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Release Date APR 28 1999

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

Annual Component Unit Financial Statements  
with Independent Auditors' Report

and

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

For the Year Ended September 30, 1998

~~PARISH CLERK OF COURT~~

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Legislative Auditor

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## INDEPENDENT AUDITORS' REPORT

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

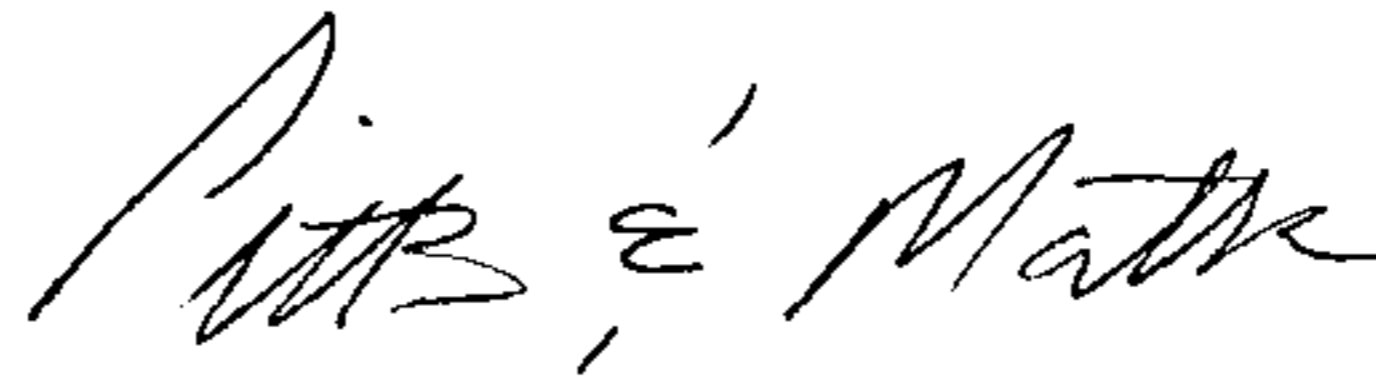
We have audited the accompanying general purpose financial statements and the combining individual fund financial statements of the St. Mary Parish Housing Program, a component unit of the St. Mary Parish Council, as of and for the year ended September 30, 1998, as listed in the table of contents. These financial statements are the responsibility of the St. Mary Parish Housing Program's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the St. Mary Parish Housing Program, as of September 30, 1998, and the results of its operations for the year then ended in conformity with generally accepted accounting principles. Also, in our opinion, the combining individual fund financial statements referred to above present fairly, in all material respects, the financial position of each of the individual funds of the St. Mary Parish Housing Program, as of September 30, 1998, and the results of operations of such funds for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 23, 1999, on our consideration of the St. Mary Parish Housing Program's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



CERTIFIED PUBLIC ACCOUNTANTS

March 23, 1999

ST. MARY PARISH HOUSING PROGRAM

COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS  
September 30, 1998

	GOVERNMENTAL FUND TYPE SPECIAL REVENUE FUNDS	ACCOUNT GROUP GENERAL FIXED ASSETS	TOTAL MEMORANDUM) ONLY)
<b>ASSETS</b>			
Cash	\$333,859		\$333,859
Due from HUD	185,409		185,409
Fixed assets		\$1,925	1,925
<b>Total assets</b>	<b>\$519,268</b>	<b>\$1,925</b>	<b>\$521,193</b>
<b>LIABILITIES AND EQUITY:</b>			
<b>Liabilities:</b>			
Accounts payable	\$139,372		\$139,372
Due to HUD	284,467		284,467
Advance payable	54,000		54,000
Deferred revenue	44,490		44,490
<b>Total liabilities</b>	<b>522,329</b>		<b>522,329</b>
<b>Equity:</b>			
Investments in general fixed assets		\$1,925	1,925
Fund balance (deficit)	(3,061)		(3,061)
<b>Total equity (deficiency)</b>	<b>(3,061)</b>	<b>1,925</b>	<b>(1,136)</b>
<b>Total liabilities and equity</b>	<b>\$519,268</b>	<b>\$1,925</b>	<b>\$521,193</b>

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

ST. MARY PARISH HOUSING PROGRAM

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
For the Year Ended September 30, 1998

	GOVERNMENTAL FUND TYPE Special Revenue Funds
Revenues:	
Federal grants	\$479,979
	<hr/>
Total revenues	479,979
	<hr/>
Expenditures:	
Health and welfare	
Housing assistance payments	307,117
Administrative costs	113,322
Construction/maintenance	61,266
	<hr/>
Total expenditures	481,705
	<hr/>
Excess (deficiency) of revenue over expenditures	(1,726)
Fund balance (deficit) at beginning of year	(1,335)
	<hr/>
Fund balance (deficit) at end of year	(\$3,061)
	<hr/> <hr/>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
(Section 8 Housing - The Entity's Only Budgeted Fund)  
For the Year Ended September 30, 1998**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
Federal grant	<u>\$494,355</u>	<u>\$396,691</u>	<u>(\$97,664)</u>
Expenditures:			
Health and welfare			
Housing assistance payments	406,875	307,117	99,758
Administrative costs	<u>87,480</u>	<u>91,300</u>	<u>(3,820)</u>
Total expenditures	<u>494,355</u>	<u>398,417</u>	<u>95,938</u>
Deficiency of revenue over expenditures		(1,726)	(1,726)
Fund balance at beginning of year		<u>8,957</u>	<u>8,957</u>
Fund balance at end of year	<u>--</u>	<u>\$7,231</u>	<u>\$7,231</u>

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



ST. MARY PARISH HOUSING PROGRAM

NOTES TO THE FINANCIAL STATEMENTS

September 30, 1998

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

A. Reporting Entity

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

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

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

*These financial statements include only the operations of the Program.*

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### B. Fund Accounting

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

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

#### Governmental Fund

#### Special Revenue Funds

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

### C. Basis of Accounting

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

The modified accrual basis of accounting is used by all governmental fund types. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Federal grants are recorded when the Program is entitled to the funds. Expenditures are recorded when the related fund liability is incurred.

The Program reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets

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

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

The program does not utilize encumbrance accounting.

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

E. Cash and Cash Equivalents

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

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

F. Fixed Assets

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

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

G. Memorandum Only - Total Column

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation.

## NOTE 2 - FUND DEFICIT

The Home Disaster Relief fund had a fund deficit at September 30, 1998 of \$10,292. This deficit will be eliminated by future program revenues.

## NOTE 3 - CASH AND CASH EQUIVALENTS

At year end, the carrying amount of the Program's cash and cash equivalents was \$333,859 and the bank balance was \$367,230.

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

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

The following is a summary of the cash and cash equivalents, federal deposit insurance, and pledged securities as of September 30, 1998:

Cash and cash equivalents - stated value	<u>\$333,859</u>
Cash and cash equivalents - bank balance	367,230
Portion insured by federal deposit insurance	100,000
Collateralized by securities in the Program's name held by the Program or its agent	<u>NONE</u>
Balance uninsured and uncollateralized under GASB codification	267,230
Portion of deposits secured under Louisiana law	<u>267,230</u>
Amount unsecured under Louisiana law	<u>NONE</u>

## NOTE 4 - CONTINGENCIES

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

#### NOTE 5 - FIXED ASSETS

A summary of the Program's fixed assets at September 30, 1998, follows:

	<u>Balance</u> <u>9/30/97</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/98</u>
Office Equipment	<u>\$1,925</u>	<u>--</u>	<u>--</u>	<u>\$1,925</u>
Total	<u>\$1,925</u>	<u>--</u>	<u>--</u>	<u>\$1,925</u>

#### NOTE 6 - RELATED PARTY

The Section 8 Housing Program and the Home Disaster Relief Program are administered by a management company. The company employs all of the inspectors and administrative personnel and bills each Program periodically. During the year, the Company advanced the Home Disaster Relief Program funds for operations, pending reimbursement of grant funds. At September 30, 1998, the outstanding advance payable to the Company was \$54,000.

#### NOTE 7 - CONCENTRATIONS

The Program receives one hundred percent of its revenue from federal grants.

#### NOTE 8 - RISK MANAGEMENT

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

#### NOTE 9 - YEAR 2000 ISSUE

The year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment that may adversely affect the Program's operations as early as fiscal year 1999.

The Program has not inventoried computer systems and other electronic equipment that may be affected by the year 2000 issue. It is unknown as of September 30, 1998, what effects, if any, failing to remediate such systems will have upon the Program's operations and financial reporting.

Because of the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter. Management cannot assure that the Program is or will be year 2000 ready or that parties with whom the Program does business will be year 2000 ready.

COMBINING INDIVIDUAL FUND FINANCIAL STATEMENTS

ST. MARY PARISH HOUSING PROGRAM  
SPECIAL REVENUE FUNDS  
September 30, 1998

SECTION 8 HOUSING PROGRAM

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

HOME DISASTER RELIEF PROGRAM

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

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

**COMBINING BALANCE SHEET  
September 30, 1998**

	<u>Section 8 Housing</u>	<u>Home Disaster Relief</u>	<u>Totals</u>
<b>ASSETS:</b>			
Cash	\$331,767	\$2,092	\$333,859
Due from HUD	4,421	180,988	185,409
	<hr/>	<hr/>	<hr/>
Total assets	\$336,188	\$183,080	\$519,268
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND EQUITY:</b>			
<b>Liabilities:</b>			
Accounts payable		\$139,372	\$139,372
Due to HUD	\$284,467		284,467
Advance payable		54,000	54,000
Deferred revenue	44,490		44,490
	<hr/>	<hr/>	<hr/>
Total liabilities	328,957	193,372	522,329
	<hr/>	<hr/>	<hr/>
<b>Equity:</b>			
Fund balance (deficit)	7,231	(10,292)	(3,061)
	<hr/>	<hr/>	<hr/>
Total equity	7,231	(10,292)	(3,061)
	<hr/>	<hr/>	<hr/>
Total liabilities and equity	\$336,188	\$183,080	\$519,268
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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



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

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
For the Year Ended September 30, 1998**

	<u>Section 8 Housing</u>	<u>Home Disaster Relief</u>	<u>Totals</u>
Revenues:			
Federal grant	\$396,691	\$83,288	\$479,979
	<hr/>	<hr/>	<hr/>
Total revenues	396,691	83,288	479,979
	<hr/>	<hr/>	<hr/>
Expenditures:			
Health and welfare			
Housing assistance payments	307,117		307,117
Administrative costs	91,300	22,022	113,322
Construction/maintenance		61,266	61,266
	<hr/>	<hr/>	<hr/>
Total expenditures	398,417	83,288	481,705
	<hr/>	<hr/>	<hr/>
Excess (deficiency) of revenue over expenditures	(1,726)		(1,726)
Fund balance (deficit) at beginning of year	8,957	(10,292)	(1,335)
	<hr/>	<hr/>	<hr/>
Fund balance (deficit) at end of year	\$7,231	(\$10,292)	(\$3,061)
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

**SCHEDULE OF FEDERAL AWARDS**

**ST. MARY PARISH HOUSING PROGRAM**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 1998**

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR NAME/ <u>PROGRAM TITLE</u>	<u>CFDA NUMBER</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Housing-Federal Housing Commissioner			
*Section 8 Rental Voucher Program	14.855	\$55,526	\$54,837
*Section 8 Rental Certificate Program	14.857	341,165	343,580
Home Disaster Relief Program	14.239	83,288	83,288
Total U.S. Department of Housing and Urban Development		<u>\$479,979</u>	<u>\$481,705</u>

\*Both programs are part of a cluster and are considered major programs.

The accompanying note is an integral part of this financial schedule.

ST. MARY PARISH HOUSING PROGRAM  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
SEPTEMBER 30, 1998

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards is a summary of activity of the Program's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles.

**COMPLIANCE AND INTERNAL CONTROL**



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

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

We have audited the general purpose financial statements of the St. Mary Parish Housing Program as of and for the year ended September 30, 1998, and have issued our report thereon dated March 23, 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

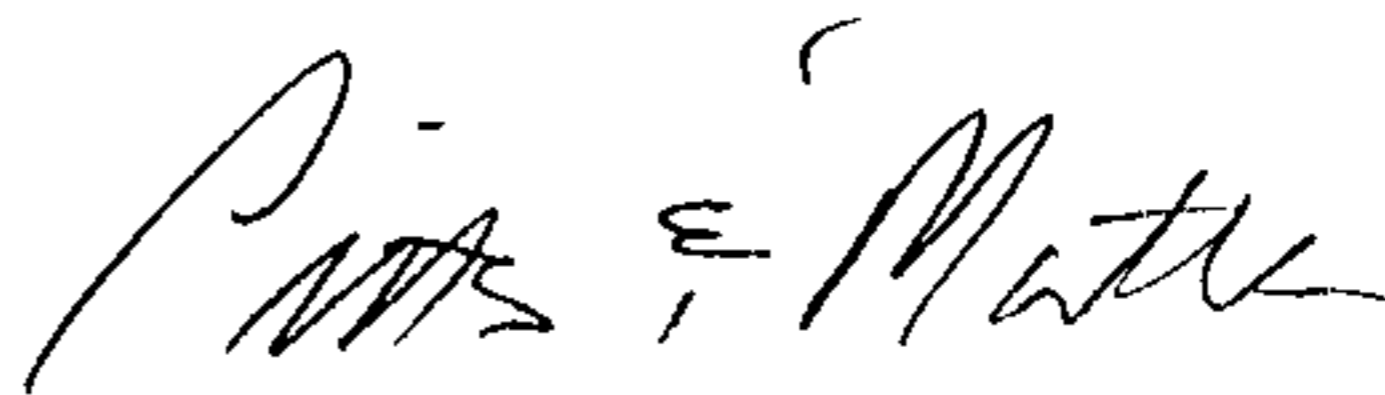
As part of obtaining reasonable assurance about whether the St. Mary Parish Housing Program's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as items 98-1, 98-2, and 98-3.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Mary Parish Housing Program's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect St. Mary parish Housing Program's ability to record, process, summarize and report financial data consistent with the assertions of management in the general purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-1 and 98-2.

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

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



CERTIFIED PUBLIC ACCOUNTANTS

March 23, 1999



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

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

Compliance

We have audited the compliance of the St. Mary Parish Housing Program with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 1998. The St. Mary Parish Housing Program's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the St. Mary Parish Housing Program's management. Our responsibility is to express an opinion on the St. Mary Parish Housing Program's compliance based on our audit.

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



As described in items 98-4 and 98-5 in the accompanying schedule of findings and questioned costs, St. Mary Parish Housing Program did not comply with requirements regarding cash management and U.S. Department of Housing and Urban Development's guidelines related to interest earnings on excess program funds that are applicable to Section 8 Rental Certificate Program and Section 8 Rental Voucher Program. Compliance with such requirements is necessary, in our opinion, for the St. Mary Parish Housing Program, to comply with requirements applicable to those programs.

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

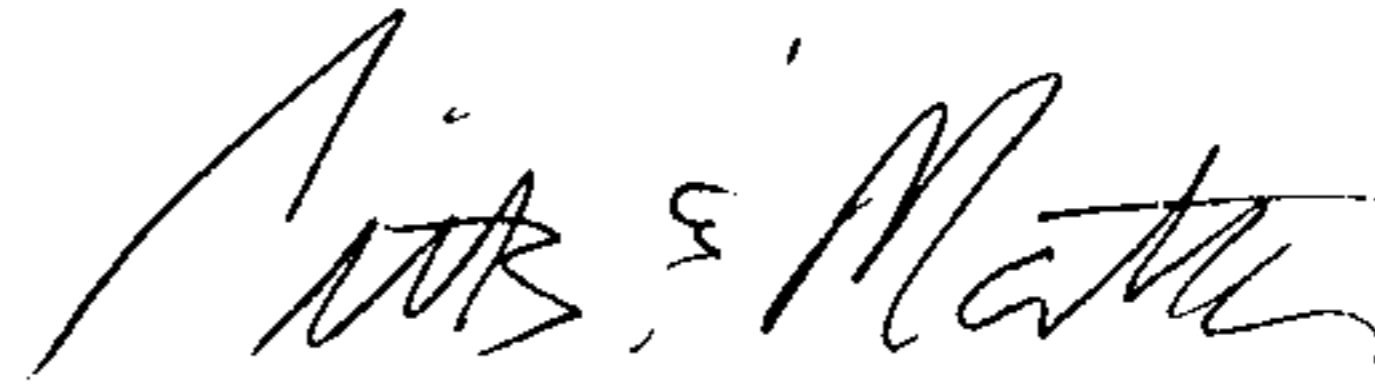
#### Internal Control Over Compliance

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

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the St. Mary Parish Housing Program's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 98-4 and 98-5.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider both reportable conditions described above to be material weaknesses.

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



CERTIFIED PUBLIC ACCOUNTANTS

March 23, 1998

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

ST. MARY PARISH HOUSING PROGRAM  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 1998

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of the St. Mary Parish Housing Program.
2. Two reportable conditions disclosed during the audit of the general purpose financial statements are reported in the Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. These conditions are reported as material weaknesses.
3. Three instances of noncompliance material to the general purpose financial statements of the St. Mary Parish Housing Program were disclosed during the audit.
4. Two reportable conditions disclosed during the audit of the major federal award programs are reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133. Both conditions are reported as material weaknesses.
5. The auditors' report on compliance for the major federal award programs for St. Mary Parish Housing Program expresses a qualified opinion because of failure to comply with regulations related to draw down of federal funds and interest earnings on excess program funds as described in 98-4 and 98-5.
6. Audit findings relative to the major federal award programs for the St. Mary Parish Housing Program are reported in Part C of this Schedule.
7. The programs tested as major programs include:  
  
Section 8 Rental Certificate Program, CFDA No. 14.857.  
Section 8 Rental Voucher Program, CFDA No. 14.855,  
*which are a part of a cluster.*
8. The threshold for distinguishing types A and B programs was \$300,000.
9. St. Mary Parish Housing Program was not determined to be a low risk auditee.

## B. FINDINGS - FINANCIAL STATEMENTS AUDIT

### 98-1. Federal Draw Downs

Type of Finding: Item of Noncompliance and Material Weakness

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

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

Effect: Noncompliance with federal cash management requirements.

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

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

Response: The aggressive implementation of Welfare Reform has caused more clients to obtain employment and the continual change in the state of the area economy, has resulted in great fluctuation in the total annual income of families participating in the Section 8 Program. This contributes to the difficulty in accurately estimating the total Housing Assistance Payment made by the Agency. Additionally, the ability and sometimes requirement to terminate assistance for criminal, drug related or disruptive activity results in an even more unpredictable turn over rate. Also, HUD's regulation of a three month delay prior to reissuance of assistance and the inability to control or determine when clients will end assistance make budgeting actual costs nearly impossible. However, with the recent repeal of the ninety day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is developing a more accurate measure of expenditures in a more timely manner.

### 98-2 Interest Earnings

Type of Finding: Item of Noncompliance and Material Weakness.

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

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

Effect: Noncompliance with federal grantor requirements.

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

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

Response: The bank was contacted during this fiscal year to change the account to one that bears interest, however the change did not occur until October. Beginning in October, 1998 our checking accounting began earning interest.

98-3 Budget - Section 8 Housing Program

Type of Finding: Item of Noncompliance

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

	<u>Budgeted</u> <u>Amount</u>	<u>Actual</u> <u>Amount</u>	<u>Variance</u>	<u>Percent</u>
Federal grant	\$494,355	\$396,691	\$(97,664)	19.75%

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

Effect: Noncompliance with state law.

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

Response: Management agrees that budgets will be adjusted whenever actual revenues and future anticipated revenues are less than budgeted revenues by five percent or more. The budget was revised and the variance was lessened, however as previously stated, given the thirty day delay of reissuance rule, varying turnover rate and continually changing client income levels, it remains difficult to accurately assess this condition. Again, with the recent repeal of the ninety day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is continuing to develop a more accurate measure of expenditures in a more timely manner.

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

98-4 U.S. Department of Housing and Urban Development  
Section 8 Rental Certificate Program  
CFDA No. 14.857

Project No. LA220CE 001-014 Year Ended  
September 30, 1998

Questioned  
Costs

Type of finding: Item of Noncompliance and Material Weakness.

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

Effect: Noncompliance with federal cash management requirements.

No  
monetary  
effect

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

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

Response: The aggressive implementation of Welfare Reform has caused more clients to obtain employment and the continual change in the state of the area economy, has resulted in great fluctuation in the total annual income of families participating in the Section 8 Program. This contributes to the difficulty in accurately estimating the total Housing Assistance Payment made by the Agency. Additionally, the ability and sometimes requirement to terminate assistance for criminal, drug related or disruptive activity results in an even more unpredictable turn over rate. Also, HUD's regulation of a three month delay prior to reissuance of assistance and the inability to control or determine when clients will end assistance make budgeting actual costs nearly impossible. However, with the recent repeal of the ninety day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is developing a more accurate measure of expenditures in a more timely manner.

98-5 Project No. 220CE 001-014  
Year Ended September 30, 1998

Type of Finding: Item of Noncompliance and Material Weakness

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

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

Provision  
has been  
made in the  
year end  
settlement.

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



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

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

Response: The bank was contacted during this fiscal year to change the account to one that bears interest, however the change did not occur until October. Beginning in October, 1998 our checking accounting began earning interest.

SUMMARY OF PRIOR YEAR FINDINGS AND RELATED CORRECTIVE ACTION  
PREPARED BY ST. MARY PARISH HOUSING PROGRAM

Material Weaknesses and Items of Noncompliance

Federal Draw downs (Items B.1, C.1)

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

Corrective Action: The aggressive implementation of Welfare Reform has caused more clients to obtain employment and the change in the state of the area economy over the past two years, has resulted in great fluctuation in the total annual income of families participating in the Section 8 Program. This contributes to the difficulty in accurately estimating the total Housing Assistance Payment made by the Agency. Additionally, HUD's regulation of a three month delay prior to reissuance of assistance and the inability to control or determine when clients will end assistance make budgeting actual costs nearly impossible. However, with the recent repeal of the ninety day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is developing a more accurate measure of expenditures in a more timely manner.

Interest Earnings (Items B.2, C.2)

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

Corrective Action: Management contacted the bank to convert the existing account to an interest bearing account. The change has been made and the account is currently earning interest. Additionally, by implementing measures as outlined above, management plans to minimize the need for this requirement.

Reportable Conditions

Timeliness of Audit (Item B.3)

Condition: Completion of annual audit has exceeded the deadline.

Corrective Action: Management has implemented a system whereby required documentation is provided to the auditors in a more timely manner. This has allowed time to complete the audit within the required limits.

Processing of Accounting Data (Item B.4)

Condition: Accounting records are processed on an annual basis.

Corrective Action: Management has implemented a system whereby account records are processed on a quarterly basis.

Budget - Section 8 Housing Program (Item B.5)

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

Corrective Action: Management agrees that budgets will be adjusted whenever actual revenues and future anticipated revenues are less than budgeted revenues by five percent or more. The budget was revised and the variance was lessened, however as previously stated, given the ninety day delay of reissuance rule, varying turnover rate and continually changing income levels, it remains difficult to accurately assess this condition. Again, with the recent repeal of the thirty day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is continuing to develop a more accurate measure of expenditures in a more timely manner.

Outstanding Checks (Item B.6)

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

Corrective Action: Management has implemented a process where statements and outstanding checks are reviewed in a more timely manner.



# ST MARY PARISH HOUSING OFFICE

room 107 parish courthouse franklin, la 70538

March 23, 1999

Dr. Daniel G. Kyle  
Office of Legislative Auditors  
State of Louisiana  
P O Box 94397  
Baton Rouge, LA 70804-9397

Dear Mr. Kyle:

The St Mary Parish Housing Program respectfully submits the following corrective action plan for their year ended September 30, 1998.

## CORRECTIVE ACTION

Person Responsible: James L Firmin, Programs Administrator  
St Mary Parish Government Section 8 Program  
Room 107 Parish Courthouse  
Franklin, LA 70538  
(318)828-3986

Time for Completion: September 1999

## ITEM OF NON-COMPLIANCE: RE: Items 98-1, 98-4

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

**Corrective Action:** The aggressive implementation of Welfare Reform has caused more clients to obtain employment and the continual change in the state of the area economy has resulted in great fluctuation in the total annual income of families participating in the Section 8 Program. This contributes to the difficulty in accurately estimating the total Housing Assistance Payment made by the Agency. Additionally, the ability, and sometimes requirement to terminate assistance for criminal, drug related or disruptive activity results in an even more unpredictable turn over rate. Also, HUD's regulation of a 3 month delay prior to re-issuance of assistance and the inability to control or determine when clients will end assistance make budgeting actual costs nearly impossible. However, with the recent repeal of the 90 day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is developing a more accurate measure of expenditures in a more timely manner.

## ITEM OF NON-COMPLIANCE: RE: Items 98-2, 98-5

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

**Corrective Action:** The bank was contacted during this fiscal year to change the account to one that bears interest, however the change did not occur until October. Beginning in October, 1998 our checking account began earning interest.

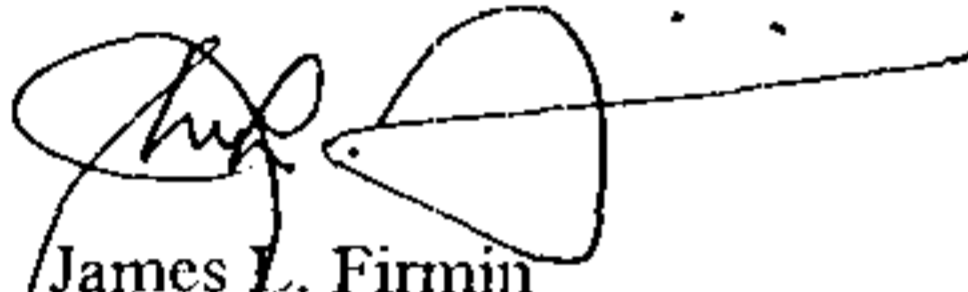
ITEM OF NON-COMPLIANCE: RE: Item 98-3

Budget - Section 8 Housing Program: Notification was not made and budgets were not amended although *actual revenues failed to come within five percent of budgeted revenues.*


Corrective Action: Management agrees that budgets will be adjusted whenever actual revenues and future anticipated revenues are less than budgeted revenues by five percent or more. The budget was revised and the variance was lessened, however, as previously stated, given the 90 day delay of re-issuance rule, varying turnover rate and continually changing client income levels, it remains difficult to accurately assess this condition. Again, with the recent repeal of the 90 day delay and the implementation of a process to periodically compare current housing assistance payments to the existing budget and make amendments where necessary, management is continuing to develop more a accurate measure of expenditures in a more timely manner.

This plan of action is being submitted in accordance with Legislative requirements. If you have any questions concerning this action plan contact the undersigned or my assistant Ms. Angela Kraemer.

ST MARY PARISH HOUSING OFFICE



James L. Firmin  
Programs Administrator



Angela M. Kraemer  
Programs Manager