



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS AND RELATED SINGLE AUDIT REPORTS FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

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

Release Date DEC 9 1998

**ORLEANS METROPOLITAN HOUSING &
COMMUNITY DEVELOPMENT, INC.**

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LUTHER C. SPEIGHT & COMPANY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Orleans Metropolitan Housing & Community Development, Inc.

We have audited the accompanying statement of net assets of Orleans Metropolitan Housing & Community Development, Inc. (a Louisiana nonprofit organization) as of June 30, 1998 and 1997, and the related statements of activity and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the next paragraph, we conducted our audits 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 audit provides a reasonable basis for our opinion.

Because of the inadequacy of accounting records, we were unable to form an opinion regarding the amount at which accounts payable (stated at \$42,898) is recorded.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to apply adequate procedures to accounts payable as discussed in the preceding paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the net assets of Orleans Metropolitan Housing & Community Development, Inc. as of June 30, 1998 and 1997, and the results of operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Luther C. Speight & Company

New Orleans, Louisiana
November 9, 1998

ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

STATEMENT OF NET ASSETS
AS OF JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
ASSETS		
Current Assets		
Cash	\$ 2,102	\$ 4,000
Grant Receivable(Note 5)	25,470	0
Due From Employee	0	332
Due From Admin. and Weatherization	10,194	10,194
Due From Property Account	<u>3,491</u>	<u>3,491</u>
TOTAL CURRENT ASSETS	41,257	18,017
FIXED ASSETS (Note 2)		
Buildings and Improvements	148,415	148,415
Office Equipment	15,070	15,070
Accumulated Depreciation	<u>(67,700)</u>	<u>(61,635)</u>
TOTAL FIXED ASSETS	95,785	101,850
OTHER ASSETS		
Deposits- Administration	1,320	1,320
Deposits- Weatherization	<u>339</u>	<u>339</u>
TOTAL OTHER ASSETS	<u>1,659</u>	<u>1,659</u>
TOTAL ASSETS	<u><u>138,701</u></u>	<u><u>121,526</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Current		
Current Portion of Mortgage Payable (Note 4)	2,097	1,866
Accounts Payable	42,898	36,000
State Withholding Taxes Payable	457	1,088
Due To Administration- Rent	3,491	3,491
Due To Weatherization	<u>10,194</u>	<u>10,194</u>
	59,137	52,639
Non Current		
Long-term Portion of Mortgage Payable (Note 4)	38,830	40,927
TOTAL LIABILITIES	<u>97,967</u>	<u>93,566</u>
NET ASSETS		
Net Assets	<u>40,734</u>	<u>27,960</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 138,701</u></u>	<u><u>\$ 121,526</u></u>

See the Accompanying Notes to the Financial Statements.

ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

STATEMENT OF ACTIVITY
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	<u>1998</u>	<u>1997</u>
REVENUE		
Grant Revenue	\$ 255,879	\$ 213,142
Rent Revenue	<u>7,649</u>	<u>6,172</u>
TOTAL REVENUE	263,528	219,314
EXPENSES		
Program Services		
Materials	58,561	42,469
Contract Labor	72,737	6,114
Insurance	1,692	3,492
License & Permits	0	1,889
Miscellaneous	1,872	1,305
Support Services		
Salaries	72,750	106,812
Payroll Tax	8,348	12,186
Accounting	8,000	7,350
Office Supplies	2,742	20,898
Dues & Subscriptions	74	74
Interest	2,976	4,956
Bank Charges	398	269
Professional & Legal	3,500	4,450
Postage & Freight	403	363
Depreciation Expense	6,065	6,065
Rent	4,800	275
Utilities & Telephone	<u>5,836</u>	<u>6,834</u>
TOTAL EXPENSES	<u>250,754</u>	<u>225,801</u>
CHANGE IN NET ASSETS	12,774	(6,487)
BEGINNING NET ASSETS	27,960	34,447
ENDING NET ASSETS	<u>40,734</u>	<u>27,960</u>

See the Accompanying Notes to the Financial Statements

ORLEANS METROPOLITAN HOUSING &
COMMUNITY DEVELOPMENT, INC.

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

CASH FLOWS FROM OPERATING ACTIVITIES:	1998	1997
Change in Net Assets	\$ 12,774	\$ (6,487)
Adjustments to Reconcile Net Revenues over Expenditures to net Cash Provided by Operating Activities:		
Depreciation Expense	6,065	6,065
Changes in Operating Assets and Liabilities:		
Grant Receivable	(25,470)	
Due From Employee	332	
Accounts Payable	5,032	
Taxes Payable	<u>(631)</u>	<u>(2,985)</u>
Net Increase in Cash From Operating Activities	<u>(1,898)</u>	<u>(3,407)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Property and Equipment	<u>0</u>	<u>0</u>
Net Increase in Cash From Investing Activities	<u>0</u>	<u>0</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,898)	(3,407)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>4,000</u>	<u>7,407</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 2,102</u>	<u>\$ 4,000</u>

See accompanying Notes to the Financial Statements

ORLEANS METROPOLITAN HOUSING &
COMMUNITY DEVELOPMENT, INC.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

General- Orleans Metropolitan Housing (OMH) - is located at 2031 Jackson Avenue in New Orleans, Louisiana. The primary focus of OMH is to rehabilitate housing, improve public facilities, and revitalize local economic conditions by the development of opportunities, principally for persons of low or moderate incomes. Further, giving maximum feasible priority of all programmatic activities to benefit low and moderate income families or aid in the prevention and the elimination of slums and urban property blight.

2. PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of June 30, 1998 and 1997:

	<u>1998</u>	<u>1997</u>
Land	27,111	27,111
Building and Improvements	121,304	121,304
Furniture, Fixtures, and Equipment	<u>15,070</u>	<u>15,070</u>
	163,485	163,485
Less Accumulated Depreciation	<u>67,700</u>	<u>61,635</u>
Total	<u>95,785</u>	<u>101,850</u>

Land, building and equipment are stated at cost. Depreciation is computed using the straight line method and amounted to \$ 6,065 for the years ended June 30, 1998 and 1997. The estimated useful lives of depreciable assets are as follows:

Building & Improvements	20 years
Computer	5 years
Office Equipment & Furniture	5 years

3. INCOME TAXES

The organization is exempt from federal and state income taxation under the provisions of Internal Revenue Code Section 501©(3).

4. MORTGAGES PAYABLE

Mortgages Payable consisted of the following:

Owner financed property located at 2225-27 Willow St. Purchase price \$39,000, Down payment \$7,800 12% interest, Original note \$31,200	Balance \$ 22,164
American Securities Bank financed property located at 2213-2215 Willow St. Purchase price \$19,885, 9.375% interest Original note \$19,885	 18,763
Total	\$ 40,927

Maturities of Mortgages Payable are as follows:

1999	2,097
2000	2,185
2001	2,289
2002	2,381
Thereafter	31,975

5. GRANT RECEIVABLE

There was \$25,470 requested in reimbursement from the granting agency of the Weatherization Program. The monies were received subsequent to the June 30, 1998 year end. Consequently, a grant receivable in that amount has been recorded.

Management does not consider any amount of this receivable to be uncollectable at June 30, 1998. Therefore, no allowance for doubtful accounts is considered necessary.

ORLEANS METROPOLITAN HOUSING & COMMUNITY DEVELOPMENT, INC.

SCHEDULE OF REVENUE & EXPENSES BY FUND
FOR THE YEARS ENDED JUNE 30, 1998 AND 1997

	Admin Program	Weather Program	Property Mgt	Land, Bldg & Equip	1998	1997
REVENUE						
Grant Revenue	\$155,400	\$100,479			255,879	\$213,133
Rent Revenue			\$7,649		7,649	6,172
Interest Income					0	9
TOTAL REVENUE	155,400	100,479	7,649		263,528	219,314
EXPENSES						
Program Services						
Materials	21,848	36,713			58,561	42,469
Contract Labor	32,803	36,002	3,932		72,737	6,114
Insurance	1,692				1,692	3,492
License & Permits					0	1,889
Miscellaneous	855		1,017		1,872	1,305
Support Services						
Salaries	80,584		(7,834)		72,750	106,812
Payroll Taxes	2,778		5,570		8,348	12,186
Accounting	5,400	400	2,200		8,000	7,350
Office Supplies	995	1,097	650		2,742	20,898
Dues & Subscriptions	74				74	74
Interest	2,450		526		2,976	4,956
Bank Charges	308	2	88		398	269
Professional & Legal	2,000		1,500		3,500	4,450
Postage & Freight	403				403	363
Depreciation				6,065	6,065	6,065
Rent	4,800				4,800	275
Utilities & Telephone	4,750		1,086		5,836	6,834
TOTAL EXPENSES	161,740	74,214	8,735	6,065	250,754	225,801
CHANGE IN NET ASSETS	(\$6,340)	\$26,265	(\$1,086)	(\$6,065)	\$12,774	(\$6,487)

See the Accompanying Notes to the Financial Statements.



LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

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 Directors of
Orleans Metropolitan Housing & Community Development, Inc.

We have audited the financial statements of Orleans Metropolitan Housing & Community Development, Inc. as of and for the year end June 30, 1998 and 1997, and have issued our report thereon dated November 9, 1998. We conducted our audits 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 OMH, Inc.'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 tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as Item #1, #2, #3, #4, and #5.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered OMH, Inc.'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 related to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect OMH, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned as item #1, #2, #4, and #5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that Finding #1, #2, #4, and #5 of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors, management, the Legislative Auditor of the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.



Luther C. Speight & Company

New Orleans, Louisiana
November 9, 1998

**ORLEANS METROPOLITAN HOUSING &
COMMUNITY DEVELOPMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1998**

FINDING #1: BANK RECONCILIATIONS NOT PREPARED

QUESTIONED COST:

CONDITION:

During our audit it was noted that OMH did not perform monthly cash reconciliations for all bank accounts. In fact, all cash accounts were not reconciled upon our arrival for fieldwork. We had to discontinue fieldwork until the accounts were reconciled by the accountant.

EFFECT OF CONDITION:

Bank reconciliations serve as a key *internal control mechanism* for safeguarding the cash of the organization, as well as assuring that all transactions are properly recorded. Without the proper reconciliation of all balances at year-end, there is a potential for errors, irregularities and omissions to exist in association with the financial statements presented.

CRITERIA:

It is industry standard, that bank reconciliations be performed on a monthly basis and particularly at year-end.

RECOMMENDATION:

We recommend that the organization perform cash reconciliations on a monthly basis.

FINDING #2: FIXED ASSET DETAIL NOT MAINTAINED

QUESTIONED COST:

CONDITION:

During our audit it was noted that OMH did not maintain a fixed asset schedule. There was no prepared listing of office equipment owned by the organization. However, there were \$15,070 of such items recorded in the financial statements.

EFFECT OF CONDITION:

The effect of this condition is that the organization is unable to determine if all fixed asset purchases, are properly identified and accounted for. Both the existence and valuation assertions can not be attested to.

CRITERIA:

The grant agreements associated with Orleans Metropolitan Housing require that the organization maintain complete records regarding purchases made with grant monies.

RECOMMENDATION:

We recommend that the organization maintain a fixed asset detail to remain in compliance with the organization's grant agreement as well as to ensure the accurate reporting of the assets and related depreciation expense.

FINDING #3: PROPER RECORDING OF MORTGAGE PAYABLE AND RELATED EXPENSE

QUESTIONED COST:

CONDITION:

We noted during our audit that the mortgage payable balance of \$42,793 was unadjusted for the year ended June 30, 1998, despite payments made as reflected in the responses to our debt confirmations. Further review indicated that the payments were all posted to an interest expense account with no principle allocation.

EFFECT OF CONDITION:

The mortgage payable balance and related expenses were not fairly stated at June 30, 1998.

CRITERIA:

It is industry standard that amortization schedules are maintained for long term liabilities with subsequent use of those schedules to adjust account balances accordingly.

RECOMMENDATION:

We recommend that the client maintain amortization schedules for all long-term liabilities and that they utilize them to present proper account balances.

FINDING #4: ACCRUAL ACCOUNTING NOT IMPLEMENTED

QUESTIONED COST:

CONDITION:

During our audit we noted that the clients' accounts payable account balance was unadjusted from the prior year. Through inquiry with the accountant we were informed that transactions are recorded on cash basis and not accrual basis accounting. Further review of the income statement revealed that subsequent receipt of grant revenues associated with the current fiscal year were not recorded as well. Accruals were subsequently identified and recorded.

EFFECT OF CONDITION:

All accounts receivable and accounts payable balances along with the related revenue and expense amounts were not fairly stated at year end.

CRITERIA:

Generally accepted accounting principles require accrual accounting.

RECOMMENDATION:

We recommend that Orleans Metropolitan Housing utilize accrual accounting.

**FINDING# 5: CONTRACT LABOR AND CONSTRUCTION MATERIALS
EXPENSES EXCEEDED BUDGETED AMOUNTS**

QUESTIONED COST:

CONDITION:

The Administration program grant issued by the Governor's Office of Urban Affairs to Orleans Metropolitan Housing and Community Development (OMH) is for the daily operation of OMH. It has a budget line item for property upkeep, general maintenance, and renovation in the amount of \$11,417. However, we noted expenses in this area of \$54,651, which exceeds the budgeted amount by \$43,234. We did not note any budget amendments related to these expenses.

EFFECT OF CONDITION:

Expenses appear to exceed the approved budget without the benefit of grantor approval.

CRITERIA:

The grant agreement requires that any expenses different from those included in the approved budget be incurred only after receiving an approved budget amendment through the grantor.

RECOMMENDATION:

Orleans Metropolitan Housing, Inc. should expense monies relative to their approved budget and/or budget amendments.

ORLEANS METROPOLITAN HOUSING AND COMMUNITY
DEVELOPMENT, INC.
UPDATE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 1998

	<u>Resolved</u>	<u>Unresolved</u>
Finding #1 Bank Reconciliations Not Prepared		X

**ORLEANS METROPOLITAN HOUSING &
COMMUNITY DEVELOPMENT, INC.**

2031 JACKSON AVENUE
NEW ORLEANS, LA 70113
(504) 529-7185

Ezra C. Jones
Executive Director

November 14, 1998

Luther C. Speight & Company
A Corporation of CPA's
10001 Lake Forest Blvd., Ste. 404
New Orleans, LA 70127

RE: Audit Findings, 11-13-98

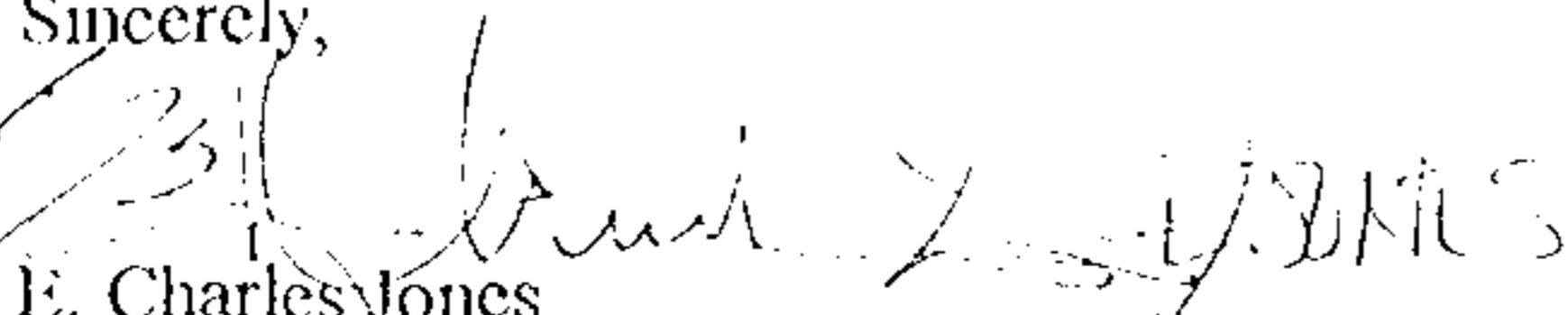
Mr. Speight:

Enclosed are the responses of OMHCD, Inc. to audit findings, listed one (1) through five (5). The responses made are those of OMHCD, Inc. In conjunction with those of our certified Public Account Firm, Swetland and Childress.

- (1) **Bank Reconciliations**
100% State account reconciled monthly; weatherization reconciled when funds are received, not reconciled when there is no activity; rental account reconciled monthly.
- (2) **Fixed Assets**
Details in prior audit reports.
- (3) **Mortgage Payable**
Auditors have always requested confirmation from mortgage holder. Was this procedure done?
- (4) **Accrual Accounting**
Checkbook and accounting are cash basis; auditors have adjusted for payables in the past to convert to accrual basis.
- (5) **Contract Labor and Construction Materials**
Material costs should have been adjusted from contract labor.

Thank you in advance for your consideration and cooperation concerning the responses to your findings. For further information, please feel free to contact E. Charles Jones, Executive Director of OMHCD, Inc. or Jack Swetland, CPA, Swetland & Childress.

Sincerely,


E. Charles Jones
Executive Director