LUTHER C. SPEIGHT & COMPANY

A Corporation of Certified Public Accountants
and Management Consultants

Celebrating 10 Years

JEFFERSON HOUSING FOUNDATION, INC.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED DECEMBER 31, 1998

Legislative Auditor

By L. Lavigne

JEFFERSON HOUSING FOUNDATION, INC.
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Jefferson Housing Foundation, Inc.

We have audited the accompanying statement of financial position of Jefferson Housing Foundation, Inc. (a nonprofit organization) as of December 31, 1998, and the related statement of activities for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraphs, we conducted our audit in accordance with generally accepted auditing standards. 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.

As a result of the act-of-sale described in Note 5, the agency received an investment in a related entity recorded at $907,142. The agency subsequently recorded a valuation allowance of $331,142, resulting in a net investment carrying value of $576,000. The valuation allowance was based upon management's assessment of the fair value of the real property owned by the related entity, which is the sole asset of the entity. We were unable to obtain audited financial statements supporting the value of the agency's investment in the related entity and we were unable to determine the value through other auditing procedures.

Also, we were unable to form an opinion related to the cash flow statement as a result of errors within prior year unaudited financial statements.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had audited financial statements been available regarding the agency's investment in the related entity, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Jefferson Housing Foundation, Inc. as of December 31, 1998, and the changes in its net assets for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 1999, on our consideration of Jefferson Housing Foundation, Inc.'s. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.

Our audit was performed for the purpose of forming an opinion on the financial statements of Jefferson Housing Foundation, Inc. taken as a whole. The schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements of the Organization. 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, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the financial statements of the Organization. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Luther C. Speight & Company CPA's and Consultants
June 22, 1999

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JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 1998

Current Assets

Grant Receivable	$	15,064
Due From JP-Home Ownership		7,660
Other Receivables		540
Investment in LePlace Housing Foundation		576,000
Total Current Assets		599,264

Fixed Assets

Property, Plant and Equipment (Net)	141,393
TOTAL ASSETS	740,657

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable and Accrued Expenses	192,572
Deferred Revenue	33,542
Loans Payable	215,623
Due To General Fund	7,660
Payroll Taxes Payable	219,672
Total Current Liabilities	669,069

Net Assets

Net Assets - Unrestricted	1,092,175
Net Assets - Restricted (Property)	36,146
Current Year Change In Net Assets	(1,056,733)
Total Net Assets	71,588
TOTAL LIABILITIES AND NET ASSETS	$ 740,657

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

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1998

REVENUE

Grant/Contract Support	$	1,008,764
Miscellaneous Income		4,984
Total Revenue		1,013,748
Other Financing Sources		32,363
Total Revenue and Other Financing Sources		1,046,111

EXPENSES

Program Services:

Business Development	96,205
CHDO Revitalization	83,577
Homeownership Program	80,785
Happy Street Project	57,402
Scotsdale/Old Harvey Project	250,064
Jefferson Place Development	920,495
HUD Construction Project	360,000
Total Program Services	1,848,528

Support Services:

Management and General	254,316
Total Support Services	254,316
Total Expenses	2,102,844
Change In Net Assets	(1,056,733)
Net Assets, beginning of year	1,128,321
Net Assets, end of year	$ 71,588

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

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1998

CASH FLOW FROM OPERATING ACTIVITIES:

Changes in Net Assets	$ (1,056,733)

RECONCILIATION OF NET CASH FLOW FROM
    OPERATING ACTIVITIES:
CHANGES IN ASSETS AND LIABILITIES:

INCREASE/(DECREASE) IN CURRENT ASSETS	
Grant Receivable	1,837
Investment Allowance	606,245
Due From JP-Home Ownership	(7,660)
Other Receivables	(540)
INCREASE/(DECREASE) IN CURRENT LIABILITIES	
Accounts Payable & Accrued Expenses	86,056
Deferred Revenue	33,542
Loans Payable	(183,176)
Due to General Fund	7,660
Payroll Taxes Payable	57,446
Total Adjustments	601,410
Cash Provided (Used) by Operating Activities	(455,323)

CASH FLOW FROM INVESTING ACTIVITIES:

Property, Plant & Equipment	(46,842)
Investment in LePlace Housing Foundation	(259,572)
Proceeds From Sale of Happy Street Homes	612,000
Adjustment for the Effect of Unaudited Prior Year F/S	131,943
Cash Provided (Used) by Investing Activities	437,529

CASH FLOW FROM FINANCING ACTIVITIES:

Cash Provided (Used) by Financing Activities	0
Net Increase(Decrease) in Cash	(17,794)
Cash, Beginning of Year	17,794
Cash, End of Year	$ -

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - **BACKGROUND AND GENERAL DATA:**

Background

Jefferson Housing Foundation (JHF) (the Foundation) is a non-profit Corporation organized under the laws of the State of Louisiana. The Foundation exists to provide affordable housing opportunities and stimulate economic development within Jefferson Parish. Specifically, JHF strives to provide educational training to inform prospective clients of the rights and responsibilities of homeownership, to actively identify and participate in community revitalization efforts in distressed neighbors; and to provide business fundamentals and the technical assistance to economically disadvantaged individuals who desire to become entrepreneurs.

General

As of December 31, 1998, the Foundation administered the following activities:

- General Fund – The General Fund is used to account for unrestricted operations of the Foundation.

- First-Time Homebuyers – This grant is used to account for the administration of counseling services provided to potential low- to moderate income first-time homebuyers. The grant also covers the costs associated with the maintenance of the building such as rent, utilities and supplies.

- Business Entrepreneur Training Grant – This grant is used in conjunction with a federal grant to empower potential entrepreneurs among the under-represented population of Jefferson Parish with the information necessary to start and successfully maintain a business.

- Scotsdale/Old Harvey Project – This project is funded via three community service grants awarded from the Parish of Jefferson. The grant is used to help low to moderate income families become homeowners, and use the funds granted for cost associated with the Harvey Development Project.

- CHDO Revitalization Effort - This grant provides affordable housing activities in the Bunche Village/Little Farms, Lincolnshire, Harvey, Bridge City, and Shrewsbury areas.

- Happy Street Project – This project is a privately financed development that is comprised of 11 houses, which were acquired via donation from the Parish of Jefferson and subsequently rehabilitated and sold.

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NOTE 2 -   SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Accounting

The financial statements of each of the Foundation's funds and the *supplementary schedules are prepared in accordance with generally* accepted accounting principles and are prepared on the accrual basis.

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 those estimates.

Basis of Reporting

During 1996, the Foundation adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations", and applied these standards on a retroactive basis. SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted, temporarily restricted and permanently restricted net assets) according to externally (donor imposed restrictions). In addition, the Foundation is required to present a statement of cash flows.

A description of the three net asset categories is as follows:

Unrestricted net assets include the following:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted.

- Unrestricted funds-designated represent the unexpended balance of exchange transactions received from the U. S. Government, state, local and private agencies.

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions have not been met.

- Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

Furniture, Equipment and Leasehold Improvements

Furniture, equipment and leasehold improvements of the Foundation are recorded as assets and are stated at historical costs, if purchased, or at fair market value at the date of the gift, if donated. Additions and improvements are capitalized expenditures that significantly extend the useful life of an asset. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Furniture and Equipment	3- 5 years
Leasehold Improvements	Life of the lease

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Due to Funding Sources

This amount represents unexpended grant funds that are required to be repaid to the funding source.

Inter-fund Activity

All inter-fund activities have been recorded as due to or due from other programs and represent any loans to or expenses paid by one program on behalf of another.

Grants Receivable

The Foundation considers grant receivables to be fully collectible since the balance consists principally of payments due under governmental contracts.

NOTE 3 - CONTRIBUTIONS

Contributions consist of unrestricted cash donations made to the Foundation to provide support to the operations of the Foundation as well as to fund specific projects as designated by the donor or the Board of Directors.

NOTE 4 - INCOME TAXES

The Foundation is exempt from corporate income taxes under section 501(C) (3) of the Internal Revenue Code.

NOTE 5 - INVESTMENTS

On the advice of legal counsel, Jefferson Housing Foundation (JHF) established and/or became associated with (3) three " For-Profit-Entities" for the purpose of rehabilitating the Jefferson Place Apartments and to insulate JHF from any legal liability that may arise in connection with the property rehabilitation.

Consequently, in 1997 JHF and Jefferson Place Development, Inc., became members of a Limited Liability Company called LePlace Housing Foundation. The JHF has a 99% ownership interest in the LePlace Housing Foundation, L.L.C.

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On January 30, 1997, the Parish of Jefferson acquired the Jefferson Place Apartments (the Property) for the price of $1.00 by Act of Sale from the U.S. Department of Housing and Urban Development (HUD) and donated the property to JHF. On November 6, 1998, JHF donated this property to LePlace of Jefferson.

In 1998, the LePlace Housing Foundation established a Partnership (LePlace of Jefferson) in Commendam with two private individuals. LePlace Housing Foundation has an 80% ownership interest in LePlace of Jefferson.

In determining the investment value at December 31, 1998, management considered the following factors:

- Structural Depreciation

- Market Value of Donated Property

- Capitalizable Cost

- Ownership interest

Structural Depreciation – management estimates the physical deterioration for the (2) two years preceding the donation range from $200,000 to $250,000. As a result, management has recorded a $250,000 valuation allowance related to its investment at December 31, 1998.

Market Value – the carrying value (book value) of the property at the date of transfer, November 20, 1998, was $907,142. In 1996 and 1997 the "AS IS" appraisals were $850K and $800K respectively. At the date of transfer, no "AS IS" appraisal was performed. However, management estimated that the market value of the Property at December 31, 1998 was at least $1.2 M based on the fact that the insurance coverage for the "Existing Structure" alone was $1.2M which management believes is an approximation of replacement cost. Given these factors management believes the carrying value of $907,122 is reasonable.

Capitalizable Cost – Closing cost attributable to the donation of the property totaled $1.4 million. Management determined that approximately $1.1M of that cost would be capitalizable on the books and records by LePlace of Jefferson in accordance with generally accepted accounting principles.

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These cost consist of legal, non-construction related, consulting and various administrative costs. It is management's belief that these costs do not enhance the physical structure of the property (ie. soft costs). Thus, management elected to provide a valuation reserve of $1.1million at December 31, 1998.

Ownership Structure – Concerning the entities described above, JHF has no direct equity ownership interest in LePlace of Jefferson. However, as JHF has a 99% ownership interest in the LePlace Housing Foundation, who has an 80% ownership in LePlace of Jefferson an indirect ownership in LePlace of Jefferson can be inferred. Thus, JHF's ultimate assessment of the net value of the property flows through to JHF's investment net value subject to these ownership interest percentages previously stated.

Net Book Value of the For-Profit-Entities – JHF's investment value should represent the Net Book Value of the entity adjusted by the ownership interest at December 31, 1998. Since the only activities of the For-Profit-Entities were related to the donation of the property, management assumed that the Net Book Value of these entities was at or nearly equal to the fair value of the donated property plus capitalizable costs.

Management estimated the Net Book Value of LePlace of Jefferson and LePlace Housing Foundation at December 31, 1998 to be $2.5 million and $2 million respectively and that the gross investment value of JHF's interest in LePlace Housing Foundation was $1,980,000, which was calculated as follows:

Estimated Net Book Value of LePlace of Jefferson (LPJ)	$2,500,000
JHF ownership interest of LePlace Housing Foundation	80%
JHF equity interest in LePlace Housing Foundation (LPH)	2,000.000
LPH ownership interest in LPJ	99%
JHF equity interest in LPH	1,980,000

After consideration of the ownership structure and the related valuation factors previously discussed, management determined that its Investment in LePlace Housing Foundation at December 31, 1998 was $576,000, as outlined below:

Estimated equity interest of JHF	1,980,000
Structural depreciation allowance	(250,000)
Captializable cost allowance	(1,100,000)
Market adjustments	(54,000)
Investment in LePlace Housing Foundation	576,000

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Note 6-   **PROPERTY, PLANT AND EQUIPMENT**

As of December 31, 1998, fixed assets consisted of:

Land	$66,363
Happy Street Property	62,823
Equipment	11,570
Furniture & Fixtures	13,345
Accumulated Depreciation	(12,708)
Total	$141,393

NOTE 7-   **DEFERRED REVENUE**

This balance represents cash advances received from Jefferson Parish for the administration of the CHDO Revitalization effort. The advance is being repaid via withholdings from the monthly cost reimbursement requests at a rate of $1,459 per request.

Note 8 -   **LOANS PAYABLE**

As of December 31, 1998, the Foundation had the following loans payable at 8.75, 9, 9.75, and 10% respectively:

Iberia Bank	$50,000
Dryades Bank	32,362
Dryades Bank	29,899
City Wide Mortgage	53,362
City Wide Mortgage	50,000
Total	$ 215,623

These loans are considered to be current liabilities as they represent Lines of Credit and Promissory Notes due in one year or less.

NOTE 9-   **PAYROLL TAXES PAYABLE**

The amount represents accumulated unpaid payroll taxes and the related penalties and interest for 1997 and 1998. Management has engaged a consultant to negotiate a settlement with the Internal Revenue Service and they expect the matter to be completely resolved by December 31, 1999.

NOTE 10- COMMITMENT AND CONTINGENCY

Commitment

As of the date of this report, the lease payment for the building has been paid through February 2, 2000.

Contingency

In connection with the administration and operation of the federal grants, the Foundation is to expend grant funds, in accordance with the program guidelines and regulations. However, should the Foundation have operated/administered the grants in a manner which would be in noncompliance with the guidelines and regulations, the Foundation may be required by the funding sources to repay some portion or all of the grant awards.

NOTE 11- RELATED PARTIES

The following entities are related parties:

- LePlace of Jefferson, A Louisiana Partnership in Commendam
- LePlace Housing Foundation, L.L.C.
- Jefferson Place Development, Inc.

LePlace of Jefferson, A Louisiana Partnership in Commendam was formed on October 27, 1995, with the following owners:

General Partner:	LePlace Housing Foundation , L.L.C.	80%
Limited Partners:	Private Individual	10%
	Private Individual	10%

LePlace Housing Foundation, L.L.C. was formed on October 20, 1995, with the following owners:

Member A:	Jefferson Housing Foundation	99%
Member B:	Jefferson Place Development, Inc.	1%

Jefferson Place Development, Inc. was formed on January 3, 1997. The entity is a holding company that is controlled by Jefferson Housing Foundation.

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SUPPLEMENTARY   INFORMATION

JEFFERSON HOUSING FOUNDATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 1998

| EXPENSE CATEGORY | PROGRAM SERVICES | | | | | | | | SUPPORT SERVICES | TOTAL |
	Business Develop.	CHDO Revitalization	Home-Ownership	Happy Street	Scotsdale/ Old Harvey	Jefferson Place	HUD Construction Grant	TOTAL Program Services	Management and General	OPERATING EXPENSES
Salaries	$ 68,363	$ 11,548	$ 71,408	$ 44,735	$ 105,323	$ 19,076		$ 320,453	$ 54,158	$ 374,611
Payroll Taxes	4,801	883	5,463	1,076	7,547	2,007		21,777	8,786	30,563
Telephone/Commun.	23			8,831	9,252	7,611		25,717	22,264	47,981
Building Supplies	25					1,341		1,366	567	1,933
Consulting Fees	17,277				99,882	55,723		172,882	37,895	210,777
Postage/Delivery				36	707	1,102		1,845	631	2,476
Repairs & Maintenance									4,845	4,845
Printing	877		508		283	63		1,731	20	1,751
Meetings					425			425		425
Equipment	3,233	2,147			4,748	6,892		17,020	3,082	20,102
Office Expense	1,309		857		307			2,473	6,464	8,937
Utilities			2,049	1,426	1,746	19,955		25,177	12,412	37,589
License & Permits		812						812	10	822
Co-Developer Fees						55,000		55,000		55,000
Land Purchase		66,363						66,363		66,363
Inspections		1,824						1,824	103	1,927
Appraisals					2,400	3,200		5,600		5,600
Architectural Svcs.					2,000			2,000		2,000
Janitorial									5,687	5,687
Security					1,200	2,138		3,338	1,380	4,718
Credit Reports					901			901	1,636	2,537
Surveying Svcs.					5,000			5,000		5,000
Training/Education	297		500					797	1,620	2,417
Operations						63,713		63,713		63,713
Allowance Expense						606,245		606,245		606,245
Grant Expense						0	360,000	360,000		360,000
Insurance						63,391		63,391	11,121	74,512
Dues & Subscriptions									75	75
Depreciation									12,708	12,708
Legal Fees					5,000	7,500		12,500		12,500
Relocation Assistance						1,815		1,815		1,815
Travel					1,605	1,402		3,007	526	3,533
Interest Expense						2,223		2,223	59,143	61,366
Miscellaneous				1,298	1,738	97		3,133	9,183	12,316
TOTAL	$ 96,205	$ 83,577	$ 80,785	$ 57,402	$ 250,064	$ 920,495	$ 360,000	$ 1,848,528	$ 254,316	$ 2,102,844

See the Independent Auditor's Report

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SCHEDULE OF FEDERAL AWARDS

JEFFERSON HOUSING FOUNDATION, INC.
Schedule of Federal Awards
Year Ended December 31, 1998

Federal Grantor/ Pass Through Grantor	CFDA Number	Expenses
Housing and Urban Development	Special Purpose	$ 360,000
CDBG	14.228	96,205
HOME-Revitalization	14.239	83,577
CDBG	14.228	80,785

See the Independent Auditor's Report

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
Jefferson Housing Foundation, Inc.

We have audited the financial statements of Jefferson Housing Foundation, Inc. (a nonprofit organization) as of and for the year ended December 31, 1998, and have issued our report thereon dated June 22, 1999. 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 Jefferson Housing Foundation'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 and which are described in the accompanying schedule of findings and questioned costs as items 98-1 through 98-14.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency'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 Jefferson Housing Foundation'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 costs as items 98-1 through 98-14.

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 over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that all of the reportable conditions described above are material weaknesses.

This report is intended solely for the information and use of the audit committee, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Luther C. Speight & Company CPA's and Consultants
June 22, 1999

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

To the Board of Directors of
Jefferson Housing Foundation, Inc.

Compliance

We have audited the compliance of Jefferson Housing Foundation, Inc. with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal program for the year ended December 31, 1998. Jefferson Housing Foundation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on Jefferson Housing Foundation's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson Housing Foundation'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 of the Agency's compliance with those requirements.

In our opinion, Jefferson Housing Foundation, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1998.
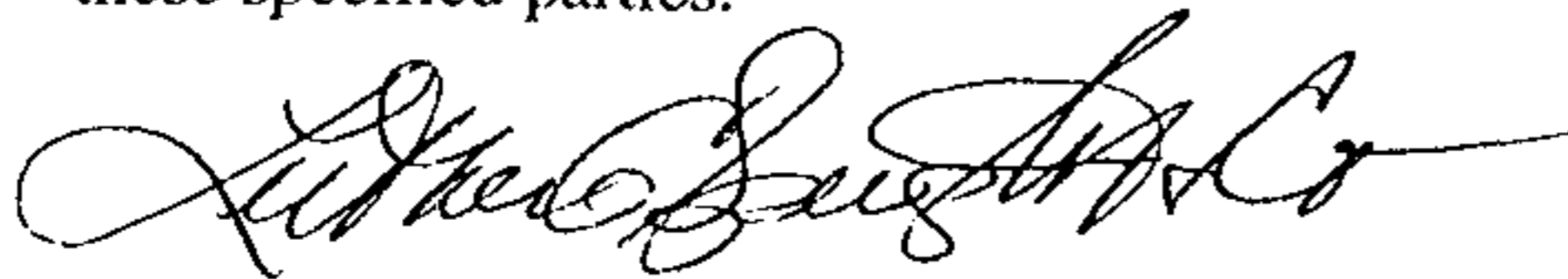
Internal Control Over Compliance

The management of Jefferson Housing Foundation, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Agency'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management, others within the organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Luther C. Speight & Company CPA's and Consultants
June 22, 1999

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JEFFERSON HOUSING FOUNDATION, INC.
Schedule of Findings and Questioned Costs
Year Ended December 31, 1998

Section I - Summary of Auditor's Results

Financial Statements

A qualified opinion was issued on the financial statements of the auditee.

Internal control over financial reporting:

Material weakness(es) identified ?	__X__ yes _____ no
Reportable condition(s) identified not considered to be material weaknesses ?	__X__ yes _____ no

Noncompliance material to financial statements noted?   __X__ yes _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	__X__ yes _____ no
Reportable condition(s) identified not considered to be material weaknesses ?	__X__ yes _____ no

An unqualified opinion was issued on compliance for the major program.

Any audit findings disclosed that are required to be
Reported in accordance with Circular
A-133, Section 510(a)?   __X__ yes _____ no

The major program for the year ended December 31, 1998 was as follows:

Special Purpose Distribution   HUD Construction Project

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JEFFERSON HOUSING FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

DECEMBER 31, 1998

98-1

GRANT PROGRAMS	QUESTIONED COSTS
FIRST TIME HOMEBUYER	$ 71,408
BUSINESS DEVELOPMENT	68,363
OLD HARVEY/SCOTTSDALE	105,323
CHDO REVITALIZATION	11,548

TOTAL QUESTIONED COSTS: $256,642

SUBJECT: PAYROLL COST ALLOCATIONS INADEQUATE

CONDITION:

Our examination of payroll costs charged to various grant programs for Jefferson Housing Foundation showed that payroll costs were charged to the respective grant programs at various percentages for certain employees. Management advised us that these allocations were based upon the pro rata share of labor costs associated with the respective programs and the day-to-day operations of the programs. In addition, management indicated that they relied on monitoring performed by the grantor and that each program exceeded its performance requirements.

We noted however that the agency did not have a formal payroll cost allocation method in place and did not have grant specific information on the employee time sheet sufficient to support the payroll costs charged to the grants. In addition, the payroll costs allocations were posted to the various reimbursement requests and did not reconcile to the payroll costs posted to the respective grant general ledgers. Accordingly, we were unable to verify the eligibility of the payroll costs recorded to the grants.

CAUSE:

The agency did not have adequate procedures in place to report time and effort expended on the respective grant activities by employees.

EFFECT OF CONDITON:

We were unable to determine the eligibility of the cost incurred for payroll costs charged to the grant accounts.

CRITERIA:

Grant accounting standards require that all costs charged to the grants be supported by adequate support documentation or cost allocation plans.

RECOMMENDATION:

We recommend that the agency implement time and effort recording procedures that include specific documentation of the respective grants for which time and effort were incurred.

98-2

GRANT PROGRAMS:

FIRST TIME HOMEBUYER
BUSINESS DEVELOPMENT
OLD HARVEY/SCOTTSDALE
CHDO REVITALIZATION

QUESTIONED COSTS: $ 0

SUBJECT: COMPETITIVE BIDDING PROCEDURES NOT UTILIZED

CONDITION:

We examined a selection of grant expenditures for goods and services and noted that Jefferson Housing Foundation did not employ competitive bidding procedures related to the procurement of goods and services.

CAUSE:

The agency had not developed or implemented a policy for competitive bidding related to procurement of goods and services.

EFFECT OF CONDITION:

The agency did not have controls in place to provide assurance that their selected vendors were the lowest responsible vendors, and that costs incurred were competitive.

CRITERIA:

Sound business practices require that organizations utilize competitive bidding practices in connection with the procurement of goods and services.

RECOMMENDATION:

We recommend that the agency develop and implement a procurement policy that provides for competitive bidding.

We examined a selection of grant expenditures for goods and services and noted that JHF did not employ competitive bidding guidelines for the procurement of professional services.

98-3

GRANT PROGRAMS:

> FIRST TIME HOMEBUYER
> BUSINESS DEVELOPMENT
> OLD HARVEY/SCOTTSDALE
> CHDO REVITALIZATION

SUBJECT: INTERFUND TRANSFERS NOT PROPERLY ACCOUNTED FOR

CONDITION:

During our audit we noted that the agency had a significant amount of interfund transfers, however the transfers were not properly accounted for as due to/due from the respective funds. The transfers were accounted for as transfers in/out. This accounting method does not assure that grant funds are not maintained separately.

CAUSE:

The agency's accounting methods do not comply with generally accepted accounting principles.

EFFECT OF CONDITION:

We were unable to determine if all interfund transfers were properly accounted for.

CRITERIA:

Grant accounting standards require that all grant financial activity be recorded within the respective program accounts.

RECOMMENDATION

We recommend that the agency establish and maintain interfund due to/from accounts.

98-4

GRANT: SCOTSDALE/OLD HARVEY PROJECT

SUBJECT: EXPENDITURES NOT RECORDED IN PROPER FUND

QUESTIONED COSTS: $ 0

CONDITION:

Jefferson Housing Foundation received three (3) community service grants totaling $250,000 during the year ended December 31, 1998. The agency's accounting records as presented to us accounted for program expenditures of only $120,250, with the remaining grant funds totaling $129,750 being transferred to the agency's general fund. During the course of our engagement the agency was able to properly segregate and account for all of the program expenditures within the program account.

CAUSE:

The agency did not maintain its accounting records in accordance with generally accepted accounting principles (GAAP). Significant adjustments were required by the agency's accountant in order to bring their accounting records into compliance with (GAAP).

EFFECT OF CONDITION:

Grant funded expenditures were not properly accounted for as they were incurred during 1998. Improved accounting standards were applied retroactively by the agency.

CRITERIA:

The grant's accounting standards and generally accepted accounting principles require that grant funded expenditures be accounted for with the proper program accounts.

RECOMMENDATION

We recommend that the agency implement a comprehensive accounting system that complies with generally accepted accounting standards. The system should include monthly financial statements and general ledgers. Management should review this information a monthly basis to assure compliance with the appropriate accounting standards.

25

98-5

GRANT: SCOTSDALE/OLD HARVEY PROJECT

QUESTIONED COSTS: $ 0

SUBJECT: PROJECT ACTIVITY REPORTS NOT ADEQUATE

CONDITION:

Jefferson Housing Foundation was awarded three (3) community service grants from the Parish of Jefferson, totaling $250,000 for the year ended December 31, 1998. These grant programs required project activity summary reports to be submitted to the grantor within 30 days of calendar year-end. Our review of the project activity reports showed that the reports were not sufficiently comprehensive to summarize the program accomplishments.

CAUSE:

The agency did not have procedures in place to ensure that programmatic reporting requirements were met.

EFFECT OF CONDITION:

Comprehensive program objectives were not summarized and reported to the grantor as required.

CRITERIA:

The grant agreements required that program summary reports be prepared within thirty (30) days of year-end.

RECOMMENDATION:

We recommend that the agency prepare program summary reports upon completion of all grant programs on a timely basis.

98-6

GRANT: SCOTSDALE/OLD HARVEY PROJECT

QUESTIONED COSTS: $ 0

SUBJECT: CONTRACT DOCUMENT NOT ON FILE

CONDITION:

An individual who was subsequently hired as an employee provided consulting services to this grant project. His services related to project analysis and management of this project. Invoices were on file related to services rendered, however the agency did not have an executed contract on file.

CAUSE:

The agency did not require an executed contract be on file prior to engaging the consultant.

EFFECT OF CONDITION:

The documentation related to the services performed by the consultant is incomplete.

CRITERIA:

The grant contracts require that adequate source documentation be maintained related to all grant expenditures.

RECOMMENDATION:

We recommend that all contractual services be supported by executed contracts.

98-7

GRANT: FIRST TIME HOMEBUYER

QUESTIONED COSTS: $ 0

SUBJECT: EXPENDITURES NOT RECORDED IN PROPER FUND

CONDITION:

The agency was awarded a grant from Jefferson Parish totaling $ 100,000 during the year ended December 31, 1998. The agency's accounting records as presented to us accounted for program expenditures of only $ 80,529, with the remaining grant funds totaling $ 19,471 being transferred to the agency's general fund. During the course of our engagement the agency was able to properly segregate and account for all of the program expenditures within the program account.

CAUSE:

The agency did not maintain its accounting records in accordance with generally accepted accounting principles (GAAP). Significant adjustments were required from the agency's accountant in order to bring their accounting records into compliance with (GAAP).

EFFECT OF CONDITION:

Grant funded expenditures were not properly accounted for as they were incurred during 1998. Improved accounting standards were applied retroactively by the agency.

CRITERIA:

The grant accounting standards and generally accepted accounting principles require that grant funded expenditures be accounted for within the proper program accounts.

RECOMMENDATION

We recommend that the agency implement a comprehensive accounting system that complies with generally accepted accounting principles. The system should include monthly financial statements and general ledgers. Management should review this information on a monthly basis to assure compliance with the appropriate accounting standards.

98-8

GRANT: FIRST TIME HOMEBUYER PROGRAM

QUESTIONED COSTS: $ 0

SUBJECT: EXPENDITURES NOT RECORDED IN PROPER FUND

CONDITION:

The agency was awarded a grant from Jefferson Parish totaling $ 100,000 during the year ended December 31, 1998.   The agency's accounting records as presented to us accounted for program expenditures of only $ 72,890, with the remaining grant funds totaling $ 27,110 being transferred to the agency's general fund.   During the course of our engagement the agency was able to properly segregate and account for all of the program expenditures within the program account.

CAUSE:

The agency did not maintain its accounting records in accordance with generally accepted accounting principles (GAAP).   Significant adjustments were required by the agency's accountant in order to bring their accounting records into compliance with (GAAP).

EFFECT OF CONDITION:

Grant funded expenditures were not properly accounted for as they were incurred during 1998.   Improved accounting standards were applied retroactively by the agency.

CRITERIA:

The grant accounting standards and generally accepted accounting standards require that grant funded expenditures be accounted for with the proper program accounts.

RECOMMENDATION

We recommend that the agency implement a comprehensive accounting system that complies with generally accepted accounting standards.   The system should include monthly financial statements and general ledgers.   Management should review this information on a monthly basis to assure compliance with the appropriate accounting standards.

98-9

GRANT: FIRST TIME HOMEBUYER PROGRAM

QUESTIONED COSTS: $ 0

SUBJECT: GRANT RECEIPT CONTROLS INADEQUATE

CONDITION:

Our examination of grant financial activity for this program showed that grant revenues per the general ledger did not agree with the amounts confirmed by the grantor. In addition, a cash receipt journal was not maintained, and bank deposit records were not available in sufficient detail to identify the specific grant amounts received and deposited.

CAUSE:

The agency had not implemented an adequate accounting system related to the receipt and recordation of grant revenues.

EFFECT OF CONDITON:

The agency's accounting system did not comply with generally accepted accounting principles.

CRITERIA:

The grant agreement required that the agency establish an accounting system adequate to account for the grant activities.

RECOMMENDATION:

We recommend that the agency establish an adequate system for recording and accounting for grant cash receipts.

98-10

GRANT: CHDO AFFORDABLE HOUSING PROJECT

QUESTIONED COSTS: $ 0

SUBJECT: LAND ACQUISITION NOT RECORDED

CONDITION:

During the audit period Jefferson Housing Foundation acquired 12 lots within the Lincolnshire subdivision related to this grant program. A private lender and the Parish of Jefferson financed the acquisition on behalf of the agency. Our examination showed that the acquired property had not been recorded on the books of the foundation as of December 1998.

CAUSE:

The disbursements related to the acquisition were made directly by the lender and the grantor, and therefore were not recorded on the records on the agency.

EFFECT OF CONDITION:

The fixed assets were understated on the financial statements of the agency.

CRITERIA:

Generally accepted accounting principles require that all assets of an organization be recorded on its books and records.

RECOMMENDATION:

We recommend that the agency record all of its fixed assets on its financial records.

98-11

GRANT: CHDO AFFORDABLE HOUSING PROJECT

QUESTIONED COSTS: $ 0

SUBJECT: EXPENDITURES NOT RECORDED IN PROPER FUND

CONDITION:

The agency was awarded a grant from Jefferson Parish totaling $ 100,000 during the year ended December 31, 1998. The agency's accounting records as presented to us accounted for grant revenues of $ 56,042. The program accounts reflected expenditures of only 6,874 with the remaining grant funds totaling $49,168 being transferred to the agency's general fund. During the course of our engagement the agency was able to properly segregate and account for all of the program expenditures within the program account.

CAUSE:

The agency did not maintain its accounting records in accordance with generally accepted accounting principles (GAAP). Significant adjustments were required by the agency's accountant in order to bring their accounting records into compliance with (GAAP).

EFFECT OF CONDITION:

Grant funded expenditures were not properly accounted for as they were incurred during 1998. Improved accounting standards were applied retroactively by the agency.

CRITERIA:

The grant accounting standards and generally accepted accounting standards require that grant funded expenditures be accounted for with the proper program accounts.

RECOMMENDATION

We recommend that the agency implement a comprehensive accounting system that complies with generally accepted accounting standards. The system should include monthly financial statements and general ledgers. Management should review this information on a monthly basis to assure compliance with the appropriate accounting standards.

98-12

GRANT: CHDO REVITALIZATION PROGRAM

QUESTIONED COSTS: $ 0

SUBJECT: GRANT RECEIPT CONTROLS INADEQUATE

CONDITION:

Our examination of grant financial activity for this program showed that grant revenues per the general ledger did not agree with the amounts confirmed by the grantor. In addition, a cash receipt journal was not maintained, and bank deposit records were not available in sufficient detail to identify the specific grant amounts received and deposited.

CAUSE:

The agency had not implemented an adequate accounting system related to the receipt and recordation of grant receipts.

EFFECT OF CONDITON:

The agency's accounting system did not comply with generally accepted accounting principles.

CRITERIA:

The grant agreement required that the agency establish an accounting system adequate to account for the grant activity.

RECOMMENDATION:

We recommend that the agency establish an adequate system for recording and accounting for grant cash receipts.

98-13

GRANT: JEFFERSON PLACE APTS/HUD GRANT

QUESTIONED COSTS: $ 0

SUBJECT: RELATED PARTY TRANSACTIONS

CONDITION:

During our examination of Jefferson Housing Foundation we noted that payments were made and accrued to a company owned by the agency's executive director related to a contract for consulting and project management services applicable to the development of the Jefferson Place Apartments and Happy Street projects. These payments were in addition to salary payments made directly to the executive director during the year 1998.

Further review of the contract document showed that the contract was dated March 1, 1996 reflecting a compensation level of $218,500 and was subsequently amended August 28, 1997 to reflect reduced compensation of $115,000. The reduction appeared to relate to the anticipated hiring of the executive director on a full-time basis. The contract amendment indicated that the fees would be earned upon the achievement of certain milestones. Although, efforts appeared to have been expended by the executive director on behalf of his company prior to his employment, the milestones stipulated in the amended contract occurred during the executive director's tenure as an employee of the Jefferson Housing Foundation. We noted that payments were made related to the consulting services totaling $49,200 and additional fees totaling $55,000 were accrued as of December 31, 1998. These payments and accruals appear to constitute related party transactions.

We further analyzed the sources of funding related to the consulting services and noted that the payments appear to have been funded from reimbursements received by Jefferson Housing Foundation at the Act of Sale of the Jefferson Place Apartments. These reimbursements in turn appeared to have been funded by loan proceeds received as opposed to federal, state or local grant sources.

CAUSE:

We were unable to determine the cause for this condition.

EFFECT OF CONDITON:

We were unable to determine the reasonableness of the costs incurred related to the related party transactions.   However, since the costs incurred appeared to be non-governmental sources we have not proposed questioned costs related to these related party transactions.

CRITERIA:

Standard industry practices require that transactions be consummated on an arms-length basis. If related party relationships exist the organization does not have the presumption of reasonableness of cost.

RECOMMENDATION:

We recommend that the organization conduct all transactions on an arms-length basis.

98-14

GRANT: HAPPY STREET

QUESTIONED COSTS: $ 0

SUBJECT: ACCOUNTING PROCEDURES NOT ADEQUATE

CONDITION:

Jefferson Housing Foundation acquired eleven (11) houses via donation from Jefferson Parish and subsequently rehabilitated and sold nine (9) of the units during the audit period. The general ledger accounting procedures employed related to this project did not comply with generally accepted accounting principles (GAAP). Variances from GAAP included; 1) gains and losses on sales not computed 2) closing costs not properly recorded 3) acquisition and rehabilitation costs were not maintained by individual property, therefore gains and losses could only be determined in aggregate utilizing an average cost approach.

The Happy Street project was funded via bank financing and did not utilize federal or other governmental funding; therefore no costs are questioned regarding this project.

CAUSE:

The agency did not implement generally accepted accounting principles related to its accounting for the Happy Street project.

EFFECT OF CONDITON:

The agency's financial records did not reflect the gain or loss on sale of the nine (9) houses sold during the audit period.

CRITERIA:

The agency's financial records should be maintained in a manner consistent with generally accepted accounting principles.

RECOMMENDATION:

We recommend that the agency's financial records be maintained consistent with generally accepted accounting principles.

JEFFERSON HOUSING FOUNDATION, INC.
STATUS OF PRIOR YEAR FINDINGS
12/31/98

	RESOLVED	UNRESOLVED
Bank Reconciliations Not Performed	X	
General Ledger Does Not Agree To Financial Statements	X	
Fixed Asset Detail Not Maintained	X	
Payroll Taxes Not Paid		X
Lack of Supporting Documentation	X	
Uncategorized Expense Postings of Jefferson Place	X	
Uncategorized Miscellaneous Revenue Postings	X	
Accounts Payable Understated	X	
Current Audit Not Completed Timely	X	
Lack of Credit Card Controls	X	
Inaccurate Recording of Capitalized Costs	X	

Jimmie Woods
Chairman

Deirdre Fuller
Executive Director

JEFFERSON HOUSING FOUNDATION

SCHEDULE OF FINDINGS AND QUESTIONED COST

DECEMBER 31, 1998

CORRECTIVE ACTION REPORT

98-1

GRANT PROGRAM	QUESTIONED COSTS
FIRST TIME HOMEBUYER	$ 71,408
BUSINESS DEVELOPMENT	68,363
OLD HARVEY/SCOTSDALE	105,323
CHDO REVITALIZATION	11,548
TOTAL QUESTIONED COSTS:	**$256,642**

CONDITION:

Our examination of payroll costs charged to various grant programs for Jefferson Housing Foundation showed that payroll costs were charged to the respective grant programs at various percentages for certain employees. Management advised us that these allocations were based upon the pro rata share of labor cost associated with the respective programs and day-to-day operations of the programs. In addition, management indicated that they relied on monitoring performed by the grantor and that each program exceeded its performance requirements.

We noted however that the agency did not have a formal payroll cost allocation method in place and did not have grant specific information on the employee time sheet sufficient to support the payroll cost charged to the grants. In addition, the payroll costs allocations were posted to the various reimbursement requests and did not reconcile to the payroll cost posted to the respective grant ledgers. Accordingly, we were unable to verify the eligibility of the payroll costs recorded to the grants.

CORRECTIVE ACTION:

During 1998, the grantor approved labor allocated to these grants. JHF exceeded each grant performance.

Effective January 1999, JHF has instituted a Labor Cost Management System (LCMS). The LCMS requires the employee to indicate labor effort spent on each project daily. At the end of the month, labor is distributed to each project. Afterwards, the grantor is billed. Additional systems that may be required to further insure that all future grant funds are separately maintained have been developed and is monitored by the agency's newly hired full time Certified Public Accountant.

98-2

GRANT PROGRAMS:

        FIRST TIME HOMEBUYER
        BUSINESS DEVELOPMENT
        OLD HARVEY/SCOTSDALE
        CHDO REVITALIZATION

QUESTIONED COSTS: **$0**

CONDITION:

We examined a selection of grant expenditures for goods and services and noted that Jefferson Housing Foundation did not employ competitive bidding procedures related to procurement of goods and services.

CORRECTIVE ACTION:

Management has developed an Operations and Policy Procedures Manual that includes a detailed procurement process for competitive bidding.

98-3

GRANT PROGRAMS:

FIRST TIME HOMEBUYER
BUSINESS DEVELOPMENT
OLD HARVEY/SCOTSDALE
CHDO REVITALIZATION

CONDITION:

During our audit we noted that the agency has a significant amount of interfund transfers, however the transfers were not properly accounted for as due to/due from the respective funds. The transfers were accounted for as transfers in/out. This accounting method does not assure the grant funds are not maintained separately.

CORRECTIVE ACTION:

JHF has implemented a comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. The accounting software will allow the CFO to maintain accurate due to/due from accounting. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

GRANT: OLD HARVEY/SCOTSDALE PROJECT

QUESTIONED COSTS: $0

CONDITION:

Jefferson Housing Foundation received three (3) community service grants totaling $250,000 during the year ended December 31, 1998. The agency's accounting records as presented to us accounted for program expenditures of only $120,250, with the remaining grant funds totaling $129,750 being transferred to the agency general fund. During the course of our engagement, the agency was able to properly segregate and account for all of the program expenditures within the program account.

CORRECTIVE ACTION:

JHF has implemented a comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

GRANT: OLD HARVEY/SCOTSDALE PROJECT

QUESTIONED COSTS: $0

FINDING:

Jefferson Housing Foundation was awarded three (3) community service grants from the Parish of Jefferson, totaling $250,000 for the year ended December 31, 1998. These grant programs required project activity summary reports to be submitted to the grantor with 30 days of the calendar year-end. Our review of the project activity reports showed that the reports were not sufficiently comprehensive to summarize the program accomplishments.

CORRECTIVE ACTION:

JHF has prepared comprehensive summary reports on program accomplishments on a timely basis.

98-6

GRANT: OLD HARVEY/SCOTSDALE PROJECT

QUESTIONED COSTS: $0

CONDITION:

An individual whom was subsequently hired as an employee provided consulting services to this grant project. His services related to project analysis and management of the project. Invoices were filed related to services rendered, however the agency did not have an executed contract on file.

CORRECTIVE ACTION:

Management has implemented policies and procedures that will guarantee that all contractual services are supported by executed contracts.

GRANT: FIRST TIME HOME BUYER

QUESTIONED COSTS: $0

CONDITION:

The agency was awarded a grant from Jefferson Parish totaling $100,000 during the year ended December 31, 1998. The agency's accounting records as presented to us accounted for program expenditures on only $80,529, with the remaining funds totaling $19,471 being transferred to the agency's general fund. During the course of our engagement that agency was able to properly segregate and account for all of the program expenditures within the program account.

CORRECTIVE ACTION:

JHF has implemented a new comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

GRANT: FIRST TIME HOME BUYER

QUESTIONED COSTS: $0

CONDITION:

The agency was awarded a grant from Jefferson Parish totaling $100,000 during the year ended December 31, 1998. The agency's accounting records as presented to us accounted for program expenditures on only $72,890, with the remaining funds totaling $27,110 being transferred to the agency's general fund. During the course of our engagement that agency was able to properly segregate and account for all of the program expenditures within the program account.

CORRECTIVE ACTION:

JHF has implemented a new comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

GRANT: FIRST TIME HOMEBUYER PROGRAM

QUESTIONED COSTS: $0

CONDITION:

Our examination of grant financial activity for this program showed that grant revenues per the general ledger did not agree with the amounts confirmed by the grantor. In addition, a cash receipt journal was not maintained, and bank deposit records were not available in sufficient detail to identify the specific grant amounts received and deposited.

CORRECTIVE ACTION:

JHF has implemented the use of a cash receipt journal. Additionally, JHF has implemented a new comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

GRANT: CHDO AFFORDABLE HOUSING PROJECT/LINCOLNSHIRE

QUESTIONED COSTS: $0

CONDITION:

During the audit period Jefferson Housing Foundation acquired 12 lots within the Lincolnshire subdivision related to this grant program. A private lender and the Parish of Jefferson financed the acquisition on behalf of the agency. Our examination showed that the acquired property had not been recorded on the books of the foundation as of December 1998.

CORRECTIVE ACTION:

Fixed assets are recorded in the financial records.

GRANT: CHDO AFFORDABLE HOUSING PROJECT/LINCOLNSHIRE

QUESTIONED COSTS: $0

CONDITION:

The agency was awarded a grant from Jefferson Parish totaling 100,000 during the year ended December 31, 1998.   The agency's accounting records as presented to us accounted for grant revenues of $56,042. The program accounts reflected expenditures of only $6,874 with remaining grant funds totaling $49,168 being transferred to the agency general fund.   During the course of our engagement the agency was able to properly segregate and account for all of the program expenditures within the program account.

CORRECTIVE ACTION:

JHF has implemented a new comprehensive accounting system that complies with GAAP accounting standards.   As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

GRANT: CHDO REVITALIZATION PROGRAM

QUESTIONED COSTS: $0

CONDITION:

Our examination of grant financial activity for this program showed that grant revenues per the general ledger did not agree with the amounts confirmed by the grantor. In addition, a cash receipt journal was not maintained, and bank deposit records were not available in sufficient detail to identify the specific grant amounts received and deposited.

CORRECTIVE ACTION:

JHF has implemented the use of a cash receipt journal. Additionally, JHF has implemented a new comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.

98-13

GRANT: JEFFERSON PLACE APTS/HUD GRANT

QUESTIONED COSTS: $0

CONDITION:

During our examination of Jefferson Housing Foundation we noted that payments were made and accrued to company owned by the agency's executive director related to a contract for consulting and project management services applicable to the development of the Jefferson Place Apartments and Happy Street projects. These payments were in addition to salary payments made directly to the executive director during the year 1998.

Further review of the contract document showed that the contract was dated march 1, 1996 reflecting a compensation level of $218,500 and was subsequently amended August 28, 1997 to reflect reduced compensation of $115,000. The reduction appeared to relate to the anticipated hiring of the executive director on a full-time basis. The contract amendment indicated that the fees would be earned upon the achievement of certain milestones. Although, efforts appeared to have been expended by the executive director on behalf of his company prior to his employment, the milestones stipulated in the amended contract occurred during the executive director's tenure as an employee of the Jefferson Housing foundation. We noted that payments were made related to the consulting services totaling $49,200 and additional fees totaling $55,000 were accrued as of December 21, 1998. These payments and accruals appear to constitute related party transactions.

We further analyzed the sources of funding related to the consulting services and noted that the payments appear to have been funded from reimbursements received by Jefferson Housing Foundation at the Act of Sale of the Jefferson Place Apartments. These reimbursements in turn appeared to have been funded by loan proceeds received as opposed to federal, state, or local grant sources.

CORRECTIVE ACTIONS:

Management has implemented policies and procedures that require the use of a bid process to obtain contractual services. The bid process assures that all transactions are arms-length and supported by executed contracts.

98-14

GRANT: HAPPY STREET

QUESTIONED COSTS: $0

CONDITION:

Jefferson Housing Foundation acquired eleven (11) houses via donation from Jefferson Parish and subsequently rehabilitated and sold nine (9) of those houses during the audit period. The general ledger accounting procedures employed related to this project did not comply with general accepted accounting principals (GAAP). Variances form GAAP included; 1) gains and losses on sales not computed 2) closing costs not properly recorded 3) acquisition and rehabilitation cost were not maintained by individual property, therefore gains and loses could only be determined in aggregate utilizing an average cost approach.

The Happy Street project was funded via bank financing and did not utilize federal or other governmental funding; therefor no costs are questioned regarding this project.

CORRECTIVE ACTION:

JHF has implemented a new comprehensive accounting system that complies with GAAP accounting standards. As a result of the new accounting software, monthly financial statements and general ledgers are produced on individual projects. JHF management and the Board of Directors review the reports on a monthly basis to assure compliance with appropriate accounting standards.