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**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**

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Release Date: **SEP 15 1998**

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 1998

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INDEPENDENT AUDITORS' REPORT

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

The Regional Inspector General
U.S. Department of Housing
and Urban Development

We were engaged to audit the general-purpose financial statements as listed in the Table of Contents of the Housing Authority of New Orleans (HANO), New Orleans, Louisiana as of and for the year ended September 30, 1998. These general-purpose financial statements are the responsibility of HANO's management.

Because of the nature of certain accounting records and information needed to comply with Louisiana Revised Statute 24:514 (LA-RS 24:514 requires compliance with generally accepted accounting principles however, HANO uses accounting practices and procedures permitted by HUD), and as a result accounting records are not maintained in accordance with generally accepted accounting principles, HANO's recodification policy regarding the various legal actions as fully discussed in NOTE 8, the omission of disclosures related to the amount of the major classes of land, structures and equipment as discussed fully in NOTE 1, the validity of intercompany advances to include the out of balance condition and the status of the unrecorded debt forgiveness as more fully discussed in NOTE 10, we are unable to form an opinion regarding the accompanying general-purpose financial statements.

Because of the significance of these matters and since the cumulative effect of all of the items previously discussed materially affect the determination of financial position and results of operations, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the financial statements referred to in the first paragraph.

**INDEPENDENT AUDITORS' REPORT
(CONTINUED)**

To the Board of Commissioners
Housing Authority of New Orleans
New Orleans, Louisiana
Page 2

The Regional Inspector General
U.S. Department of Housing
and Urban Development

In accordance with Government Auditing Standards, we have also issued our report dated May 10, 1999 on our consideration of HANO's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

May 10, 1999

BOOKING STATEMENT OF NEW OBLIGATIONS
NEW OBLIGATIONS LISTED

COMMODITIES ACCOUNT
ALL FUND TYPES AND ACCOUNT CATEGORIES
SEPTEMBER 30, 1999

Account	GOVERNMENTAL FUND TYPES			PRIMARY FUND TYPES			ACCOUNT CATEGORIES			Total Administration Charge
	Fiscal Balance	Old Bal.	Capital Projects	Appt.	Genl. Inv.	Proj.	Inv.	Cap. Inv.	Inv.	
1 11,034,861 \$	10,646,113	0 \$	0 \$	1,000,000 \$	0 \$	0 \$	0 \$	0 \$	0 \$	0,000,000
2 428,494	1,029,417	1,000,000	0	0	0	0	0	0	0	3,000,000
3 3,500,000	64,500	0	0	0	0	0	0	0	0	4,000,000
4 1,200,000	0	0	0	0	0	0	0	0	0	3,000,000
5 1,200,000	0	0	0	0	0	200,000,000	0	0	0	3,000,000
6 0	0	0	0	0	0	0	0	65,000,000	0	65,000,000
7 3,000,000 \$	2,650,000 \$	2,650,000 \$	0 \$	1,000,000 \$	0 \$	0 \$	0 \$	2,000,000 \$	0 \$	10,000,000

ASSISTANT JOB CONTROL SHEET

Control numbers corresponding to (PT) (S)
 Reports with (R) (PT) (S)
 accounts receivable (PT) (S)
 Payroll other (R) (PT) (S)
 Bankable from (R) (S) with service (PT) (S)
 from other (PT) (S)
 L&L, account and (PT) (PT) (S) (S) (S)
 accounts to be provided by (R) (S) for utilization
 of (S) (S)

Amount available to (S) (S) (S) (S)

Total available to (S) (S) (S) (S)

**BIRMINGHAM AUTHORITY EFFICIENCY CELLULAR
NEW VEHICLES, JOB BEANS**

CORPORATE BALANCE SHEET

**ALL FINANCIALS ARE ACCOUNTING ITEMS
REPRESENTING AS OF:**

GENERAL	GOVERNMENTAL FUND TYPES		PRIMARY FUND TYPE		ACCOUNT GROUPS		
	Bond Maturities	Date Sinks	Capital Projects	ASPS	General Fund	Special Projects	Trust Blended DEBT
1	4,588,000.00	479,000.00	0.00	1,445,000.00	0.00	0.00	11,840,000.00
	395,000.00	0.00	0.00	0.00	0.00	0.00	2,110,000.00
	0.00	1,400,000.00	0.00	0.00	0.00	0.00	1,650,000.00
	88,000.00	0.00	0.00	0.00	0.00	0.00	88,000.00
	0.00	0.00	0.00	0.00	0.00	0.00	66,500,000.00
	0.00	0.00	0.00	0.00	0.00	0.00	1,900,000.00
	1,450,000.00	1,879,000.00	0.00	1,445,000.00	0.00	0.00	86,000,000.00
	0.00	0.00	0.00	0.00	0.00	0.00	8,050,000.00
	98,000,000.00	280,000,000.00	0.00	0.00	0.00	0.00	50,000,000.00
	800,000,000.00	200,000,000.00	0.00	90,000.00	0.00	0.00	200,000,000.00
	800,000,000.00	200,000,000.00	0.00	90,000.00	0.00	0.00	200,000,000.00
	1,000,000.00	300,000.00	0.00	80,000.00	0.00	0.00	3,000,000.00
	1,000,000.00	300,000.00	0.00	80,000.00	0.00	0.00	3,000,000.00
	1,000,000.00	300,000.00	0.00	80,000.00	0.00	0.00	3,000,000.00
	1,000,000.00	300,000.00	0.00	80,000.00	0.00	0.00	3,000,000.00
	1,000,000.00	300,000.00	0.00	80,000.00	0.00	0.00	3,000,000.00
	1,000,000.00	300,000.00	0.00	80,000.00	0.00	0.00	3,000,000.00

LIABILITIES AND OTHER DEBITS

Account payable (SOPTS 1)
 Account payable (SOPTS 2)
 Due to other funds (SOPTS 1)
 Deferred assets
 Prepaid expenses (SOPTS 1)
 Compensation and pension payable (SOPTS 1)
 Tax receivable and other credits

FUND EQUITY

Investments in general fund assets
 Contributions (DC) contributions, grants and other

Fund Totals:

Revenue (SOPTS 1)
 Revenue (SOPTS 2)
 Total fund equity
 Total fund equity
 Contributions and contingencies (SOPTS 1, 11 and 18)
 Total liabilities, other credits and equity

BOOKING ACTIVITY OF NEW OBLIGATIONS
NEW OBLIGATIONS, LOUISIANA

COMPOUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDING SEPTEMBER 30, 1998

	GOVERNMENTAL FUND TYPES				Totals (Major-nonmajor Funds)
	General	Special Revenues	Debt Service	Capital Projects	
Revenues:					
Bonding yield					
Non-funding rental	16,571,669	0	0	0	16,571,669
Interest on operating reserves and	4,199	0	0	0	4,199
grant fund investments	387,322	18,851	0	0	387,322
Total revenues	17,459,290	18,851	0	0	17,486,141
Expenditures:					
Administration	4,118,948	2,111,221	0	0	6,230,169
Transportation	4,028,344	0	0	0	4,028,344
Utilities	15,129,881	0	0	0	15,129,881
Ordinary maintenance	19,911,244	0	0	0	19,911,244
Special services	1,863,281	0	0	0	1,863,281
General expenditures	4,117,789	0	0	0	4,117,789
Bonding activities payments	0	18,259,284	0	0	18,259,284
Non-revenue maintenance	1,197,243	0	0	0	1,197,243
Capital expenditures	0	0	0	45,968,022	45,968,022
Loss on disposition of equipment	353,288	0	0	0	353,288
Total expenditures	34,529,138	21,428,119	0	45,968,022	101,925,281
Operating income (deficit) before other changes and transfers: (debit) and (credit)	(17,069,848)	(12,549,268)	0	(45,968,022)	(111,486,638)

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

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCES - ALL COMBINATIONAL FUND TYPES - BUDGET AND ACTUAL
FOR THE YEAR ENDING SEPTEMBER 30, 1998

	GENERAL FUND		Variances (Favorable Unfavorable)	SPECIAL REVENUE FUNDS		Variances (Favorable Unfavorable)
	Budget	Actual		Budget	Actual	
Revenues:						
Dwelling rental	\$ 10,609,250	\$ 10,511,889	\$(97,361)	\$ 0	\$ 0	\$ 0
Non-dwelling rental	19,000	6,189	(12,811)	0	0	0
Interest on operating income and general fund investments	286,896	307,288	20,392	193,833	193,833	0
Total revenues	<u>10,915,146</u>	<u>10,825,366</u>	<u>\$(89,780)</u>	<u>193,833</u>	<u>193,833</u>	<u>0</u>
Expenses:						
Administration	6,282,009	6,180,868	101,141	3,111,000	3,111,000	0
Tenant services	3,565,981	4,059,264	(493,283)	0	0	0
Utilities	14,781,031	13,829,863	951,168	0	0	0
Ordinary maintenance	1,025,865	1,041,244	(15,379)	0	0	0
Protective services	1,204,111	1,465,283	(261,172)	0	0	0
General expenditures	6,786,136	8,137,789	(1,351,653)	0	0	0
Renting equipment payments	0	0	0	792,989,884	792,989,884	0
Non-recurring maintenance	450,710	507,261	(56,551)	0	0	0
Capital expenditures	0	0	0	0	0	0
Loss on disposition of equipment	0	700,000	(700,000)	0	0	0
Total expenditures	<u>30,865,843</u>	<u>34,026,186</u>	<u>\$(3,160,343)</u>	<u>3,111,000</u>	<u>3,111,000</u>	<u>0</u>
Operating income (deficit) before other charges and income, debit and credit	<u>\$(20,950,697)</u>	<u>\$(23,200,820)</u>	<u>\$(2,250,123)</u>	<u>\$(2,197,167)</u>	<u>\$(2,197,167)</u>	<u>0</u>

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

REVISED AFFIDAVIT OF NEW ORLEANS
 YEAR: 2016-2017

COMMISSIONERS: DELOVIO, DUBOIS, DUBOIS, AND DUBOIS
 DEPARTMENT: ALL COMMISSIONERS FOR 2016 - 2017
 FOR THE YEAR ENDING FEBRUARY 29, 2017

	GENERAL FUNDS		SOCIAL ASSISTANCE FUNDS		Balance Forwarded Unexpended
	Major	Total	Major	Total	
Other charges	0	0	0	0	0
Interest charges on bonds	0	0	0	0	0
Total other charges	0	0	0	0	0
Other income	1,486,410	2,486,410	0	0	0
Multi-year contracts from OIG	0	0	0	0	0
Administrative contributions	1,486,410	1,486,410	0	0	0
Other	0	0	0	0	0
Total other income	2,972,820	2,972,820	0	0	0
Balance (deficiency) of revenues over expenditures before OIG contributions, grants and allocations (pending)	2,972,820	2,972,820	0	0	0
OIG contributions, grants and allocations (pending)	0	0	0	0	0
Net amount contribution	0	0	0	0	0
Administrative grant	0	0	0	0	0
Amount contribution to this service	0	0	0	0	0
Administrative grant	0	0	0	0	0
Total OIG contributions, grants and allocations (pending)	0	0	0	0	0
Operating surplus (deficit)	2,972,820	2,972,820	0	0	0
Principal payments on debts and bonds	0	0	0	0	0
Total other financing sources (uses)	0	0	0	0	0
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	2,972,820	2,972,820	0	0	0
Total balances, beginning of year	0	0	0	0	0
Transferred to/ from	0	0	0	0	0
Total balances, beginning of year as recorded	2,972,820	2,972,820	0	0	0
Total balances, actual year	2,972,820	2,972,820	0	0	0

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE -- ALL OPERATIONAL FUND TYPES -- BUDGET AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 1999

	OPERATIONAL FUNDS			CAPITAL PROJECT FUND		
	Budget	Actual	Variance (Favorably / Unfavorably)	Budget	Actual	Variance (Favorably / Unfavorably)
Revenues:						
Dwelling rental	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Non-dwelling rental	0	0	0	0	0	0
Interest on operating revenues and general fund investments	0	0	0	0	0	0
Total revenues	0	0	0	0	0	0
Expenditures:						
Administration	0	0	0	0	0	0
Security services	0	0	0	0	0	0
Utilities	0	0	0	0	0	0
Officer maintenance	0	0	0	0	0	0
Innovative services	0	0	0	0	0	0
General expenditures	0	0	0	0	0	0
Housing assistance payments	0	0	0	0	0	0
Non-revenue maintenance	0	0	0	40,968,870	40,968,870	0
Capital expenditures	0	0	0	0	0	0
Other expenditures	0	0	0	0	0	0
Total expenditures	0	0	0	40,968,870	40,968,870	0
Operating income (deficit) before other charges and income, utility and benefits	0	0	0	40,968,870	40,968,870	0

The accompanying schedule is budget per of base-fund-level revenues.

BOULDER COUNTY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

COMPARISON OF BUDGET TO EXPENDITURES AND REVENUES
SCHEDULE 1 - ALL CITY DEPARTMENTAL FUND - 7000 - BUDGET AND ACTUAL
FOR THE FISCAL YEAR (SEPTEMBER 30, 1999)

	DEPT. DEPARTMENT 7000		GENERAL FUND 7000	
	Budget	Actual	Revenue Excess/Deficiency	Actual
Other charges				
Incident costs of funds	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Total other charges	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Other income:				
New Orleans movie film 9025	\$ 0	\$ 0	\$ 0	\$ 0
New Orleans movie film 9025	\$ 0	\$ 0	\$ 0	\$ 0
New Orleans movie film 9025	\$ 0	\$ 0	\$ 0	\$ 0
Total other income	\$ 0	\$ 0	\$ 0	\$ 0
Revenue deficiency or excess over expenditures	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
NET contributions, grants and other funds (profit)				
Real estate payments	\$ 0	\$ 0	\$ 0	\$ 0
Medicare payments	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
State contribution for labor costs	\$ 0.0000	\$ 0.0000	\$ 0.0000	\$ 0.0000
Total net contributions, grants and other funds (profit)	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Other financing resources:				
Federal deposits in sales accounts	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Total other financing resources	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Revenue deficiency or excess over expenditures and other financing resources (loss)	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Performance, beginning of year	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000
Total balance, end of year	\$ 0.000000	\$ 0.000000	\$ 0.000000	\$ 0.000000

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

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS

NOTE 1 - Organization and Summary of Significant Accounting Policies:

General

The Housing Authority of New Orleans (HANO) was organized on September 28, 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 1958. 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.

Funding for the operations of HANO is provided by HUD through annual contribution contracts related to specific programs. At September 30, 1958, HANO had the following number of units in Active Development, Active Modernization, Community Development and Assistance Programs:

Contract	Program	Number of Units
PW-1199	PHA Owned	9,659
PW-1199	Homeownership	317
PW-2853	Section 8 - Rental Certificates	3,868
PW-2284	Section 8 - New Construction	190
PW-2217	Section 8 - Rental Vouchers	<u>316</u>
		<u>14,350</u>

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Basis of Presentation

As required by Louisiana State Reporting Law (LAS-R.S. 24:514) the financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

The accounts of HANO are organized on the basis of funds or account groups, each of which is considered a separate accounting entity and is maintained for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

Accordingly, the accompanying financial statements have been prepared in conformity with generally accepted accounting principles applied to governmental units.

Governmental Funds

Governmental funds are those through which most governmental functions of HANO are financed. The acquisition, use and balances of HANO's expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination. The following are HANO's governmental funds:

General Fund - The general fund is used to account for the financial resources of HANO, not accounted for in some other fund.

Special Revenue Fund - Special revenue funds are used by HANO to account for the collection and disbursement of specific revenue sources.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs by HANO. The Debt Service Fund includes amounts on deposit with fiscal agents or due from HUD to pay principal and interest on fixed liabilities.

Capital Projects Fund

This fund accounts for financial resources received and used by HANO for the acquisition, construction or improvement of capital facilities not reported in the other governmental funds.

Fiduciary Fund Type

Agency Fund - The Agency Fund is used to account for assets held by HANO in a trustee capacity or as an agent for individuals, such as tenants and homebuyers. The Agency Fund is accounted for in essentially the same manner as the Governmental Fund, except that the Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations.

Account Groups

The account group is used to establish accounting control and accountability for HANO's general fixed assets and outstanding obligations. It is a self-balancing group of accounts that are concerned only with the measurement of financial position, not with the measurement of results of operations. The following is HANO's account groups:

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED**

**NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:**

Account Groups, Continued

General Fixed Assets Account Group - This group of accounts is established to account for fixed assets of HANO. The fixed assets of the governmental fund are recorded as expenditures at the time they are purchased or constructed, and the related assets are capitalized or reported in the general fixed assets account group.

General Long-Term Obligations Account Group - This group of accounts is established to account for long-term obligations of HANO.

Basis of Accounting - All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., both measurable and available). Available means currently due and expected to be collected within the next twelve months. Revenues not considered available are recorded as deferred revenues.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if measurable, except for vacation and sick leave and claims and judgments which are recognized when paid.

Investment earnings are recorded as earned since they are measurable and available.

In applying the "susceptible to accrual" concept to intergovernmental revenues, the legal and contractual requirements of the individual programs are used as guidance. There are essentially two types of such revenues. In one, monies must be expended for the specific purpose or project before any amounts will be reimbursed to HANO; therefore, revenues are recognized based upon the expenditures recorded.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. Such revenues are recognized at the time of receipt or earlier if the "unavoidable to avoid" criteria are met.

Consistent with prior periods, **HANO** prepares its financial statements in conformity with accounting practices prescribed or permitted by HUDA, as described in the *Louisiana Accounting Handbook* (LAM 7300-1), which is a comprehensive basis of accounting other than generally accepted accounting principles. Principal differences between **HANO's** policies and generally accepted accounting principles are: (1) investments are reflected at cost, rather than the lower of cost or market; (2) accounts receivable are expensed upon approval of the **HANO** Board rather than using a valuation allowance to charge doubtful accounts to expenses; (3) long-term debt and land, structures and equipment are included on the balance sheet rather than in account groups; (4) when assets are retired or otherwise disposed of, any gain or loss is reflected in income for the period rather than as an adjustment of the account group; and (5) annual leave is expensed when taken rather than accrued as earned.

In addition, **HANO's** policy regarding accounting for estimated liabilities related to self-insurance and litigation does not conform to generally accepted accounting principles.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - *Organization and Summary of Significant Accounting Policies.*
Continued:

The significant accounting practices followed by HANO are:

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-negotiable 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, 1998 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.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - *Organization and Summary of Significant Accounting Policies.*
Continued:

Land, Structures, and Equipment

Land, structures and equipment are accounted for under accounting practices prescribed or permitted by the U.S. Department of Housing and Urban Development. Those practices permit for the inclusion in land, structures and equipment certain cost that are not permitted under generally accepted accounting principles. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. Maintenance and repair costs are charged against income as they are 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. Depreciation expense has not been provided on general fixed assets. Structures and equipment are not depreciated in accordance with generally accepted accounting principles.

HANO has been and is currently involved in various demolition activities in conjunction with its modernization and development programs.

In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of", HANO has at September 30, 1998 recognized in the accompanying financial statements, the impact of the demolition activities. Under the provisions of the statement, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying value amount of the asset, an impairment loss should be recognized.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued:

Fixed Liabilities

Major capital improvement projects were financed by issuing a series of short-term notes. HUD and HANO retired these notes through Annual Contribution Contracts as if the financing were long-term. Amounts are not segregated between current and noncurrent portions as required by generally accepted accounting principles, but in accordance with HUD prescribed practices.

In September 1984, HUD suspended the sale of project notes pending an Internal Revenue Service ruling on the tax-exempt status of the notes.

Deferred Charges

Inventories of supplies, materials and expendable equipment are recorded at cost using the first-in first-out method.

Debt Service Funds

HANOP's bond and note debts are 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 of HANO 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.

Fund Balances

Fund balance is reported in the applicable annual contribution contract to indicate the amount established for a specific purpose.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies
Continued:

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 Contribution Contracts

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

Total Columns on Financial Statements

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

Cash and Temporary Cash Investments

HANO's cash and temporary cash investments is considered to be cash on-hand, demand deposits and certificates of deposit. HANO may invest in primarily U.S. obligations as dictated by HUD.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Organization and Summary of Significant Accounting Policies,
Continued

Budgetary Information

Annual budgets for the special revenue funds and the general fund are adopted on an annual basis consistent with generally accepted accounting principles. The capital fund budgets are adopted on a "project-length" basis.

Financial Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, "the Financial Reporting Entity, (GASB 14)" established standards for defining and reporting on the financial entity.

GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate c) is fiscally independent of other state and local governments.

HANO was established as a separate, legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14.

Accordingly, management has concluded that HANO is the financial reporting entity within the meaning of the provisions of GASB 14.

ISSUING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Temporary Cash Investments:

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal offices in Louisiana or any other federally insured investment.

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FIDELITY insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

At various times during 1998, deposits in excess of FIDC insurance coverage were collateralized by the securities previously described. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments considers these funds uncollateralized.

Even though these funds are considered to be uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and call the pledged securities within ten (10) days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

All bank balances and investments of HANO at September 30, 1998, none of which bear interest, are entirely insured or collateralized with securities held by its agent in HAMP's name. Cash in excess of current requirements is invested.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash and Temporary Cash Investments, Continued:

At September 30, 1998 cash and temporary cash investments consist of the following:

	General	Special Revenue	Agency	Total	Interest Rate	Maturity
Demand deposits	\$ 4,885,660	\$ 311,680	\$ 894,524	\$ 5,891,870	Various	N/A
Certificates of deposit	6,280,280	0	88,524	7,149,024	Various	Various
Total cash and temporary cash investments	\$11,165,940	\$ 311,680	\$ 983,048	\$12,460,668		

The investments are categorized as Category 1. Also, at September 30, 1998, the carrying amount of HAHO's deposit was \$13,010,304 and the bank balance was \$14,221,854.

NOTE 3 - Accounts Receivable:

Accounts receivable at September 30, 1998 consist of the following:

	General Fund	Special Revenue Fund	Total
Tenants HUD	\$ 314,397	\$ 0	\$ 314,397
Other (including various State and Federal sources)	0	820,467	820,467
	302,277	1,118,844	1,421,121
Total accounts receivable	\$ 616,674	\$ 1,118,844	\$ 1,735,518

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED**

NOTE 4 - Due to/from Other Funds:

Interfund activity at September 30, 1998 consist of the following:

	Due from Other Funds	Due to Other Funds
General Fund	\$4,253,638	\$ -0-
Special Revenue Funds	<u>66,392</u>	<u>1,455,682</u>
Total interfund receivables/payables	<u>\$4,320,030</u>	<u>\$1,455,682</u>

NOTE 5 - Other Assets:

Other assets at September 30, 1998 consist of the following:

	General Fund	Total
Prepaid insurance	\$ 327,782	\$ 327,782
Material and equipment	2,190,083	2,190,083
Other assets	<u>842,528</u>	<u>842,528</u>
	<u>\$3,360,393</u>	<u>\$3,360,393</u>

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Land, Structures and Equipment:

The following is a summary of changes in the general fixed assets account group during the fiscal year:

	Balance October 1, 1997	Additions	Deductions	Balance September 30, 1998
Land, structures and equipment	\$311,597,439	\$45,868,852	\$52,155,928	\$305,410,362
	<u>\$311,597,439</u>	<u>\$45,868,852</u>	<u>\$52,155,928</u>	<u>\$305,410,362</u>

HANO has received approval from HUD for the demolition of several structures. HANO completed destruction of the structures with an estimated carrying value of \$37,528,872 for the year ended September 30, 1998.

As September 30, 1998, 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 is \$93,113,244. Management intends to record the write-off of these assets in the period the demolition occurs or when it is otherwise determined that the asset has no future value.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Accounts Payable:

Accounts payable at September 30, 1998 consist of the following:

	General Fund	Special Revenue Fund	Agency Fund	Total
Tenants	\$ -0-	\$ -0-	\$1,462,794	\$ 1,462,794
Contracts, reparations and performance deposits	1,289,429	-0-	-0-	1,289,429
Vendors, contracts and other	8,532,758	301,005	-0-	8,833,833
FUND	<u>86,732</u>	<u>228,119</u>	<u>-0-</u>	<u>362,056</u>
Total accounts payable	<u>\$9,988,924</u>	<u>\$476,784</u>	<u>\$1,462,794</u>	<u>\$11,848,112</u>

NOTE 8 - Risk Management:

HANO is exposed to various risks of loss related to tests; theft of; damage to and destruction of assets for which HANO is self-insured for general liability, workers' compensation claims, fire and extended coverages. In addition HANO is a defendant in various legal actions. Legal counsel estimates that exposure to HANO approximates \$7,704,000 as of May 10, 1999. HANO's policy is to recognize losses related to the self-insurance programs and litigation based on the annual budget for such claims rather than recording the estimated liabilities when losses occur, as required by generally accepted accounting principles.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Accrued Liabilities:

Accrued liabilities consist of the following at September 30, 1998:

	General Fund	General Long-term Debt Account Group	Total
Accrued interest on notes and bonds	\$ -0-	\$1,456,741	\$1,456,741
Accrued utilities expense	587,000	-0-	587,000
Other liabilities	<u>311,568</u>	<u>-0-</u>	<u>311,568</u>
Total accrued liabilities	\$ <u>898,568</u>	\$1,456,741	\$2,355,309

NOTE 10 - Fixed Liabilities:

The following is a summary of HANO's long-term debt transactions for the year ended September 30, 1998:

	Balance at October 1, 1997	Retirements, Repayments and Other	Balance at September 30, 1998
General Long-Term Debt Account Group			
Project loan notes	\$ 1,728,968	\$ 17,338	\$ 1,711,630
Payment notes- HHS	48,133,376	-0-	48,133,376
Federal financing loan notes	1,894,400	671,868	1,222,532
New housing authority bonds	21,213,823	1,711,218	19,502,605
Total Fixed Liabilities	\$62,180,567	\$2,411,424	\$59,769,143

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Fixed Liabilities, Continued:

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 1973 to fund the original construction of certain housing developments.

These notes and bonds bear interest ranging from 2.125% to 5.75% 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, 1996 for the project loan notes and the permanent notes - HUD. Under the provisions of the Housing and Community Development Reconciliation Arrangements 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 Arrangements require the execution of a debt forgiveness amendment to the consolidated annual contribution contract. This amendment has been executed by HUD and HANO. It also requires the audits and approval of the Actual Development Cost Certificate or the Actual Modernization Cost Certificate which has not yet been completed for all projects. The balance of remaining notes to be forgiven was \$43,844,624 at September 30, 1998. The balance of accrued interest on the notes to be forgiven was \$771,429 at September 30, 1998.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Compensated Absences Payable:

HANO has established a policy (in accordance with State Civil Service) to pay each employee their accrued annual leave upon termination up to a maximum of 300 hours. The cost of current leave privileges computed in accordance with GASB codification Section C90, is recognized as a current year expenditure in the governmental fund when leave is actually taken or when employees or heirs are paid for accrued leave upon retirement or death. The cost of leave privileges not requiring resources is recorded in the general long-term obligations account group.

HANO's policy is to pay up to 300 hours of accrued annual leave when employees terminate. At September 30, 1998 total leave to be paid upon termination was \$1,650,527.

NOTE 12 - Employee Pension Plan:

Plan Description:

HANO has a pension plan which covers all full-time employees after one year of service. The plan is a money purchase plan whereby no actuarial determinations or valuations are made.

Funding Policy:

HANO's contribution rate was one-half percent of the covered employees' salary until September 30, 1991. On October 1, 1991, the plan was amended to increase HANO's contribution rate to .5% of the covered employees' salary. Total contributions for the year ended September 30, 1998 amounted to \$559,508 (.5% of total covered payroll for the year ended September 30, 1998).

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 13 - Concentration of Credit Risk:

HANO receives primarily all of its revenues from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from HUD fall below critical levels, HANO's operating results could be adversely affected.

NOTE 14 - Other Matters:

The U.S. Department of Housing and Urban Development (HUD) removed HANO from its list of "Troubled" Public Housing Authorities (PHAs) primarily resulting from HANO's improvements as measured by HANO's Public Housing Management Assessment Program (PHMAP) score for the year-ended September 30, 1998 as determined by HUD. Our discussions with management have indicated the removal of HANO from HUD's list of "Troubled" PHAs does not alter the cooperation endeavor agreement with the City of New Orleans under which HUD has appointed a consultant to directly oversee the daily operations of HANO, including monitoring the work performed by the Executive Director nor will the role of the Board of Commissioners be elevated from its current advisory capacity.

NOTE 15 - Subsequent Events:

On August 8, 1998 HANO sold its current office building located at 518 Carondelet for \$828,000. In addition, a promissory note was executed with the buyer for the outstanding balance of the note of \$789,440 at a rate of interest of 8% which is due when HANO vacates the building.

In addition, HANO purchased two new office buildings for a total sum of \$2,050,000 on December 18, 1998. It is the intent of management to renovate and locate its current offices to the new location.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
NOTES TO THE COMBINED FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - Subsequent Events, Continued:

Subsequent to year-end, a judgement has been entered by the court in favor of a deceased resident in the amount of \$380,000. It is HANO's intent to appeal the case. At September 30, 1998 and May 10, 1999 no provision has been made for the judgement amount.

NOTE 16 - Year 2000:

The year 2000 date change can affect any computer system that uses computer software programs or computer chips including electronic/automated equipment and machinery that uses a two digit character field to designate the year as opposed to a four digit character field. Any computer software programs or computer chips or other electronic/automated equipments utilizing the two digit character field to designate the year maintained by HANO, may impact the operations of HANO.

HANO has committed approximately \$60,000 of its Management Improvement funds to the year 2000 compliance activities.

HANO, in conjunction with its year 2000 compliance activities, (a) has outlined the compliance issues relative to HANO (b) has established a budget and project plan for dealing with the year 2000 issue; (c) has identified its electronic equipment and systems to review for compliance; (d) has obtained year 2000 disclosure statements evidencing compliance and/or the patches or links required to achieve compliance; and (e) is making the necessary technological changes and/or the patches or links required to achieve compliance; and (f) is making the necessary technological changes and/or upgrades to make certain that its system will be year 2000 compliant.

NOTE 17 - Reserved Fund/Balance:

At September 30, 1998 the reserved fund balance, represents funds for the liquidation of principal and interest on HANO's fixed liabilities. (See NOTE 10).

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

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

The Regional Inspector General
U.S. Department of Housing and
Urban Development

Our report on our audit of the general purpose financial statements of the Housing Authority of New Orleans (HANO) appears on page 2.

The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audit of States, Local Governments and Nonprofit Organizations" and is not a required part of the basic financial statements. For reasons stated in the second paragraph of our report on page 1, we do not express an opinion on the basic financial statements presented therein. Similarly, we do not express an opinion on the Schedule of Expenditures of Federal Awards.

The supplementary information as listed in the Table of Contents is also presented for purposes of additional analysis is not a required part of the basic financial statements. For reasons stated in the second paragraph of our report on page 1, we do not express an opinion on the basic financial statements presented therein. Similarly, we do not express an opinion on the supplementary information as listed in the Table of Contents.


BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

May 10, 1999

STATEMENT OF TRUSTEES OF NEW ORLEANS
NEW ORLEANS LOTTERY

COMBINED BALANCE SHEET
SPECIAL REVENUE FUND
SEPTEMBER 30, 1981

	176-0201	176-0201	176-0201	176-0202
Section & Fund Code	Section & Fund Code	Section & Fund Code	Section & Fund Code	Section & Fund Code
128,734 \$	0 \$	0 \$	30,492 \$	944 \$
0	0	0	0	0
688,068	17,416	0	0	1,383,260
0	0	66,882	0	0
0	17,416 \$	66,882 \$	30,492 \$	1,384,204 \$
				2,378,952

ASSETS

Cash and temporary cash investments
Deposits with FDIC
Accounts receivable
Due from other funds

Total assets

BOARDING SETTLEMENTS OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

CONSOLIDATED BALANCE SHEET
SPECIAL RECEIVERS PLAN
SEPTEMBER 30, 2001

	PP-2001	PP-2001	PP-2001	PP-2001
	Balance \$	Balance \$	Balance \$	Balance \$
LIABILITIES				
Accounts payable	10,319	55,249	4	180,718
Accrued liabilities	0	0	0	0
Due to other funds	89,681	42,872	3,391	29,831
Total liabilities	99,999	98,121	3,395	180,549
FOOD EQUITY				
Contributions (FFO) contributions, grants and other	208,081	278,318	82,121	1,198,189
Food balance reserved	208,280	178,280	181,178	1,048,128
Total food balance	416,361	456,598	263,299	2,246,317
Total food equity	416,361	456,598	263,299	2,246,317
Commitments and contingencies (NOTES A, D and E)	0	0	0	0
Total liabilities and equity	496,360	554,719	266,694	2,426,866

**POSTING ACTIVITY OF NEW ORLEANS
NEW ORLEANS LOUISIANA**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUND**

FOR THE YEAR ENDED SEPTEMBER 30, 1998

	FY-2007	FY-2006	FY-2007	FY-2007
	Revenue	Expenses	Change	Total
	Revenue	Expenses	Revenue	Expenses
	Revenue	Expenses	Revenue	Expenses
	Revenue	Expenses	Revenue	Expenses
Revenues:				
Interest on operating notes and general fund investments	13,878	0	208	1,085
Total revenues	13,878	0	208	1,085
Expenses:				
Administration	1,465,000	488	6,490	71,900
Inventory maintenance payments	11,500,000	278,016	84,100	1,051,000
Total expenditures	11,500,000	278,494	84,110	1,055,000
Operating Income (deficit) before other revenues, debts and credits	(11,500,000)	(278,494)	(83,100)	(1,041,000)
			1,041	2,000,000

ISSUING AUTHORITY OF NEW OBLIGATIONS
NEW ORLEANS, LOUISIANA

COMBINED STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN FUND BALANCES

SPECIAL REVENUE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 1994

	FY-2003		FY-2001		FY-2002	
	Section 8 Subtotal	Section 8 Total	Section 8 Subtotal	Section 8 Total	Section 8 Subtotal	Section 8 Total
Other Income						
Annual contribution earned	\$ 77,954,131	\$ 77,954,131	\$ 81,189,818	\$ 81,189,818	\$ 8,284,878	\$ 8,284,878
Total other income	77,954,131	77,954,131	81,189,818	81,189,818	8,284,878	8,284,878
Excess (shortfall) of revenues over expenditures includes 10,00 contributions, grants and allowances (credits)	114,459	114,459	1,450	1,450	28,303	28,303
10,00 contributions, grants and other debts (credits) Other (debit) credits	11,248	11,248	1,450	1,450	1	1
Total 10,00 contributions, grants and other debts (credits)	11,248	11,248	1,450	1,450	1	1
Excess (shortfall) of increases over expenditures	125,707	125,707	1,450	1,450	28,303	28,303
Fund balance, beginning of year	160,399	160,399	16	41,246	291,451	327,489
Interperiodal adjustments	688,470	688,470	0	112,213	1,296	11,218
Total balance, beginning of year, as restated	848,869	848,869	16	153,459	292,747	338,707
Fund balance, end of year	203,094	203,094	16	23,282	319,850	375,914

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Federal Award/Program Title	Federal CFDA Number	Contract Number	Federal Expenditure
U. S. Department of Housing and Urban Development:			
Direct Awards			
Public and Indian Housing— Operating Subsidy	14.850	FW-1190	\$ 38,376,642
Section 8 Rental Certificate Program	14.857	FW-2083	17,455,528
Section 8 Rental Voucher Program	14.855	FW-2037	2,294,718
Section 8 New Construction	14.182	FW-2084	3,425,000
Public and Indian Housing Drug Elimination Program	14.854	LA48EP00101	2,496,853
Public and Indian Housing Comprehensive Grant Program	14.858	LA48P00170002	7,700,728
	14.858	LA48P00170003	9,121,654
	14.858	LA48P00070094	10,405,567
	14.858	LA48P00070095	3,094,944
	14.858	LA48P00070096	4,689,200
	14.858	LA48P00070097	3,324,143
Public and Indian Housing Comprehensive Improvement Assistance Program	14.852	FW-1090	1,528,115
Vacancy Reduction Program	N/A	LA48VEP00194	2,523,446
Urban Revitalization Program (MROP VI)	N/A	LA48VEZ000194	1,785
Urban Youth Corps Program	N/A	LA0041YC00100195	6,488
MROP—Public Housing Development Grant	N/A	LA48P004054	<u>1,311,320</u>
Total expenditures of federal awards			\$107,367,890

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of HANO and is prepared on a modified accrual basis of accounting. The information on this schedule is presented in accordance with and the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

See Independent Auditors' Report on Supplementary Information.

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

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

The Regional Inspector General
U.S. Department of Housing and
Urban Development

We were engaged to audit the general purpose financial statements of the **Housing Authority of New Orleans (HANO)**, New Orleans, Louisiana as of and for the year ended September 30, 1998, and have issued our report thereon dated May 10, 1999. Our report dated May 10, 1999 stated that, because of the nature of certain accounting records and information needed to comply with Louisiana Revised Statute 24:514 (LA-RS 24:514 requires compliance with generally accepted accounting principles, however, HANO uses accounting practices and procedures permitted by HUD and as a result accounting records are not maintained in accordance with generally accepted accounting principles), HANO's recollection policy regarding the various legal actions as fully discussed in NOTE 8, the omission of disclosures related to the amount of the major classes of land, structure and equipment as discussed fully in NOTE 3, the validity of intercompany advances to include the out of balance condition and the status of the unrecorded debt forgiveness as more fully discussed in NOTE 10, we are unable to form an opinion regarding the accompanying general-purpose financial statements. The scope of our work was not sufficient to enable us to express, and we did not express, an opinion on the general purpose financial statements. 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.

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

(CONTINUED)

Compliance

*As part of obtaining reasonable assurance about whether HANO's financial statements are free of material misstatement, we performed test 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 test 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 98-1, 98-4, 98-7, 98-8, 98-9, 98-10, 98-11, 98-12, 98-13, 98-13 and 98-15.*

Internal Control Over Financial Reporting

In planning and performing our audit, we considered HANO's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect HANO'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 98-1, 98-2, 98-3, 98-4, 98-5, 98-6, 98-14 and 98-15.

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

(CONTINUED)

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 considered to be material weaknesses. However, of the reportable conditions described above we consider items 98-1, 98-2, 98-4 and 98-5 to be material weaknesses.

This report is intended solely for the information and use of management, the U.S. Department of Housing and Urban Development and the Legislative Auditor of the State of Louisiana, and is not intended to be, and should not be used by anyone other than the specified users.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

May 10, 1999

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

 (CONTINUED)

Compliance, Continued

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; OMB Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations*; and *PIH Notice 98-32, Compliance Requirements for Annual Audits of Public Housing Agencies and Housing Assistance Authorities by Independent Auditors*. Those standards, OMB Circular A-133 and PIH Notice 98-32 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance 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 HANO'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 HANO's compliance with those requirements.

As described in items 98-1, 98-4, 98-5, 98-6, 98-7, 98-8, 98-9, 98-10, 98-11, 98-13, 98-14 and 98-15 in the accompanying Schedule of Findings and Questioned cost, HANO did not comply with the requirements regarding Sections 15 - Books of Account, Records, and Government Access of the Consolidated Annual Contributions Contract (CAC) between HANO and the U.S. Department of Housing and Urban Development (HUD), 24CFR parts 812, 815, 882, 887 and 982, and 24CFR part 901 and related PIHAP handbook 3460.5 that are applicable to ACC FW-1199 and FW-2053. Compliance with such requirements, is necessary in our opinion, for HANO to comply with requirements applicable to those programs.

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

 (CONTINUED)

Compliance, Continued

In our opinion, except for the noncompliance described in the preceding paragraph, HANO complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 1998.

Internal Control Over Compliance

The management of HANO 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 HANO's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect HANO'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 98-1, 98-2, 98-3, 98-4, 98-5, 98-6, 98-7 and 98-12.

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

 (CONTINUED)

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 non-compliance 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, 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 98-1, 98-2, 98-4 and 98-5.

This report is intended solely for the information and use of management, the U.S. Department of Housing and Urban Development and the Legislative Auditor of the State of Louisiana, and is not intended to be and should not be used by anyone other than the specified users.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

May 30, 1999

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Disclaimer
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal Control Over Major Programs:	
• Material weakness(es) identified?	Yes
• Reportable condition(s) identified that are not considered to be material weakness(es)?	Yes
Type of auditor's report issued on compliance for major programs:	Qualified
Any audit findings disclosed that are required to be reported in accordance with section 509(a) of Circular A-133?	Yes

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section I - Summary of Auditors' Results

Federal Awards, Continued

Identification of Major Programs:

CEDA Number	Name of Federal Program or Cluster
14.850	Public and Indian Housing Operating Subsidy
14.857	Section 8 Rental Certificate
14.859	Public and Indian Comprehensive Grant Program
Dollar threshold used to distinguish between type A and type B programs:	\$3,000,000
Auditor qualified as low-risk auditor?	No

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section II - Financial Statement Findings

Reference Number

98-1

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contract:

"The HA must maintain complete and accurate books of account for the projects of the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits."

Condition

- Subsidiary ledgers for significant accounts (such as land, structures and equipment) are not maintained and/or reconciled to the applicable general ledger control accounts on a monthly basis.
- We noted balance sheet accounts in the general ledger for which management was unaware of the detail composition or purpose.
- Financial reports prepared and submitted to HUD for September 30, 1998 did not agree to the financial books and records.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number, Continued

98-1

Questioned Costs

NONE.

Context

Not applicable.

Effect

Noncompliance with the requirements of Section 15 of the Consolidated Annual Contributions Contract.

Cause

Lack of adequate controls over financial reporting.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section II - Financial Statement Findings

Reference Number, Continued

98-1

Recommendation

We recommend that management establish subsidiary ledgers for all significant accounts and perform monthly reconciliations of the balances in these accounts as reflected on the subsidiary ledgers to the applicable general ledger control account. The reconciliation process should include identification of the detail composition of the accounts. The reconciliations should be prepared in writing and all reconciling items should be documented and the necessary corrections made to the subsidiary ledgers or journal entries prepared and posted to the general ledger on a timely basis.

Furthermore, all financial reports prepared for submission to HUD should be reviewed and reconciled to the applicable source documents at a level independent of the report preparation process to ensure propriety and clerical accuracy.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number

98-2

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Not applicable.

Condition

At September 30, 1998 the general ledger reflects net advances of \$2,874,261 for which we were unable to ascertain its validity.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number, Continued

98-2

Context

Not applicable.

Effect

Complication of the reconciliation of advances and out-of-balance intercompany activity.

Cause

Lack of computer system controls over intercompany generated transactions.

Recommendation

We recommend that all advances be reconciled and reviewed on a monthly basis. The review process should also include the assessment of and timely reimbursement or accuracy of interfund borrowings.

Furthermore, the appropriate computer system controls should be implemented to prevent future occurrence of the above condition.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number:

98-3

Federal Programs:

All programs (see Schedule of Expenditures of Federal Awards).

Criteria:

Not applicable.

Condition:

No documented evidence of periodic (internal) monitoring of the adequacy of collateral for all cash deposits and certificates of deposit in excess of \$100,000 (FDIC coverage) to prevent the risk of loss.

Questioned Cost:

NONE.

Context:

Not applicable.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number, Continued

98-3

Effect

Risk of loss of funds.

Cause

Lack of an established written procedure for periodic monitoring of the adequacy of collateral.

Recommendation

We recommend that HANO establish a system to ensure the timely and periodic monitoring of collateral as well as adherence to the requirements of its executed IRID depository agreements with all financial institutions holding deposits and certificates on behalf of HANO.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section II - Financial Statement Findings

Reference Number

98-4

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA, in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits".

Condition

Our review of bank account reconciliations at September 30, 1998 revealed the following conditions:

- Noted mathematical errors on the self-insurance bank account reconciliation;
- No bank reconciliation was available for the Safe Horse checking account; and
- The self-insurance and modernization bank accounts lacked an indication of supervisory review.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number, Continued

98-4

QUESTIONED COST

None.

Context

Two of nine bank accounts.

Effect

Noncompliance with the requirements of Section 15 of the Consolidated Annual Contributions Contract.

Cause

Lack of adequate controls over the bank reconciliation function.

Recommendation

HANO should continue to provide the necessary training and management oversight to ensure the completeness and accuracy of the bank reconciliation function.

Management's Response

See attached response and corrective action plan dated May 14, 1998.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section II - Financial Statement Findings

Reference Number

98-5

Federal Programs

All federal programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits".

Condition

Our review of general ledger accounts revealed the following conditions:

- Lack of adequate documentation to support the reconciliation of year-end physical inventory and the rollback amounts to the general ledger. (Carrying value of inventory recorded on general ledger at September 30, 1998 was \$2,190,883).
- Unidentified amounts included in deferred charges under the Homeownership program at September 30, 1998 is \$842,829.

At September 30, 1998, we are unable to ascertain the validity, collectibility and realization of the above amounts.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section II - Financial Statement Findings

Reference Number, Continued

98-5

Questioned Cost

NONIL

Context

Not applicable.

Effect

Completeness and/or accuracy of financial statements.

Cause

Noncompliance with requirements of Section 15 of the Annual Contributions Contracts.

Recommendation

Management should review the conditions with an aim toward resolution.

Management's Response

See attached response and corrective action plan dated May 14, 1998.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA**
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number:

98-6

Federal Program:

All programs (see Schedule of Expenditures of Federal Awards).

Criteria:

Pursuant to Section 15 of the Consolidated Annual Contributions Contract:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with FRID requirements and to permit timely and effective audit".

Condition:

Our testing of twenty (25) payroll disbursements revealed the following:

- In five (5) instances, the approved employee leave request forms were not available for inspection;
- In one (1) instance the required IRS Form W-4 and Louisiana Form L-4 for tax withholding were not in employees' file;
- In one (1) instance the "SF1" form was not in the employees' file; and
- In one (1) instance, the budget approved code for allocation of payroll cost, did not agree to the cost center used on the timesheet. We noted no documentation to suggest a change in the budgeted position or cost center.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-6

Questioned Costs

NCMI

Context

Eight of twenty-five payroll items selected.

Effect

Lack of support for withholdings, leave used and cost center charged with cost.

Cause

Lack of procedure to ensure completeness of employee files.

Recommendation

We recommend that each employee file contain the required documents to support compensation and related withholdings. In addition, a reconciliation of the approved budgeted position to the cost center charged be undertaken periodically.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-7

Federal Programs

Section 8 Rental, New Construction, Certificate and Voucher Programs. (see Schedule of Expenditures of Federal Awards).

Criteria

Compliance with the provisions and requirements of 24 CFR parts 812, 813, 882, 887 and 982, as applicable to housing assistance payments and reporting.

Condition

Our review of compliance with the requirements of 24 CFR on thirty (30) certificate and voucher participant and owner files revealed the following:

- In three (3) instances, the participant files did not contain a HUD Form 50058 (Family Report);
- In two (2) instances, the participant files were not available for our inspection; and
- In one (1) instance, we noted that the participant was "underhoused".

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-7

Questioned Costs

\$4,789

Context

Six of thirty participants selected.

Effect

Non-compliance with the requirements of the Annual Contributions Contract and 24 CFR.

Cause

Weakness in existing accountability system.

Recommendation

Management should re-evaluate the current file maintenance, tenant certification and recertification and reporting processes to ensure its adequacy in adhering to the compliance requirements dictated by 24 CFR.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-3

Federal Programs

Annual Contributions Contract FW-1190 (see Schedule of Expenditures of Federal Awards).

Criteria

The provisions of 24 CFR part 901 and "FIMAP" handbook 7460.5 regarding the maintenance of supporting documents/records for certification.

Condition

Our review of the September 30, 1998 "FIMAP" certification documents prepared and submitted to HUD by HANO revealed differences in amounts as per the final general ledger versus the amounts on the submitted information for indicators 5 for total number of buildings and 6 for cash reserves.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-8

Context

Not applicable.

Effect

Non-compliance with the provisions and requirements of 24 CFR pertaining to "FHMAP" certification.

Cause

Timely closing of year-end records, and submission of FHMAP report to HUD.

Recommendation

The institution of an on-going review and analysis of the monthly financial statement should facilitate the timely preparation and execution of year-end closing process to ensure a complete financial statements and related reports.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-9

Federal Program

Section 8 Rental Certificate Program.

Criteria

Pursuant to the Annual Contributions Contract and 24 CFR parts 812, 813, 842, 847 and 982:

"Housing Authorities are required to certify and document rent reasonableness of units leased under the rental certificate program by comparing the rent to rents for comparable unassisted units, including comparable units owned by the same owner".

Condition

Our review of thirty (30) tenant files revealed the absence of a certified and documented rent reasonableness determination in tenant files. It is our understanding through discussion with management that the certification process is undertaken by HANO at the inception of the initial contract.

Questioned Costs

NONE.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

08-9

Context

Not applicable.

Effect

Noncompliance with the requirements of the Annual Contributions Contracts and 24CFR.

Cause

Lack of adequate follow-up/ review of tenant file documentation requirements.

Recommendation

We recommend that management of HANO re-evaluate its current procedures to ensure that tenant files contain all required documentation relative to rent reasonableness in relation to rents currently being charged for comparable units in the private unassisted market.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-10

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Louisiana Revised Statute 24:513 requires that all reports be completed and submitted within six months of year-end.

Condition

The September 30, 1998 audit report for HANO was not submitted within the timeframe established by Louisiana Revised Statute 24:513.

Questioned Costs

NONE.

Control

Not applicable.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-10

Effect

Noncompliance with requirements of Louisiana Revised Statute 24:513.

Cause

The untimely preparation of financial statements and related ledgers for HANO coupled with the nature of its accounting records.

Recommendation

We recommend that management undertake the necessary actions to ensure the timely submission of HANO's annual audit report.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-11

Federal Programs

Annual Contributions-Contract PW-1190 (see Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to Section II of the Consolidated Annual Contributions Contract:

"The HA shall submit a calculation of operating subsidy eligibility in the manner prescribed by HUD in regulations in 24 CFR..."

Condition

Our review of the Performance Funding System (PFS) information submitted by HANO to HUD, revealed that supporting documentation was not retained to support the following components:

- Allowable utilities expense;
- Other and investment income; and
- Social security and medicare taxes as indicated on HUD form 51723 did not agree to the supporting documentation provided.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-11

Questioned Costs

NONE.

Context

Not applicable.

Effect

Noncompliance with the requirements of Section II of the Consolidated Annual Contribution Contract hence impacting the level of subsidy eligibility.

Cause

Inadequate record retention procedures and supervisory oversight.

Recommendation

Management should re-evaluate its current record retention and report submission policies and procedures. Such a process should be aimed at the elimination of the condition previously discussed.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-12

Federal Programs

Annual Contributions Contract JW-1190 (per Schedule of Dependitures of Federal Awards).

Criteria

Section 4.11 subsections 3, 4, 5 and 6 and 5.3 of HANO's Procurement manual:

Condition

Our review of selected contracts awarded revealed the following conditions:

- In one (1) instance the award of a contract was undertaken without adequate documentation of adherence to HANO's procurement process as it relates to emergency purchases.
- We noted in three (3) instances, the execution of purchase orders outside of the dollar threshold authority established by HANO for the designated person. However, the goods and services were properly procured for by the procurement department.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-12

Questioned Costs

NONE.

Context

Four instances of twelve files reviewed.

Effect

Noncompliance with HANO's established procurement policy.

Cause

Unable to determine.

Recommendation

Adherence to HANO's established procurement policies and procedures.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-13

Federal Programs

Annual Contributions/Contract FW-1190 (see Schedule of Expenditures of Federal Awards).

Criteria

24 CFR parts 813, 913, 882 and 982 and 2465.1 Rev.2 (Occupancy Handbook) as applicable to the determination of eligibility, order of selection, income and rent.

Condition

In one (1) instance of ten (10) files reviewed, relating to occupancy, we noted that a tenant's file did not contain a HUD form 50058.

Questioned Costs

NONE.

Context

Not applicable.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-13

Effect

Noncompliance with the provisions of 24 CFR.

Cause

Weakness in file maintenance system.

Recommendation

Management should establish a system to ensure timely filing of all documents.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number

98-14

Federal Programs

Annual Contributions Contract FW-1190 and FW-2053 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to Section 15 of the Consolidated Annual Contributions Contract:

"The HHA must maintain complete and accurate books of account for the projects for the HHA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audits".

Condition

We were unable to inspect the cancelled check and related invoices for purchases totaling \$348,497. In addition, a stop payment issued for a check in the amount of \$41,600 was unavailable for our review.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-14

Questioned Costs

\$100,097

Context

Not applicable.

Effect

Accountability for all disbursements made.

Cause

Document maintenance system.

Recommendation

We recommend that all documents in support of financial transactions be properly maintained to ensure the assurance and propriety in recorded amounts.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number:

98-15

Federal Programs:

All programs (see Schedule of Expenditures of Federal Awards).

Criteria:

Pursuant to Section 13 of the Consolidated Annual Contributions Contract.

"The HA must maintain complete and accurate books of account for the projects of the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits".

Condition:

Cost allocated to the various programs (primary payroll) managed by HANO was without the benefit of a cost allocation plan or methodology to support the amounts charged to the respective programs.

Questioned Costs:

NONE.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 1998**

Section III - Federal Award Findings and Questioned Costs

Reference Number, Continued

98-15

Context

Total payroll cost is approximately \$22,000,000.

Effect

Unsupported allocation of cost to respective programs.

Cause

Lack of an established cost allocation methodology.

Recommendation

Subsequent to year-end, management has instituted a supportable cost allocation plan for the current fiscal year ending September 30, 1999.

Management's Response

See attached response and corrective action plan dated May 14, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS

REFERENCE NUMBER

97-1

Condition

At September 30, 1997 numerous bank reconciliations reflected out-of-balance conditions from the respective general ledger accounts.

Current Status

All major bank account reconciliations are current and significant journal entries recorded for reconciliations through September 30, 1998, as of April 1999.

REFERENCE NUMBER

97-2

Condition

General Depository Agreements for all bank accounts maintained by HAND were unavailable.

Current Status

The Housing Authority of New Orleans (HAND) has general depository agreements on file for all bank accounts as of April 30, 1999.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF FIVE YEAR AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED

REFERENCE NUMBER

97-3

Condition

A tenant's account receivable aged trial balance was not prepared to support the general ledger balance of tenants accounts receivable as reflected on the general ledger at September 30, 1997 in the amount of \$516,801.

Current Status

HANO has reconciled the tenants accounts receivable and security deposit subledgers to the general ledger as of April 20, 1999.

REFERENCE NUMBER

97-4(*)

Condition

Subsidiary ledgers are not maintained and/or reconciled to the applicable general ledger control accounts for investments, Homeownership, accounts receivable/payable, payroll expense, accrued liabilities, surplus, modernization and development expenditures.

Current Status

The work on subsidiary ledgers is still in progress. Anticipated completion date is September 30, 1999.

(*)Repeated

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUIXIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER

93-5

Condition

The financial reports as of and for the year ended September 30, 1997 prepared and submitted to HUD, did not agree to the financial books and records.

Current Status

HANO has instituted procedures to insure the accuracy of financial reports submitted to HUD for the fiscal year ending September 30, 1999.

REFERENCE NUMBER

97-6(**)

Condition

Interfund advances are not reimbursed by the borrowing fund on a timely basis nor is interfund advances reconciled on a timely basis.

Current Status

HANO continues in its effort to minimize interfund activity. Currently, all interfund advances are being analyzed and reviewed. HANO anticipates resolution by September 30, 1999.

(**Repeated)

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED

REFERENCE NUMBER

97-7(*)

Condition

At September 30, 1997, the homebuyers investment account did not agree to the corresponding liability and general ledger control accounts.

Proceeds from sales of Homeownership units for the year ended September 30, 1997 as reflected on the general ledger did not agree to the supporting sales documents.

Current Status

Reconciliation of the homebuyers investment account is ongoing. Anticipated completion date is June 30, 1999.

REFERENCE NUMBER

97-8(*)

Condition

No established procedures for calculating and recording the carrying value of demolished units.

Current Status

Development of an established procedure is ongoing. Anticipated completion date is September 30, 1999.

(*)Repeated

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER

97-9(*)

Condition

Compliance with Louisiana Revised Statute 24:514 regarding the preparation of financial statements in accordance with GAAP.

Current Status

Conversion to "GAAP" as mandated by the Department of Housing and Urban Development should facilitate compliance with Louisiana Revised Statute 24:514. The process is ongoing and HANO anticipates completion for the fiscal year ending September 30, 1999.

REFERENCE NUMBER

97-10

Condition

Lack of a system to ensure the efficient flow of accounting data.

Current Status

HANO is currently working on a procedure and anticipates the establishment of a system to ensure the efficient flow of accounting data by September 30, 1999.

(*) Repeated

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED

REFERENCE NUMBER

97-11

Condition

Cash Disbursements reviewed, lacked the proper supporting documentation, and in one instance the disbursement was incorrectly coded.

Current Status

HANO continues to evaluate its review and filing document processes on an ongoing basis.

REFERENCE NUMBER

97-12

Condition

Payroll disbursements tested revealed the lack of job description and executed Employee Handbook Acknowledgment Form.

Current Status

Upon completion of the distribution of updated personnel manual to all employees, the acknowledgment forms will all be executed.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER

97-13

Condition

Recommendation to award contract was not supported by a completed evaluation form.

Current Status

HANO continues to ensure that its procurement processes, adhere to its established policies and procedures.

REFERENCE NUMBER

97-14(*)

Condition

Lack of supporting documents for performance funding system calculation.

Current Status

Procedures have been established to insure that all supporting documents are maintained without exception.

(*)Reopened

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER

97-13

Condition

Public Hearing Management Assessment certificate lacked supporting documentation for indicators 5, 6, 9c and 1c.

Current Status

Procedures have been established to insure the maintenance of supporting documents.

REFERENCE NUMBER

97-16

Condition

Noncompliance with the housing quality (STED) and HUD Form 50058 reporting.

Current Status

HANO continues to ensure through established procedures, compliance with HUD Form 50058 reporting requirements.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER

97-17(*)

Condition

Failure to submit audit report within six (6) months of the close of HANO's fiscal year.

Current Status

HANO continues to establish the necessary processes and implement the organizational structure to ensure the timely submission of its annual audit. While the current audit was not submitted timely, management is instituting new policies and procedures to ensure compliance for the fiscal year ending September 30, 1999.

REFERENCE NUMBER

97-18

Condition

Unposted predecessor auditor's adjustments.

Current Status

The finance department is in the process of finalizing the necessary review to facilitate the timely posting of all outstanding audit adjustments.

(*)Repeated

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER

97-19

Condition

Untimely submission of reimbursement report for Congregate Housing Program.

Current Status

HANO no longer receives any funding from HUD for Congregate Housing.

REFERENCE NUMBER

97-20

Condition

Recurrence of audit findings and reportable conditions in the following areas:

- Maintenance of subsidiary ledgers for all significant general ledger accounts; and timely preparation of bank reconciliations.

Current Status

HANO continues to evaluate its established policies and procedures with an aim toward enhancement to minimize, if not, eliminate repeated audit findings.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED

REFERENCE NUMBER

97-21

Condition

Subsidiary ledger for land, structures and equipment acquired via CIAP and CDP funds has not been updated and does not indicate the composition of the amount by descriptive categories.

Current Status

The establishment of subsidiary ledgers for land structure and equipment by composition and descriptive categories is ongoing. HANO anticipates resolution by September 30, 1999.

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS**

REFERENCE NUMBER	DESCRIPTION	STATUS	
		RESOLVED	UNRESOLVED
96-1	Maintain supporting documentation for all accounting transactions. Improve the administrative filing and retention of important documentation.		X*
96-3	Designate a person in each department to monitor compliance with laws and regulations.		X
96-4	Review all receivable balances periodically for collectibility.		X*
96-5	Maintain subsidiary ledgers for all significant general ledger accounts. Perform monthly reconciliations of subsidiary ledgers to the general ledger.		X*
96-6	Reconcile the interfund receivable and payable balances monthly.		X*
96-7	Reconcile the homebuyers investment and liability accounts.		X*
96-8	Maintain a current ledger of all contract rentals.		X

* Repeated

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER	DESCRIPTION	STATUS	
		RESOLVED	UNRESOLVED
96-9	Ensure that bank reconciliations are prepared properly and that reconciling items are resolved timely.		X*
96-11	Ensure that modernization programs are officially closed out on a timely basis.		X
96-12	Maintain copies of the pledged collateral reports from financial institutions.	X	
96-13	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 to the Modernization Program.		X
96-14	Construction contract and architect contract files were inconsistent and incomplete in some instances.		X

*Repeated

**HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA
STATUS OF PRIOR YEARS AUDIT FINDINGS,
REPORTABLE CONDITIONS AND OTHER RECOMMENDATIONS, CONTINUED**

REFERENCE NUMBER	DESCRIPTION	STATUS	
		RESOLVED	UNRESOLVED
96-15	Of the sixty disbursements selected for the Section 8 Program, cancelled checks for two disbursements could not be provided by HANO to adequately support the participant costs.		X*
96-16	HANO did not submit revised budgets to ERUD for the Section 8 Program as required by HUD Notice PIH 94-6.		X
96-17	HANO did not electronically submit Form HUD-50058 for Section 8 participants as required by HUD Notice PIH 96-20.		X*
96-18	HANO did not obtain an audit performed in accordance with the Public and Indian Housing (PIH) Compliance Supplement (PIH Number 95-31) for the year ended September 30, 1996.		X

NOTE: *Ultimate resolution of the findings reported in the schedule of findings and questioned costs for the fiscal year ended September 30, 1996 rest with ERUD. Any issues or exceptions that may result from ERUD's determination and resolution of the aforementioned findings and questioned cost have not been considered in the audit performed for fiscal year 1998 in accordance with OMB Circular A-133.

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

EXIT CONFERENCE

SEPTEMBER 30, 1998

An exit conference was held on May 14, 1999. The findings and recommendations contained herein were discussed. Also, during the course of our ongoing audit field work many of the audit findings were discussed. The individuals participating in the discussions and exit conference were as follows:

HOUSING AUTHORITY OF NEW ORLEANS

Mr. Mike Kelly	-	Executive Director
Ms. Linda D. Hall	-	Director of Audits and Compliance
Mr. Michael Masley	-	Accountant Administrator 3 -
Ms. Renee Johnson, CPA	-	Internal Audit Supervisor
Mr. Corwin Hill	-	Chief Financial Officer-
Ms. Brenda Brown	-	Deputy Executive Director

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael R. Bruno, CPA, CGFM	-	Managing Partner
Mr. Paul K. Anselm, Sr., CPA, CGFM	-	Senior Manager
Mr. Armand Pinkney	-	Audit Supervisor

We appreciate the courtesies extended to us by the management and staff of HANO during the audit.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

May 10, 1999

HOUSING AUTHORITY OF NEW ORLEANS
CORRECTIVE ACTION PLAN
FISCAL YEAR ENDING SEPTEMBER 30, 1998

General Comment

As a result of issues raised in the audit of the fiscal year ending September 30, 1997, the Housing Authority of New Orleans recognized the need for an improvement plan in the Finance Division. A team was assembled to develop and implement this improvement plan as of June, 1998. Many of the issues identified here below are included in the overall improvement plan and have been addressed.

Reference Number

98-1

Management's Response

The Housing Authority of New Orleans has detailed subledger, which are reconciled for the following major accounts:

Tenant Accounts Receivable
Security Deposits
Vendors and Contractors Payable
Contract Retainage
Capital Improvement Programs
Inventory

The Housing Authority of New Orleans is in the process of completing research of the remaining major accounts. This task should be completed by September 30, 1998.

Contact Person

Connie Hill

Reference Number

98-2

Management Response

The Housing Authority of New Orleans is working with a consultant in an effort to reconcile interfund activity. It should be noted that computer system controls have been implemented October 1, 1998 to prevent out of balance interfund activity. The 1998 Fiscal Year activity is in balance.

Contact Person

Cecilia Hill

Reference Number

98-3

Management Response

The Housing Authority of New Orleans does review the adequacy of collateral on a periodic basis. This review is completed upon request of the Financial Institution to release the current collateral with or without substitutions. Procedures are being implemented to provide written documentation of this review process.

Contact Person

Cecilia Hill

Reference Number

98-4

Management Response

The Housing Authority of New Orleans is in the process of completing written policy and procedure manuals for all major accounting areas. Staff training is provided on an on going basis and a formal training session will be held upon completion of the written procedures. The policy and procedure manual will be completed by December 1999. Supervision and review of the bank reconciliations is provided monthly.

Contact Person

Cecilia Hill

Reference Number

98-5

Management Response

The Housing Authority of New Orleans is in the process of reviewing all unaccommodated accounts. This process should be completed by September 30, 1999.

Contact Person

Cecilia Hill

Reference Number

08-6

Management Response

Management disagrees with this finding. All documentation is maintained and available for inspection.

Contact Person

Cecilia Hill

Reference Number

08-7

Management Response

Management has taken steps to address and resolve this finding within the next thirty days.

Contact Person

Clay Ledford

Reference Number

08-8

Management Response

The building data under indicator #3 has been corrected in the database under the CUS system.

The Housing Authority of New Orleans has initiated complete monthly/year-end closing processes. A complete review of the monthly financial statements is up-to-date and current.

Contact Person(s)

Benjamin Bell, Cecilia Hill

Reference Number

08-9

Management Response

Management has taken steps to address and resolve this finding within the next thirty days.

Contact Person

Clay Ledford

Reference Number

98-10

Management Response

The Housing Authority of New Orleans, contacted a timely solicitation of an IPA to perform the annual audit. However, the absence of key personnel due to serious illness in the finance department during crucial reporting periods and the change of the personnel in the position of Chief Financial Officer contributed to uniform and unusual delays.

Contact Person

Linda Hill

Reference Number

98-11

Management Response

The Housing Authority of New Orleans has implemented a record retention policy and is currently maintained. In addition complete working files are being maintained for all current year reports.

Contact Person

Carmie Hill

Reference Number

98-12

Management Response

Management has taken steps to address and resolve this finding.

Contact Person

Dorinda Brown

Reference Number

98-13

Management Response

A new system has been created under the standard operating procedures which addresses 10.30 Form 5805B. Compliance with this procedure is reviewed on an ongoing basis.

Contact Person

Benjamin Bell

Reference Number

98-14

Management Response

The Housing Authority of New Orleans has implemented a record retention policy and is currently maintaining. In addition, complete working files are being maintained for all current year reports.

Contact Person

Connie Hill

Reference Number

98-15

Management Response

The Housing Authority of New Orleans has implemented a complete documented cost allocation methodology effective October 1, 1998.

Contact Person

Connie Hill

HOUSING AUTHORITY OF NEW ORLEANS
STATUS OF AUDIT FINDINGS
FOR
FISCAL YEAR ENDING SEPTEMBER 30, 1987

Reference Number

01-1

Federal Programs

All programs (see Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to Section 15 of the Consolidated Annual Certifications Contracts:

"The HHA must maintain complete and accurate books of account for the projects for the HHA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audit".

Condition

- a) At September 30, 1987 numerous bank reconciliations reflected out-of-balance conditions from the respective general ledger accounts as follows:

Account No.	Description	Amount
081.111131	Cash - Liberty Modernization	\$ 235,390
081.111119	Cash - FNHC Payroll	213,818
081.111132	Cash - Drydock 581.	198,256
081.111126	Cash - Liberty-General Fund	240,274
081.111118	Cash - FNHC - Modernization	238,532
081.111127	Cash - Liberty - Section 8	93,834
081.111101	Cash - Hibernia - Section 8	75,927

- b) Journal entries prepared by HANO to resolve the out-of-balance conditions previously discussed impacted various balance sheet accounts. However, we noted entries totaling \$382,851 prepared to write-off cash related unidentified bank reconciliation items as follows:

Account No.	Description	Amount
081.111101	Cash - Hibernia - Section 8	\$ 75,216
081.111118	Cash - FNHC Payroll	214,101
087.111127	Cash - Liberty - Section 8	93,834
		<u>\$382,851</u>

Our report on page _____ reflects the total write-off amount of \$382,851 as questioned cost.

- b. Several bank reconciliations included reasoning items between the book and bank balances that as September 30, 1967 had been outstanding for several months as follows:

Account No.	Description	Months
901.111131	Cash - Liberty-Modernization	16-months
901.111139	Cash - FMBC - Payroll	24-months
901.111132	Cash - Dryden S&L	12-months
901.111134	Cash - Liberty General Fund	9-months
901.111118	Cash - FMBC - Modernization	24-months
901.111127	Cash - Liberty - Section 8	14-months

- c. Journal vouchers prepared by staff to properly record identified reasoning items in various bank reconciliations, were not being prepared and recorded on a timely basis as follows:

Account No.	Description	Months Unrecorded
901.111131	Cash - Liberty Modernization	16-months
901.111139	Cash - FMBC - Payroll	24-months
901.111132	Cash - Dryden S&L	12-months
901.111134	Cash - Liberty General Fund	9-months
901.111118	Cash - FMBC - Modernization	24-months
901.111127	Cash - Liberty - Section 8	14-months
901.111128	Cash - Dryden-S&L, 30	12-months
901.111125	Cash - FMBC-General Fund	8-months

- d. Bank accounts closed during the year continue to reflect a general ledger balance as follows:

Account No.	Description	Balance
901.111139	Cash - Alton - Payroll	\$ 809
901.111112	Cash - FMBC - Free Park	110
901.111134	Cash - Alton - Mod	1,040
902.111107	Cash - FMBC - Christopher	596
		<u>\$2,555</u>

- e. The following significant September, 1967 bank reconciliations prepared by staff had no indication of supervisory review:

Account No.	Description
901.111134	Cash - FMBC - Self Insured
901.111126	Cash - Liberty - General Fund
901.111131	Cash - Liberty-Modernization

- f. Furthermore, clerical and mathematical errors were noted in Liberty-Modernization (account number 111131) and FMBC payroll (account number 111139) bank reconciliations;

- o The following September, 1997 bank reconciliations reflected checks that have been outstanding in excess of six months; and

Account No.	Description
000.110126	Cash - Liberty - General Fund
000.110119	Cash - Liberty - Self Insured
000.110125	Cash - FNUC - General Fund
000.110131	Cash - Liberty-Minimization
000.110127	Cash - Liberty-Section 8

- o There was no evidence of internal monitoring of the adequacy of collateral for all cash deposits and certification of deposit in excess of \$100,000 to protect the risk of loss for deposits at financial institutions that exceed Federal Deposit Insurance Corporation (FDIC) insurance limits.

Outstanding Costs

\$382,851

Comments

Audit Finding - Material Weakness

Recommendation

We recommend that the entire cash management and bank reconciliation function be evaluated together with the personnel who are currently assigned to various aspects of the bank reconciliation process. Appropriate training and supervision should be afforded to these employees to assist them in performing their duties. We also recommend that HA/NO's Department of Audit and Compliance include in their work plan procedures to periodically monitor and review the bank reconciliation function to ensure timeliness and propriety of bank reconciliations and proper recognition of reconciling items.

Management's Response

The Housing Authority of New Orleans has contracted with a consultant, working in conjunction with the Department of Audit & Compliance in an effort to resolve the issues mentioned in the above recommendations.

Update

The Housing Authority of New Orleans working in conjunction with a consultant has provided training and supervision for new bank reconciliation procedures. All bank account reconciliations are current and appropriate journal entries recorded.

Contact Person

Comair 988

Reference Number

97-2

Federal Programs

All programs (see Schedule of Dependence of Federal Agency)

Criteria

Pursuant to Section 9 of the Consolidated Annual Contributions Contracts

"The HA shall deposit and invest all funds and investment securities received by or held for the account of the HA in connection with the development, operation and improvement of the projects under an ACC with HUD in accordance with the terms of the General Depository Agreement(s). The General Depository Agreement shall be in the form prescribed by HUD and must be executed by the HA and the depository. Immediately upon the execution of any Depository Agreement, the HA shall furnish a copy to HUD. Such executed or conformed copies thereof as HUD may require a Depository Agreement shall not be terminated except after 30 days notice to HUD."

Condition

General Depository Agreements for all bank accounts maintained by **HANO** were unavailable.

Qualified Costs

None

Comments

Audit Finding - Material Weakness

Recommendation

We recommend that **HANO** comply with the requirements of Section 9 of the Consolidated Annual Contributions Contracts - Depository Agreement and General Fund.

Management's Response

The Housing Authority of New Orleans has received the proper forms from HUD and will complete such forms as required by August 31, 1998.

Update

The Housing Authority of New Orleans has received completed forms from each financial institution except Regions Bank. The completed form from Regions will be received by April 30, 1998.

Contract Person

Conna Hill

Reference Number

97-3

Federal Program

ACC/FIN-1150 (acc Schedule of Expenditures of Federal Awards)

Criteria

Presented to Section 15 of the Consolidated Annual Contributions Contracts

"The HA must maintain complete and accurate books of account for the projects of the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audit."

Condition

- a- A tenant's accounts receivable aged trial balance was not prepared to support the general ledger balance of tenants accounts receivable as reflected on the general ledger as September 30, 1997 in the amount of \$316,681. Subsequently, journal entries in the amount of \$334,019 were proposed by management and reflected in the financial statements as write-off of unidentified tenant accounts receivable; the write-off amount of \$334,019 has been reflected as questioned costs in this report.
- b- HUD-5228 (Report of Tenants Accounts Receivable) as of September 30, 1997 was not submitted to HUD; and
- c- A tenant security deposit ledger was not prepared to support the general ledger balance of tenant security deposits as reflected on the general ledger at September 30, 1997 in the amount of \$852,034.
- d- The tenant accounting section of HANO's Accounting department does not appear to be adequately staffed to handle and reconcile various aspects of tenant transactions (i.e. reconciliation of cashier daily cash receipts reports to deposit tickets and bank statements, reconciliation of general ledger tenant receivable and tenant security deposit balances to subsidiary reports, preparation of HUD-5228 Report of Tenants Accounts Receivable, etc.) to facilitate the timely and accurate reporting of financial information related to tenant activity.

Questioned Costs

5334.319

Comments

Audit Finding - Material Weakness

Recommendation

We recommend that a tenant accounts receivable aged trial balance and a tenants security deposit ledger be generated on a monthly basis and that the tenants receivable balances and security deposit balances as reflected on these subsidiary reports be reconciled to the appropriate general ledger control accounts on a monthly basis. Additionally, we recommend that HUD 52295 be prepared and submitted to HUD as required. Lastly, we recommend that management evaluate the current staffing of the tenant accounting section of the Accounting department to ensure its capacity to handle and reconcile all aspects of tenant accounting transactions.

Management's Response

The Housing Authority of New Orleans, along with a consultant, is in the process of reconciling the tenant accounts receivable and the tenants security deposit ledger. We have recently hired an accountant for the tenant accounting area, which has been under staffed for the past year and a half. The 52295 report has been submitted for the period ended March 31, 1998. This report is required biannually.

Update

The tenant accounts receivable and the tenants security deposit subsidiary ledgers have been reconciled to the general ledgers. The 52295 report for September 30, 1998 and March 31, 1999 will be sent to HUD by April 30, 1999.

Contact Person

Corrie Hill

Reference Number

97-4

Federal Program

All programs (see Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to Section 13 of the Consolidated Annual Contributions Contract.

"The IBA must maintain complete and accurate books of account for the projects of the IBA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits."

Condition

- a. **Subsidiary ledgers are not maintained and/or reconciled to the applicable general ledger control accounts for the following significant accounts:**

- **Investments**

The subsidiary report of investments (Homeownership accounts) as of September 30, 1997 exceeded the corresponding general ledger account balance by \$14,821.

- **Accounts receivable (other than tenants)**

Based on an analysis of amount 081.112948 (accounts receivable reclassification) prepared at our request during the course of the audit, management identified \$1,321,918 of recorded receivables that could not be validated and for which we could not assess collectibility. No journal entries were proposed to resolve these unvalidated receivables as of September 30, 1997 and May 31, 1998.

- **Accounts payable - Vendor Contractors**

IBAO reported a debit balance of approximately \$479,000 in accounts payable - vendors and contractors (Account No. 001.211500) at September 30, 1997. In addition, there was no reconciliation performed of the general ledger balance in this account to a subsidiary ledger or report at September 30, 1997. Subsequently, journal entries totaling \$840,000 were recorded to fairly state the accounts payable balance of which \$360,940 was recorded as a prior period adjustment for amounts that could not be identified. This amount has been reflected as questioned costs.

- **Accounts payable - Contract Retentions**

The balance in accounts payable - contract retentions account (Account No. 001.211380) is not periodically reconciled to a subsidiary ledger or report. Subsequently, journal entries totaling \$1,275,823 were proposed by management to fairly state the balance in accounts payable - contract retentions at September 30, 1997.

- **Payroll Expense**

Incomplete recordation of payroll expense in the amount of approximately \$24,000 during the preparation of Internal Revenue Service Form 941 (Employer's Quarterly Federal Tax Return).

- **Accrued Liabilities - Utilities**

We noted a significant difference in the beginning balance as reflected on HANO's general ledger and its September 30, 1996 audit report in the amount of \$1,115,728. Subsequently, audit adjusting entries totaling \$2,195,358 were proposed and recorded to fairly state HANO's liability for accrued utilities and related utility expense as of September 30, 1997 and for the year then ended.

-- Surplus

HANO was unable to reconcile the surplus beginning balances at October 1, 1996 to the corresponding surplus balances as reflected in the September 30, 1996 audit report for Annual Contribution Contract PW-1190. (See Reference No. ____.)

These unreconciled differences are illustrated as follows:

	HUD-32595	Audit Report	Difference
Unreconciled surplus	\$1545,416,450	\$248,034,786	\$ 3,518,336
Reserved surplus - operating reserves	10,368,250	15,089,588	4,721,339
Cumulative HUD Contributions	809,332,364	722,336,400	86,996,163

Additionally, included in Cumulative HUD-Contributions per HUD Form 32595 are approximately \$88 million of HUD Modernization Grants which were incorrectly included in Cumulative HUD-Contributions which accounts for approximately \$88 million of the \$88 million difference in Cumulative HUD-Contributions noted above.

Reconciliation of surplus beginning balances at October 1, 1996 to the corresponding balances as reflected in the September 30, 1996 audit report for Annual Contribution Contracts PW-2053, PW-2217 and PW-2281 were not prepared and unavailable.

-- Modernization and Development

At September 30, 1997 modernization and development expenditures through Comprehensive Improvement Assistance Programs (CIAP) and Comprehensive Grant Programs (CGP) were not reconciled to subsidiary ledgers or reports. Expenditures as reflected on HANO's general ledger were not reconciled to subsidiary ledgers nor expenditure reports prepared and submitted to HUD. Subsequently, HANO made available to us a reconciliation of its CGP funds with out-of-balance conditions illustrated as follows:

	Tracking System	General Ledger	Difference
Comprehensive Grant '82	\$14,825,204	\$15,152,549	\$ 327,345
Comprehensive Grant '83	7,884,532	8,278,917	394,385
Comprehensive Grant '84	8,790,745	8,940,184	149,439
Comprehensive Grant '85	7,838,997	8,093,079	254,082
Comprehensive Grant '86	6,243,688	4,836,675	1,407,013

- o There are several balance sheet accounts in the general ledger for which management was unaware of the composition or purpose which necessitated our request of management to have those accounts reviewed to identify the appropriateness of the balances. Additionally, several accounts in the general ledger reflected balances at September 30, 1997 which were contrary to the nature and description of the account (i.e. accounts receivable accounts with credit balances and accounts payable accounts with debit balances).

Questioned Costs

\$296,543

Comments

Audit Finding - Material Weakness.

Recommendation

We recommend that management establish subsidiary ledgers for all significant accounts and perform monthly reconciliations of the balances in those accounts as reflected on the subsidiary ledgers to the applicable general ledger control account. The reconciliation process should include identification of the composition of the accounts. The reconciliations should be prepared in writing and all reconciling items should be documented and the necessary corrections made to the subsidiary ledgers or journal vouchers prepared and posted to the general ledger as applicable on a timely basis.

Management's Response

The Housing Authority of New Orleans is working with a consultant in an effort to establish subsidiary ledger for all significant accounts. This task should be completed by December 31, 1998.

Update

The work on the subsidiary ledgers is still in process. This task should be completed by September 30, 1998.

Contact Person

Conita Hill

Reference Number

87-5

Federal Programs

Annual Contribution Contracts (ACC) 17W-1150, 17W-2053 and 17W-2217 (See Schedule of Expenditures for Federal Awards)

Criteria

Paragraph to Section 13 of the Consolidated Annual Contributions Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audit."

Conditions

The financial reports as of and for the year ended September 30, 1997 prepared and submitted to the United States Department of Housing and Urban Development (HUD) for ACC FW-1190 (HUD-52599 Balance Sheet for Section 8 and Public Housing; HUD-52596 Statement of Income and Expense and Changes in Accumulated Surplus or Deficit from Operations and HUD-52589 Statement of Operating Receipts and Expenditures) and FW-2053 and FW-2217 (HUD-52585 Balance Sheet for Section 8 and Public Housing; and HUD-52681 Voucher for Payment of Annual Contributions and Operating Statement - Housing Assistance Payments Program) did not agree to the financial books and records (i.e. Trial Balance Fund Detail) of HANO as shown below:

	For Central Lodge Dr HUD-52596	For HUD Form 52585, 52599 Dr 52586
a. ACC FW-1190		
Advances	\$ 316,777.00	\$ 372,031.00 (52585)
Development Cost	370,082,104.00	370,082,263.00 (52599)
Administrative Expenses	6,868,381.00	6,793,535.00 (52599)
Operating Expenses (52599)	48,717,159.00	48,993,930.00 (52599)
b. ACC FW-2053		
Operating expenses	\$15,874,789(G/L)	\$15,929,172 (52681)
c. ACC FW-2217		
ACC Funded	1,948,300(G/L)	2,051,462 (52681)

Additionally, clerical errors were noted in the preparation of HUD Form 52681 for ACC FW-2053 as follows:

Total operating expenses	HUD 52681 (as submitted)	\$15,291,172
Total operating expenses	HUD 52681 (corrected)	15,929,172

Questioned Cost

NONE

Comments

Audit Finding - Material weaknesses

Recommendation

We recommend that the set-up and configuration of the summary reports used to prepare the IRUD financial statements be reviewed for propriety and that the IRUD reports when completed be reconciled to the Total Balance Fund Detail. Additionally, we recommend that the reports be reviewed by a designated person at a supervisory level independent of the report preparation process to ensure propriety and clerical accuracy.

Additionally, we recommend that the financial management staff verify that there are no unposted accounting transactions existing in the various accounting software modules utilized by ISAND prior to closing, to ensure the completeness of its financial statements.

Management's Response

The Housing Authority of New Orleans has indicated measures to insure the accuracy of reports and the completed posting of all monthly activity.

Update

On going.

Contact Person

Cecile Hill

Reference Number

97-0

Federal Programs

All programs (See Schedule of Expenditures of Federal Awards)

Criteria

Not applicable

Conditions

Inter-fund advances are not reimbursed by the borrowing fund on a timely basis nor is inter-fund advances reconciled on a monthly basis. As September 30, 1997 the combined interfund balance is \$5,934,000.

Questioned Costs

NONE

Comments

Reportable condition.

Recommendation

We recommend that inter-fund advances (receivables/payables) be reviewed by a designated individual on a monthly basis and reimbursed on a timely basis.

Management's Response

An Accountant Supervisor reviews interfund receivables/payables. The reimbursement of funds is done monthly.

Contact Person

Aaron Anderson

Reference Number

91-7

Federal Program

ACC-FW-1100 (See Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to Section 19 of the Consolidated Award Contribution Contracts:

"The IIA must maintain complete and accurate books of account for the projects for the IIA in such a manner as to permit the preparation of statements and reports in accordance with DRG requirements, and to permit timely and effective audit."

Condition

- o At September 30, 1997, the bondholders investment account did not agree to the corresponding liability account.

The bondholders investment account balance was \$1,478,633 versus the bondholders reserves account balance of \$344,716 resulting in a difference of \$813,917.

- c. Detail of homebuyers investments did not agree to the corresponding general ledger control account as September 30, 1997;

See Finding 93-4

- c. Proceeds from the sales of homeownership units for the year ended September 30, 1997 as reflected on the general ledger of HANO did not reconcile to supporting sales documents;

Proceeds from 1997 sales per general ledger	\$57,179
Proceeds from 1997 sales per sales documents	52,840
Difference:	<u>\$4,339</u>

- e. No entries were recorded to the books and records of HANO to remove the carrying value of homeownership units sold during the year ended September 30, 1997.

Questioned Costs

NONE

Comments

Audit Finding - Material Weakness

Recommendation

We recommend that HANO's current accounting policies and procedures utilized for the Homeownership program be evaluated for adequacy and that those procedures include but not limited to:

- a. Monthly reconciliation of the homebuyers investment account to the corresponding liability account;
- a. Monthly reconciliation of the detail of homebuyers investments to the applicable general ledger control account;
- a. Periodic reconciliation of the proceeds from the sale of homeownership units as reflected on the general ledger to the supporting sales documents; and
- a. Timely reconciliation to remove the carrying value of homeownership units sold from the books and records of HANO.

Management's Response

The Housing Authority of New Orleans agrees with this recommendation and will institute recommended changes immediately.

Update

The Hearing Authority of New Orleans is still in the process of reconciling the Handbergers accounts. Upon completion of the reconciliations the recommended changes will be instituted. The reconciliations will be completed by May 31, 1999.

Contact Person

Connie Hill

Reference Number

97-8

Federal Program

ACU F50-1990 (See Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to a HUD correspondence to **HANO** dated April 1, 1997:

"Regarding the IPUD prescribed accounting treatment to be used for the disposition of FIAA units. The ISA has the responsibility to establish such systems that meet basic standards as stipulated by Federal requirements in 24 CFR Part 83 for all grantees".

Condition

During the years ended September 30, 1997 and 1998 and currently **HANO** is involved in substantial amounts of demolition activities in conjunction with its modernization activities. However, **HANO** has not established any procedures for calculating the carrying value of the demolished units and recording the appropriate journal entries to the books and records to remove the carrying value of these demolished units.

Question of Costs

NONE

Comments

Audit Finding — Material weakness.

Recommendation

We recommend that **HANO** establish procedures for the valuation of demolished units and the proper reconciliation thereof.

Management's Response

The Finance Department of the Housing Authority of New Orleans has reviewed and accepted the valuation received prescribed by its IPA performing the 1998 annual audit. The same basis shall be used to write off any future buildings that are demolished.

Update

On going.

Contact Person

Cosmic Hill

Reference Number

92-8

Federal Programs

All Programs (See Schedule of Expenditures of Federal Awards)

Criteria

Louisiana Revised Statute 24:514 requires the financial statements of all governmental agencies to be prepared in accordance with generally accepted accounting principles.

Condition

Currently, HANO prepares its financial statements on the basis of accounting practices prescribed or permitted by the United States Department of Housing and Urban Development (HUD) and, in our opinion, is not in conformity with generally accepted accounting principles (GAAP). Louisiana Revised Statute 24:514 requires the financial statements of governmental agencies to be prepared in accordance with generally accepted accounting principles. Currently, the accounting records of HANO do not permit the preparation of its financial statements in accordance with GAAP.

The most significant areas of differences between GAAP and HUD practices include the accounting treatment afforded to the acquisition and disposition of land, structures and equipment, allowances for bad debt, accounting and estimating for liabilities related to litigation as well as the capitalization of management improvements and related cost.

Questioned Costs

None.

Comments

Audit Finding

Recommendation

We recommend that management explore the feasibility and the cost benefit of preparing its financial statements to conform to State reporting requirements. At a minimum, the process may require the use of spreadsheets to provide the necessary financial data to facilitate conversion from HHSB to GAAP basis of presentation.

Management's Response

The Housing Authority of New Orleans has complied with the letter and intent of the law. The contract executed with its current CPA and approved by the State Legislative Auditor contains a provision to produce HANO's financial statements in the GAAP format as required by the law.

Update

The Department of Housing and Urban Development has mandated that all housing agencies convert to the GAAP method of accounting as of September 30, 1999.

Contact Person

Circle 1121

Reference Number

02-18

Federal Program

Annual Contribution Contract PW-1190

Criteria

Not applicable

Condition

- o We noted that check number 131807 in the amount of \$250,385 in payment of automobile insurance premiums was incorrectly coded to properly reflect prepaid amounts. Furthermore, it is our understanding through discussion with management that the stipulate of any disbursements related to insurance is required to provide the individual designated to administer prepaid insurance on a quarterly basis with the necessary documents to record the necessary amortization. The designated individual was unaware of the disbursement prior to our notification during the course of the audit. An audit adjustment was subsequently prepared to properly state prepaid insurance.
- o We noted that an amount of \$128,526 was incorrectly recorded as a prepaid item in September 30, 1997. This item dated back to 1985. During the course of our audit we noted that HANO staff had prepared a journal voucher on September 26, 1995 to expense the prepaid amount, however that journal voucher was apparently not posted to the general ledger.

Questioned Costs

None

Comments

Reportable Condition

Recommendation

We recommend that management institute procedures to improve the flow of accounting data to ensure the accuracy and timeliness in recording of accounting transactions. Furthermore, periodic review of the various reports prepared to include financial statements should minimize the untimely identification of material transactions requiring corrections.

Management's Response

The Housing Authority of New Orleans has contacted with a consultant to establish procedures that will ultimately address this recommendation.

Contact Person

Conita Hill

Reference Number

97-11

Federal Program

ACC PW-1190

Citation

Pursuant to Section 15 of the Consolidated Annual Contribution Contracts:

"The HA must maintain complete and accurate books of account for the projects for the HA in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements, and to permit timely and effective audit".

Condition

Of the \$84 (50) cash disbursements (non-payroll) selected for testing we noted:

e. Five (5) instances in which the disbursement lacked supporting documentation; and

		Amount
General Fund	Check No. 4041	\$ 15,932
Modernization	Check No. 103924	1,129
Modernization	Check No. 103971	500
Modernization	Check No. 103187	250
Modernization	Check No. 103128	—250
		\$18,032

In one (1) instance (General Fund Check No. 3015 in the amount of \$89), the disbursement was incorrectly coded.

Questioned Costs

\$18,032

Comments

Audit Finding

Recommendation

We recommend supporting documentation be retained for all cash disbursements and be attached to the cash disbursement voucher and properly filed. Additionally, general ledger account coding should be reviewed for propriety.

Management's Response

Accounts payable procedures are already in place to address this recommendation.

Update

On going.

Contact Person

Comic III

Reference Number

97-12

Federal Programs

ACT: FW 1190 (See Schedule of Expenditures of Federal Awards)

Comments

Not Applicable

Conditions

Of the twenty-five (25) payroll disbursements selected for testing we noted:

- o Two (2) instances in which no job description was included in the employee's personnel file; and
- o Five (5) instances in which there was no Employee Handbook Acknowledgment Form contained in the employee's personnel file.

Questioned Costs

NONE

Comments

Repeatable Condition

Recommendation

We recommend that Employee Handbook Acknowledgment Forms together with each employee's job description be maintained in each employee's personnel file.

Management's Response

The Housing Authority of New Orleans is in the process of updating or completing job descriptions for all of our employees. They are filed as they are completed. It is possible that the two employees' job descriptions were not completed at the time of the audit.

In January 1991, we began a new employee orientation program where all new employees receive and sign for a HANO Personnel Manual. Employees hired before that date receive the Manual and sign for it during on-going training sessions that began in 1988. It is possible that the five employees have not yet attended one of the classes. We are updating the Personnel Manual and plan to have it completed by September 1991. At that time, new manuals will be distributed to all employees.

Contact Person

Heide Brown

Reference Number

97-13

Federal Program

AIC 198-1199 (See Schedule of Expenditures of Federal Awards)

Criteria

Not applicable.

Condition

Of the contracts tested that were awarded during the year ended September 30, 1997 we noted an instance, in which the recommendation to the user department by the Director of Procurement to award the contract was not supported by a completed evaluation form.

Question of Cost

NONE

Comments

Reportable Condition

Effect

Noncompliance with Procurement Policy

Cause

Failure to document evaluation of response to bid.

Recommendation

We recommend that HANO maintain on file all forms utilized in the evaluation of awards.

Management's Response

The bids were evaluated.

Contact Person

Heather Stevens

Reference Number

WV-14

Federal Program

AEC: FAW-11190 (See Schedule of Expenditures of Federal Awards)

Criteria

Paragraph to Section 91 of the Consolidated Annual Contributions Contract:

"The HA shall prepare and have approved by its Board of Commissioners an operating budget for each of its fiscal years in a manner, and using such forms, as prescribed by HUD. The HA shall submit a calculation of operating subsidy eligibility in the manner prescribed by HUD in regulations in Title 24 of the Code of Federal Regulations. HUD shall review the calculation and, if correct, and subject to the availability of funds, take action within 45 days of submission to obligate the funds and approve a payment schedule, unless the HA is notified that it must submit an operating budget. HUD may review or amend the subsidy calculation to bring it into conformity with regulatory requirements. The HA shall submit revised calculations in support of mandatory or other adjustments based on procedures and deadlines prescribed by HUD."

Condition

During our last work regarding the Performance Funding System (PFS) calculation for the year ended September 30, 1997 we noted:

- o Supporting documentation was not retained to support the following component of the PFS calculation:
 - Other income
- o Unit months available used in the calculation of investment income did not agree to the unit months available as indicated on HUD-52725.
- o Clerical errors in HUD-52722A (Calculation of Allowable Utilities Expense); and
- o Unit months available as indicated on HUD-52722A, did not agree to the supporting documentation.

Questioned Costs

NONE

Comments

Audit Finding

Recommendation

We recommend that all documentation to support the PFS Operating Subsidy calculation be retained. Procedures should be implemented to ensure that HAWCO's PFS subsidy is calculated in accordance with HUD Handbook 3475.13.

In addition, the process should ensure the accuracy of information submitted to HUD via the necessary supervisory reviews.

Management's Response:

A hard copy as well as a computerized copy of supporting documentation will be maintained to support calculations of the other income component of PPS subsidy calculation.

A revision to unit months available used in the calculation of investment income to agree with the unit months available as indicated on HUD-52725 has been completed in the 1998 Operating Budget submission.

Clerical errors have been corrected in a revision to HUD-52722A (Calculations of Allowable Utilities Expense) submitted with the 1998 Operating Budget submission.

Unit months available as indicated on HUD-52722A has been corrected in the 1998 Operating Budget submission.

Update:

Procedures have been implemented to insure that all supporting documentation is reviewed for accuracy and maintained.

Contact Person:

Connie Hill

Reference Number:

97-05

Federal Program:

ACC: PW-1190 (See Schedule of Expenditures of Federal Awards)

Critical:

Not Applicable

Comments:

During our review of the September 26, 1997 Public Housing Management Assessment Program (PHMAP) Certification we noted:

- o Supporting documentation did not agree to the amounts reported on the PHMAP Certification relating to the following:
 - Indicator 05 - Component 02 - Annual Inspection of Systems;
 - Indicator 06 - Component 03 - Cash Reserves;
 - Indicator 11 - a - Total number of non-dwelling days; and

- Indicator #1: c- Total number of days where units were de-programmed

It is our understanding based on discussion with management that HANSO has submitted a revised document to HEDD containing amounts related to the above. Furthermore, the revised information will properly establish accurate baselines for future reporting.

Questioned Costs

None

Comments

Reportable condition.

Recommendation

We recommend that supporting documentation be retained and reconciled to all related aspects of the PFMAP Certification.

Management's Response

Detailed Summary Tracking Reports of Major Systems are maintained and updated monthly. Each site completes a Major Systems Inspection form, which is forwarded to Management for input.

Supporting documentation for all cash reserves related to PFMAP are currently kept in the Accounting Department.

The Summary Report of Vacancy Rate is now a standard memo item on our computer system and is prepared each month with the detailed report. These reports are distributed to each site.

Update

All sites were trained on and are now using the Major System Inspections, Service/Inventory Form along with instructions for completing the form. The Major System Annual Inspection Schedule for FY 99 is in effect. The schedule tracks due dates and completion dates.

The Summary Vacancy Report is now a standard CES memo item. The actual report and detail reports are available. These reports are distributed to each site on a monthly basis.

Maintenance of supporting documentation for cash reserves related to PFMAP is on going.

Contact Person(s)

Benjamin Bell, Connie Hill

Reference Number

97-16

Federal Program

ACC PW-2853 and PW-2217 (See Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to the Annual Contribution Contract:

"The HA must use program receipts to provide decent, safe and sanitary housing for eligible families in compliance with the U.S. Housing Act of 1957 and all HUD requirements."

Condition

One eligibility test work on twenty-five (25) Section 8 participant files indicated:

- a. In five (5) instances, units failed inspections and the deficiencies resulting in the failed inspections were not corrected by the owner within thirty (30) days, yet the owners continued to receive Housing Assistance Payments; and
- a. In twenty-three (23) instances the participants files did not contain HUD-50058 (Family Report).

Questioned Costs

\$8,434

Comments

Audit Finding.

Recommendation

Management should review its current practice as it relates to unit inspection and ensure compliance with established regulations.

Management's Response

We have implemented a tracking system to review the status of failing inspections.

Effective January, 1998, HUD Form 50058 Family Reports are prepared for all families at the time of their annual re-certification and a copy is printed and placed in the clients file.

Update

Resolved.

Contact Person

Clay E. Loftis

Reference Number

93-13

Federal Program

AUC-PW-2853 and PW-2217 (See Schedule of Expenditures of Federal Awards)

Criteria

Louisiana revised statute 24:513 requires audit reports of governmental agencies to be submitted within six (6) months of the close of the entity's fiscal year.

Condition

HAND failed to submit its annual audit report as of September 30, 1993 and for the year then ended to the Office of the Legislative Auditor within six (6) months of the close of its fiscal year.

Qualified Costs

NONE

Comments

Audit Finding

Recommendation

We recommend that the necessary process be instituted to facilitate the timely submission of future reports.

Management's Response

The Housing Authority of New Orleans, conducted a timely solicitation of an IPA to perform the annual audit. Staff prepared its unaudited reports within the deadline required by its funding source the Department of Housing and Urban Development. However, the logistics of changing IPAs and the relocation of its former IPA out of the state of Louisiana caused unforeseen and unusual delays. This problem will not occur for the 1994 audit since the IPA is already prepared and is currently performing the 1993 audit.

Update

The Housing Authority of New Orleans, conducted a timely solicitation of an IPA to perform the annual audit. The submission of future reports is not anticipated to present a delay of this magnitude. Changes in key positions of finance personnel has occurred which has coincided with annual reporting periods. The rotation of duties has caused the subsequent revision of unaudited reports. HAND staff is currently revising and implementing processes to mitigate circumstances which lead to a delay in the submission of future reports.

Contact Person

Linda D. Hall

Reference Number

97-18

Federal Program

All programs (see Schedule of Federal Awards).

Criteria

Not applicable.

Condition

Our discussion with management regarding prior years' audited financial statements of HANO indicated:

- o Various audit adjustments proposed by the predecessor auditors and reflected in HANO's audited financial statements for the years ended September 30, 1994 through 1996 were not posted to the books and records of HANO;
- o Specifically, management indicated that it did not concur with a prior year audit adjustment in the amount \$6,600,000 reflected in HANO's audited financial statements for the year ended September 30, 1996 and resolution of management concerns regarding the adjustment was not achieved prior to release of the audit report;
- o Management was unable to support the balances in its surplus accounts as reflected in its audited financial statements as of September 30, 1996 and for the year then ended.

Questioned Cost

None.

Comments

Reportable condition.

Recommendation

We recommend that management record all proposed audit adjustments on a timely basis and any concerns regarding proposed audit adjustments be resolved prior to management's authorization for release of these audited financial statements. Additionally, it is recommended that management reverify the balances in these reports to its books and records.

Management's Response

We agree with this recommendation and will institute procedures to insure timely posting of all audit adjustments as well as accurate audit reports to the general ledger.

Update

On going.

Contact Person

Corina Hill

Reference Number

03-18

Federal Program

Annual Contribution Contract PB-1100

Criteria

Not applicable

Condition

Amounts due for reimbursement under the Congregate Housing Program amounted to approximately \$800,000 as September 30, 1997. Our discussions with management of HANO indicated that this increase is due to untimely submission of reimbursement request and timely execution of contracts with funding source.

Qualified Crit

None.

Comments

Repeatable conditions.

Recommendation

We recommend that HANO take immediate steps to determine the status of this receivable and that all audited amounts, if any, be immediately submitted for reimbursement to improve the cash flow of HANO and prevent any potential problems in realization of the amounts due because of untimely submission of reimbursement request.

Management's Response

The Housing Authority of New Orleans has evaluated the Congregate Housing Program and has taken steps to bring all uncollected receivable balances.

Update

Completed.

Contact Person

Comic 101

Reference Number

77-20

Federal Program

All programs (see Schedule of Expenditures of Federal Awards)

Criteria

Not applicable.

Condition

Our review of audit reports issued in previous years indicate occurrences of audit findings and reportable conditions related to:

- Maintenance of subsidiary ledgers for all significant general ledger accounts and monthly reconciliation of subsidiary ledgers to the general ledger;
- Reconcile homebuyer investments and liability accounts; and
- Ensure that bank reconciliations are prepared properly and that reconciling items are resolved timely.

Questioned Cost

None.

Comments

Reportable condition - material weakness.

Recommendation

We recommend that management evaluate the effectiveness of the Finance department toward preventing occurrences of audit findings and reportable conditions and to achieve significant improvement in internal control.

Management's Response

The Hearing Authority of New Orleans has contracted with a consultant to address prescriptive approaches to eliminate audit findings.

Update

Ongoing.

Contact Person

Connie Hill

Reference Number

97-21

Federal Program

Annual Contract 194-1180

Criteria

Pursuant to Section 13 of the Consolidated Annual Contributions Contract:

"The HA must maintain complete and accurate books of account for the projects of the HA, in such a manner as to permit the preparation of statements and reports in accordance with HUD requirements and to permit timely and effective audits.

Furthermore, Louisiana Revised Statute 28:514 requires the financial statements of all governmental agencies to be prepared in accordance with generally accepted accounting principles.

Condition

The sub-ledger of land, structures and equipment provided to us by management reflected the cost of land, structures and equipment of approximately \$199,034,000. Our discussions with management indicated that the sub-ledger did not include various land, structures and equipment items acquired via Comprehensive Improvement Assistance Programs (CIAP) or Comprehensive Grant Programs (CGP) funds of approximately \$208,195,000. It is our understanding that the subsidiary ledger of land structures and equipment acquired via CIAP and CGP funds has not been updated and does not indicate the composition of the amount by descriptive category (i.e. land, structures or equipment).

Furthermore, management also indicated that included in land, structures and equipment are various items, (i.e. management improvements, etc.) that are capitalizable for HUD basic financial statement presentation but not for financial statement presentation under generally accepted accounting principles. The amount of which could not be grant fund.

Qualified Costs

None.

Comments

Reportable Condition

Recommendation

We recommend that a land, structures and equipment subsidiary ledger be maintained inclusive of all land, structures and equipment and that the subsidiary ledger amount be reconciled to all applicable general ledger control account amounts.

Management's Response

The Land, Structures, and Equipment account has always had a subsidiary ledger that is reconciled on a monthly basis.

Update

N/A

Contact Person

Corrie Hill