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**LAFAYETTE NEIGHBORHOODS'  
ECONOMIC DEVELOPMENT  
CORPORATION**

Lafayette, Louisiana

Financial Report

Year Ended April 30, 1992 and 1993

Under provisions of state law, this report is a public document. A copy of the report has been furnished to the auditor, or referees, entity and other appropriate public officials. The report is available for public inspection at the Peter Turpin office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date APR 23 1993

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**Darnall, Sikes  
& Frederick**

A Corporation of Certified Public Accountants

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**Independent Auditor's Report**

To the Board of Directors  
 Lafayette Neighborhoods' Economic  
 Development Corporation  
 Lafayette, Louisiana

MEMPHIS, TENNESSEE

54 Year Report  
 Ending 12/31/1987  
 99-0000

MEMPHIS, TENNESSEE  
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MEMPHIS, TENNESSEE

We have audited the accompanying statements of financial position of the Lafayette Neighborhoods' Economic Development Corporation ("LNEDEC"), a nonprofit corporation, as of April 30, 1988 and 1987 and the related statements of net assets and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lafayette Neighborhoods' Economic Development Corporation as of April 30, 1988 and 1987 and its changes in net assets and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated October 6, 1988, on our consideration of the Lafayette Neighborhoods' Economic Development Corporation's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

***Darnall, Sikes & Frederick***  
 A Corporation of Certified Public Accountants

Lafayette, Louisiana  
 October 6, 1988

MEMPHIS, TENNESSEE  
 99-0000  
 MEMPHIS, TENNESSEE  
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 MEMPHIS, TENNESSEE  
 99-0000

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Financial Position  
April 30, 1998 and 1997

ASSETS

	1998	1997
Cash and cash equivalents	\$ 198,884	\$ 132,879
Investment - CD	58,000	-
Loans receivable (net)	769,586	731,108
Accrued interest receivable	3,585	4,475
Other receivables	<u>48,281</u>	<u>17,868</u>
<b>Total current assets</b>	<b><u>\$ 1,068,736</u></b>	<b><u>\$ 886,331</u></b>

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Due to affiliated organization	\$ 180,125	\$ 180,125
<b>NET ASSETS</b>		
Permanently restricted for loans	865,637	711,126
Permanently restricted for reserve deposit	<u>-</u>	<u>7,280</u>
	<u>865,637</u>	<u>718,406</u>
<b>Total liabilities and net assets</b>	<b><u>\$ 1,045,750</u></b>	<b><u>\$ 898,531</u></b>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statements of Activities  
 Years Ended April 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>		
Support:		
City of Lafayette -		
Passed through federal funds	\$ 184,720	\$ 125,251
Passed through local funds	-	1,441
Revenue:		
Interest		
Loans	42,895	37,181
Investments	6,568	6,483
Application fees	-	175
Other	<u>3,642</u>	<u>2,124</u>
Total support and revenue	<u>237,725</u>	<u>272,455</u>
Expenses:		
Support services -		
Management and general	<u>80,903</u>	<u>118,270</u>
Excess of support and revenue over expenses	146,822	154,185
Net assets, beginning	<u>753,485</u>	<u>599,423</u>
Net assets, ending	<u>\$ 900,307</u>	<u>\$ 753,608</u>

See independent auditor's report and notes to financial statements.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Statement of Cash Flows  
 Years Ended April 30, 1998 and 1997

	<u>1998</u>	<u>1997</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 88,219	\$ 168,948
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Change in loans receivable	(34,175)	(31,245)
Change in other receivables	(23,214)	(17,800)
Change in accrued interest receivable	1,688	(1,800)
Net cash used by operating activities	<u>28,528</u>	<u>(130,612)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of certificate of deposit	<u>(30,800)</u>	<u>          </u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in due to affiliated organization	<u>          </u>	<u>308,121</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>112,832</u>	<u>215,142</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u><b>\$ 108,564</b></u>	<u><b>\$ 112,675</b></u>

See independent auditor's report and notes to financial statements.

## LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

### Notes to Financial Statements

#### NOTE 1: NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Reporting Entity

The Lafayette Neighborhoods' Economic Development Corporation (LNEDEC) is a non-profit corporation organized under the provisions of the Cooperative Economic Development Law of the State of Louisiana. The Lafayette Neighborhoods' Economic Development Corporation operates as a component unit of the Lafayette Consolidated Government who provides funding to the program.

##### Nature of Activities

The Lafayette Neighborhoods' Economic Development Corporation was organized to help alleviate conditions of economic distress in the City of Lafayette's low and moderate income neighborhoods by stimulating greater private capital investment in these target areas. To accomplish this goal, the LNEDEC provides financing to new and expanding small businesses in Lafayette. The organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

##### Significant accounting policies

###### A. Loans

Loans are stated at principal amounts outstanding as of the statement of financial position date, less the allowance for possible loan losses.

###### B. Allowance for Possible Loan Losses

The allowance for possible loan losses is maintained at a level considered adequate by management to absorb potential losses. The allowance is increased by provisions charged to program expenses and reduced by net charge-off. The Corporation makes continuous credit reviews of the loan portfolio and considers current economic conditions, historical loan loss experience, and other relevant factors in determining the adequacy of the allowance.

###### C. Expenses

Expenses are recognized on the accrual basis.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

D. Statement of Cash Flows

For purposes of the statements of cash flows, the organization considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

E. 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 assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 LOANS

Loans receivable are comprised of loans to local business owners in a specific geographical area. These loans were made for working capital, debt refinancing, and fixed asset acquisitions. Collateral is comprised of chattel mortgages on business equipment and collateral mortgages on real estate. Interest is accrued on outstanding loans from the date of the last principal payment.

The following summary reflects activities in the loan accounts for the years ending April 30, 1998 and 1997:

	1998	1997
Balance, beginning	\$ 771,812	\$ 408,277
Loans made	186,861	518,608
Payments received	(119,965)	(86,799)
Loans written off	(2,636)	(28,852)
Balance, ending	<u>\$ 835,633</u>	<u>\$ 721,832</u>

The following is an analysis of the allowance for loan losses:

	1998	1997
Balance, beginning	\$ 45,714	\$ 29,614
Loans written off	(7,410)	(28,852)
Increase in provision for loan losses	(1,738)	70,852
Balance, ending	<u>\$ 36,566</u>	<u>\$ 71,614</u>



LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 3 COMPENSATION OF BOARD OF DIRECTORS

Members of the Board of Directors were not paid per diem or other compensation during the period under audit.

NOTE 4 RELATED PARTY TRANSACTIONS

The Sterling Grove Housing Development, Inc. has the same Board of Directors as LNEED. During the year ending April 30, 1993, Sterling Grove Housing Development, Inc. received approval for a maximum \$1,296,360 Department of Housing and Urban Development, Section 202 loan to construct a 16-unit elderly housing complex. LNEED is the sponsor of this housing project.

During the year ended April 30, 1993, the Board of Directors of LNEED passed a resolution to appropriate \$30,608 to Sterling Grove Housing Development, Inc. to pay for support services rendered. During the year ended April 30, 1993, \$30,608 was paid to Sterling Grove Housing Development, Inc. to pay for support services rendered.

Effective April 9, 1993, LNEED is no longer under the administration of the Lafayette Consolidated Government. The service contract has been terminated and LNEED will now operate on its own.

For the year ended April 30, 1993, the Lafayette Consolidated Government paid \$744 in administration expenditures on behalf of LNEED.

NOTE 5 CONCENTRATION OF CREDIT RISK

The Organization provides financing to a diversified group of businesses located primarily in the Lafayette area. This assistance is provided based on an evaluation of such customer's financial condition, business knowledge, sufficiency of collateral, etc. Credit losses, upon occurrence, are provided for within the financial statements.

## LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

### Notes to Financial Statements

#### NOTE 6 UNINSURED DEPOSITS

LMEDC maintains its cash deposits in high quality financial institutions. Cash balances may, at times, exceed FDIC insurance coverage. At April 30, 1997 uninsured deposits totaled \$10,616 and at April 30, 1998 there were no uninsured deposits.

#### NOTE 7 DUE TO AFFILIATED ORGANIZATION

During the year ended April 30, 1997, LMEDC entered into joint venture with the Downtown Development Authority (DDA) to establish a low interest loan fund to assist with exterior renovations of commercial buildings in the downtown area. LMEDC contributed \$15,000 and DDA contributed \$100,000. These funds are restricted for loan payments only. Upon completion of the facade Grant Program, the \$115,000 will be paid to DDA as well as any interest earned on loans made, provided between LMEDC and DDA.

#### NOTE 8 REAL ESTATE TRANSACTION

During the year ended April 30, 1994, the Organization was the recipient of a donation of real estate from the State of Louisiana. LMEDC subsequently sold the property and received \$38,000 cash and a 10 year, six percent promissory note for \$1,155,000 (which is subordinated to a construction mortgage obtained for renovations). The intent of the parties is that the buyer will pay accrued interest annually to the extent of surplus cash from operation of the property (after all operating expenses, debt service obligations, distributions required to be made to the purchaser of limited partnership interests and reasonable reserves). Any unpaid interest shall be accrued and deferred, but not compounded. Upon maturity of the note (March 1, 2004) LMEDC will receive a donation of the property to payment of the outstanding balance of its mortgage and accrued interest receivable. In accordance with FASB 66, Accounting for Sales of Real Estate, recognition of the profit on the sale of property should be reported when (1) the collectibility of the sale price is reasonably assured and (2) the earnings process is virtually complete. Since collectibility of the entire sales price is questionable, gain on the sale of property has been calculated based on the difference between LMEDC's basis in the property, the fair market value at the date of donation (\$45,900), and the cash payment received (\$38,000). For the years ended April 30, 1998 and 1997, no payments were received.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Notes to Financial Statements

NOTE 9 GOING CONCERN

The grant agreement between the Lafayette Consolidated Government and LNEEDC provides that there is a \$5,000 maximum amount allowable for administrative costs annually. As a result of these fiscal constraints imposed by the grant agreement, LNEEDC's continued operations may be jeopardized.

Management has initiated plans to mitigate the adverse effects of the conditions previously mentioned. These plans include but are not limited to:

- (1) Amending the agreement with the Lafayette Consolidated Government to allow LNEEDC to allocate more grant revenues for administrative purposes.
- (2) Receiving donations or contributory services from the Lafayette Consolidated Government to help pay for or reduce administrative costs.
- (3) Requesting support from local banks within the community.

It is expected that management's plans may result in material changes to the LNEEDC's operations, and therefore alleviate doubt about its ability to continue operations.

## INTERNAL CONTROL AND COMPLIANCE



**Darnall, Silkes  
& Frederick**

A Division of the American Institute of Certified Public Accountants

**Independent Auditor's Report on Compliance and  
an Internal Control over Financial  
Reporting Based on an Audit of  
Financial Statements Performed in  
Accordance with Government Auditing Standards**

The Board of Directors  
Lafayette Neighborhoods' Economic  
Development Corporation  
Lafayette, Louisiana

We have audited the financial statements of the Lafayette Neighborhoods' Economic Development Corporation ("LNEDC") (a nonprofit corporation), as of and for the year ended April 30, 1998, and have issued our report thereon dated October 6, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Lafayette Neighborhoods' Economic Development Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our test disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 98-2, 98-3, 98-4, 98-5, and 98-6.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Lafayette Neighborhoods' Economic Development Corporation'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 the Lafayette Neighborhoods' Economic Development Corporation's ability to record, process, summarize and report financial data consistent with the

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Corporation's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-1, 98-4, 98-5, and 98-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control structure over financial reporting would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the reportable conditions described above as 98-1, 98-2, 98-1, 98-4, 98-5, 98-6, and 98-7 are material weaknesses.

This report is intended for the information of the board of directors and management. However, this report is a matter of public record and its distribution is not limited.

### *Doernbecher, Allen & Associates*

A Corporation of Certified Public Accountants

Lafayette, Louisiana

October 6, 1998

LAFAYETTE NEIGHBORHOOD ECONOMIC DEVELOPMENT CORPORATION

Summary Schedule of Prior Year Findings  
Year Ended April 30, 1998

- 91-1 Finding: Incomplete Loan Files  
Status: This finding is unresolved. See current year finding 95-1.
- 92-2 Finding: Unrecorded Expenses & Corresponding Revenues  
Status: The Lafayette Consolidated Government has discontinued paying expenses on behalf of LNEDEC, thus this is no longer applicable.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs  
Year Ended April 30, 1998

Part I: Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report - Financial Statements

An unqualified opinion has been issued on the Lafayette Neighborhoods' Economic Development Corporation's financial statements as of and for the year ended April 30, 1998.

Reportable Conditions - Financial Reporting

Five reportable conditions in internal control over financial reporting were disclosed during the audit of the financial statements and are shown as items 98-1, 98-2, 98-3, 98-4, and 98-5, in Part 2 and are considered to be material weaknesses.

Material Noncompliance - Financial Reporting

Six instances of material noncompliance were disclosed during the audit of the financial statements and are shown as items 98-2, 98-3, 98-4, 98-5, 98-6 and 98-7 in Part 2.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended April 30, 1998.

Part 2: Findings Relating to an Audit in Accordance with Government Auditing Standards

98-1 Incomplete Loan Files

Finding:

LNEDC has a standard checklist for loans which details the documentation required on each loan. This checklist is completed annually; however, in our review of the loan files, we found that current financial statements are not on file for some customers.

Recommendation:

We recommend that LNEDC perform a thorough examination of the outstanding loan files and determine if the required documentation is on file. For those loans which lack specific documentation, LNEDC should obtain the necessary information.

Also, LNEDC should review the loan files subsequent to issuance, preferably annually on the loan's anniversary date, to ensure that documentation is current for all information required.



LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 1998

98-2 Operating in Violation of Organizational Bylaws

Finding:

One of the elected members of the board of directors is not properly registered for membership in the district which he represents. As such the board is operating in violation of its bylaws related to board composition.

Recommendation:

The board must take corrective action immediately to guarantee that we all members are registered properly. Also, the board must verify all of its actions in which the ineligible director cast a potentially deciding vote and in which his presence was necessary to determine the quorum necessary for the corporation to conduct its business.

98-3 Indigible Travel & Bad Debt Collection Expenses

Finding:

Per policy, money budgeted for travel can only be used for the training of board members or for that which is necessary for the operation of LNEEDC. However it appears that LNEEDC is using these funds to pursue loan recipient's in default. In addition these expenses associated with collection efforts should not be considered bad debt collection expenses because in accordance with OMB Circular A-122, bad debts, including losses arising from uncollectible accounts and other claims, related collection costs, and related legal cost are not allowed.

Recommendation:

The board of directors needs to establish appropriate written policies and procedures related to travel and bad debt collection in order to prevent future expenditure of funds on unallowable expenses.

98-4 Indigible Entertainment Expenses

Finding:

It appears LNEEDC is using CDDB program funds to take loan clients out to lunch while discussing loan restructuring and/or applying for credit. This type of expenditure is not allowed under OMB Circular A-122.

Recommendation:

Again the board of directors should establish a written policy related to entertainment expenses in order to prevent future expenditure of funds on unallowable expenses.

LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Schedule of Findings and Questioned Costs (Continued)  
Year Ended April 30, 1998

98-5 Multiple Cash Contributions

Finding:

There were donations made by LNEDEC of federal funds to a related organization that should not have been allowed. Donations of Federal Funds are not allowed in accordance with OMB Circular A-121.

Recommendation:

LNEDEC should not make any donations using Federal Funds.

98-6 Lack of Written Internal Control Policy and Procedures

Finding:

There is no policy manual for internal control procedures.

Recommendation:

LNEDEC should prepare a manual for the policies and procedures for all internal control measures. All staff and board members should have access to the manual and become familiar with it.

98-7 Violation of the Grant Agreement

Finding:

The provisions in the grant agreement between the Lafayette Consolidated Government and LNEDEC state that the amount of administrative funds provided shall be equal to five percent of the total amount of CDHG funds earmarked for the recipient in the program year or \$5,000, whichever is greater. However in the fiscal year ended April 30, 1998, LNEDEC has clearly exceeded this maximum and is in violation of the grant agreement.

Recommendation:

LNEDEC must take action to verify the grant agreement or take some other action that will enable them to operate under the grant agreement provisions.

Part 2: Findings and Questioned Costs Relating to Federal Programs

At April 30, 1998, the Lafayette Neighborhoods' Economic Development Corporation did not meet the requirements to have a single audit in accordance with OMB Circular A-133, because this section is not applicable.

## LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

### Management's Corrective Action Plan For Current Year Findings Year Ended April 30, 1998

#### Response to Finding 98-1: Incomplete Loan Files

This matter of Incomplete Loan Files has been resolved. The board of directors have terminated management and replaced it with a new management staff. Technical assistance services is now provided by Lafayette Consolidated, Community Development Dept. (LCG-CDD). All incomplete files are being reviewed and brought current.

#### Response to Finding 98-2: Operating in Violation of Organizational By-Laws

The Board of Directors have taken corrective action, and as a result, all Board Members are now registered properly and reside within the Target Area or District which they represent in accordance with the By-Laws. Also, the board will verify all of its actions in which the ineligible director cast a potentially deciding vote and in which his presence was necessary to determine the actions necessary for the corporation to conduct its business.

#### Response to Finding 98-3: Ineligible Travel & Red-Book Collection Expenses

These expenditures were made without the knowledge or approval of the LNEEDC Board of Directors. Our records indicate that the Chairman of the Board personally signed approval statements thereby authorizing the expenditure of these questioned costs. Based on OMB Circular A-112, these expenditures are allowable. Corrective action taken in this matter includes the replacement of the Chairman and a discontinuance of the ineligible expenditures.

#### Response to Finding 98-4: Ineligible Entertainment Expenses

Under the grant agreement between LNEEDC and LCG, "LNEEDC may utilize 2% of the total monies remaining to be drawn down, or \$4,000 per year, whichever is greater, for administrative and planning expenses. LNEEDC can draw funds to cover audit expenses and meeting costs." Any other use of this expense resource is prohibited, unless approved by the Board. The Board of Directors have reviewed the management which is responsible for these ineligible expenses, thus, ending this practice.

#### Response to Finding 98-5: Ineligible Cash Contributions

The board will review the issue of donated money to a related organization. This review will include discussions with city and federal officials. If it is determined that the transfer of fund was inappropriate, LNEEDC will take all necessary steps to correct this matter.

## LAFAYETTE NEIGHBORHOODS' ECONOMIC DEVELOPMENT CORPORATION

Management's Corrective Action Plan For Current Year Findings (Continued)  
Year Ended April 30, 1998

**Response to Finding 98-6: Lack of Written Internal Control Policy and Procedures**

LNEDC will address the issue of lack of internal controls with our new management provider. A written policy will be developed and implemented. Also, LNEDC has already created a Management Oversight Committee which is monitoring management's compliance with budget policy, contractual obligations and Federal & State regulations.

**Response to Finding 98-7: Violation of Grant agreement**

LNEDC was created in 1983. Since that time no adjustments have been made for the \$5,000.00 maximum which may be used for administrative expenses, i.e. audit expense & Board of Directors expense. This amount was sufficient during the period that technical assistance was being provided by the city's Community Development staff, free of charge. However, during the period 1971-1985, LNEDC contracted its management to a private individual. This action resulted in our having to pay for what were previously free services. At present, LNEDC's management (technical assistance) has been resumed by the Lafayette Community Development Department. We are confident that the terms and conditions of the grant agreement will henceforth be adhered to strictly. Extraneous expenditures which are in conflict with contractual requirements will not be approved by the Board of Directors. However, LNEDC will seek to renegotiate the \$5,000.00 ceiling in an effort to acquire funds which are more realistic and consistent with the cost of doing business. Board travel, education and corporate expenses are only a few examples justifying the need to increase the \$5,000.00 ceiling.