Housing Program's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 1, 2, 3, and 5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Housing's Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary Parish Housing Program's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1, 2, 4, and 5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1 and 2 to be material weaknesses.

This report is intended for the information of management, the finance committee of the St. Mary Parish Council, federal awarding agencies, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



CERTIFIED PUBLIC ACCOUNTANTS

May 19, 1998

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

Mr. Jim Firmin
St. Mary Parish Housing Program
Morgan City, Louisiana

Compliance

We have audited the compliance of the St. Mary Parish Housing Program with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 1997. The St. Mary Parish Housing Program's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the St. Mary Parish Housing Program's management. Our responsibility is to express an opinion on the St. Mary Parish Housing Program's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about St. Mary Parish Housing Program's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on St. Mary Parish Housing Program's compliance with those requirements.

As described in items 1 and 2 in the accompanying schedule of findings and questioned costs, St. Mary Parish Housing Program did not comply with requirements regarding cash management and U.S. Department of Housing and Urban Development's guidelines related to interest earnings on excess program funds that are applicable to its Section 8 Rental Certificate Program. Compliance with such requirements is necessary, in our opinion, for the St. Mary Parish Housing Program, to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, St. Mary Parish Housing Program complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 1987.

Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the St. Mary Parish Housing Program's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 1 and 2.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 1 and 2 to be material weaknesses.

This report is intended for the information of management, the finance committee of the St. Mary Parish Council, federal awarding agencies, and the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Pitts & Motta

CERTIFIED PUBLIC ACCOUNTANTS

May 19, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

ST. MARY PARISH HOUSING PROGRAM
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 1997

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the St. Mary Parish Housing Program.
2. Six reportable conditions disclosed during the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Two of these conditions are reported as material weaknesses.
3. Two instances of noncompliance material to the general purpose financial statements of the St. Mary Parish Housing Program were disclosed during the audit.
4. Two reportable conditions disclosed during the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. Both conditions are reported as material weaknesses.
5. The auditors' report on compliance for the major federal award program for St. Mary Parish Housing Program expresses a qualified opinion because of failure to comply with regulations related to drawdown of federal funds and interest earnings on excess program funds as described in C.1. and C.2.
6. Audit findings relative to the major federal award programs for the St. Mary parish Housing Program are reported in Part C of this Schedule.
7. The program tested as a major program includes:

Section B Rental Certificate Program, CFDA No. 14.657
8. The threshold for distinguishing types A and B programs was \$300,000.
9. St. Mary Parish Housing Program was determined to be a low risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESSES

1. Federal Drawdowns

Condition: During the year, management drew down substantially more Federal funds than were utilized in the near future.

Criteria: Cash management compliance requirements state that federal funds should be drawn down so as to minimize the lapse of time between receipt of federal funds and disbursement.

Effect: Noncompliance with federal cash management requirements.

Cause: Management does not have a system in place to budget near future cash flow needs to schedule federal draw downs accordingly.

Recommendation: Management should develop a system to budget its near cash flow needs and schedule payments to avoid lapses of time between receipt and disbursement of funds.

Response: With the implementation of Welfare Reform and the change in the state of the area's economy over the past two years, the result has been a great fluctuation in the total annual income of families participating in the Section 8 program. This contributes to the difficulty in accurately estimating the total Housing Assistance Payment made by the Agency. However, management hereby agrees to implement a system to more accurately budget near cash flow needs and schedule payments to avoid lapses of time between receipt and disbursement of funds.

2. Interest Earnings

Condition: Excess program funds on hand during the year were not invested to earn interest.

Criteria: U.S. Department of Housing and Urban Development's guidelines require that excess program funds on hand be invested to earn interest.

Effect: Noncompliance with federal grantor requirements.

Cause: Management did not follow program guidelines regarding excess program funds on hand.

Recommendation: Management should set up a monitoring system that allows for federal drawdowns that do not exceed relatively near future cash flow requirements, and the cash balances should be more closely monitored so that if excess program funds are drawn, they are placed in interest-bearing accounts.

Response: Management has been made aware of the need to place excess funds in an interest bearing account and has made the necessary arrangements to do so. Additionally, by implementing measures as outlined in item B.1, management plans to minimize the need for this requirement.

REPORTABLE CONDITIONS

3. Timeliness of Audit

Condition: Completion of annual audit has exceeded the deadline.

Criteria: State law requires that audits be completed within six months of the close of the entity's fiscal year.

Effect: Noncompliance with state law.

Recommendation: All required documentation should be provided to the auditors on a timely basis and the audit should be submitted to the Legislative Auditor by the deadline required by state law.

Response: During the first week of February 1998, the auditor was given the books from our fee accountant, requisitions, budgets, statements, etc. that had been requested of management on all housing and community development programs to that date. As customary, after reviewing the initial documents, it was necessary to obtain detailed back up documentation. On February 16, 1998 the program administrator suffered a stroke, was hospitalized for three weeks, in rehabilitation for six additional weeks, and has only recently returned part time to work. The administrative assistant is the nearest to family that he has in the area and was with him for nearly four weeks. It was very difficult to coordinate the assembly of the remainder of the material requested. At which time the information was provided, the auditor was contractually committed to deadlines for other entities.

Management hereby agrees to implement a system whereby required program documentation will be provided to the auditors within ten weeks of year end. This will allow time to complete the audit and submit it to the Legislative Auditor, even in the event of another emergency situation.

4. Processing of Accounting Data.

Condition: Accounting records are processed on an annual basis.

Criteria: Accounting records should be processed on a monthly or at least quarterly basis throughout the year.

Effect: Untimely processing of accounting records causes delays in obtaining necessary documentation to complete the annual audit, which in turn causes the submission of the audit to exceed the state law required by deadline.

Recommendation: Management should process the accounting records on a monthly or quarterly basis so as not to cause delays in completion of the annual audit.

Response: Management hereby agrees to implement a system whereby account records are processed on a monthly or quarterly basis.

5. Budget - Section 8 Housing Program

Condition: Notification was not made and budgets were not amended although actual revenues failed to come within five percent of budgeted revenues as follows:

	Budgeted Amount	Actual Amount	Variance	Percent
Federal grant	\$670,000	\$465,460	\$(204,540)	30.58%

Criteria: Louisiana statutes require that the chief executive or administrative officer shall advise the governing authority in writing when revenues collected plus projected revenue collections for the remainder of the period, within a fund are failing to meet estimated annual budgeted revenues by five percent or more or when actual expenditures plus projected expenditures for the remainder of the year within a fund exceed budgeted expenditures by five percent or more. Upon receiving notification, the governing authority is required to amend the budget.

Effect: Noncompliance with state law.

Recommendation: Budgets should be adjusted whenever actual revenues and future anticipated revenues are less than budgeted revenues by five percent or more.

Response: Management hereby agrees that budgets will be adjusted whenever actual revenues and future anticipated revenues are less than budgeted revenues by five percent or more.

B. Outstanding Checks

Condition: There were several outstanding checks on the year end bank reconciliation that had been outstanding for several months.

Criteria: An accurate cash balance cannot be determined if outstanding checks should be voided.

Effect: Old outstanding checks are a signal to management that something could be wrong. All outstanding checks for a specified period of time should be investigated to determine the cause of the delay in clearing the bank.

Recommendation: After a specified period of time, all outstanding checks should be investigated to determine the cause of the delay in clearing the bank. Timely adjustments to the general ledger should be made in the case of checks that have been voided and/or reissued.

Response: Management hereby agrees that with the implementation of Item B.4, statements will be reviewed and all outstanding checks will be investigated and adjustments made in a timely manner.

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

1. U.S. Department of Housing and Urban Development
Section 8 Rental Certificate Program
CFDA No. 14.857

Questioned
Costs

Project No. LA 220CE 001-009 Year Ended
September 30, 1997

Condition and Criteria: During the year, management draw down substantially more federal funds than were utilized in the near future. Federal cash management requirements call for a minimum lapse of time between receipt and disbursement of federal funds.

Effect: Noncompliance with federal cash management requirements.

Cause: There is no system in place to budget the Program's near future cash flow needs and schedule federal drawdowns accordingly.

Recommendation: Management should develop a system to budget its near cash flow needs and schedule payments to avoid lapses of time between receipt and disbursement of funds.

Response: As previously noted, with the implementation of Welfare Reform and the change in the state of the area economy over the past two years, the result has been a great fluctuation in the total annual income of families participating in the Section 8 Program. This contributes to the difficulty in accurately estimating the total Housing Assistance payment made by the agency. However, management hereby agrees to implement a system to one accurately budget near cash flow needs and schedule payments to avoid lapses in time between receipt and disbursement of funds.

2. Project No. LA 220CE 001-000
Year Ended September 30, 1997

Condition and Criteria: The U.S. Department of Housing and Urban Development has developed guidelines that require excess program funds on hand be invested to earn interest. Excess program funds on hand during the year were not invested to earn interest.

Effect: Noncompliance with U.S. Department of Housing and Urban Development Program guidelines.

Cause: Management did not follow program guidelines regarding excess program funds on hand.

Recommendation: Management should set up a monitoring system that allows for federal drawdowns that do not exceed relatively near future cash flow requirements, and the cash balances should be more closely monitored so that if excess program funds are drawn, they are placed in interest-bearing accounts.

Provision for this has been made in the year-end settlement.

Response: Management has been made aware of the need to place excess funds in an interest bearing account and has made the necessary arrangement to do so. Additionally, by implementing measures as outlined in item B1/C1, management plans to minimize the need for this requirement.