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HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SINGLE AUDIT REPORTS

SEPTEMBER 30, 1994

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

Release Date MAR 24 1999

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

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REPORT OF INDEPENDENT ACCOUNTANTS ON THE
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

The Management of the Housing Authority
of New Orleans and Regional Inspector
General for Audit, U.S. Department of
Housing and Urban Development

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1994, and have issued our report thereon dated December 20, 1995. These combined financial statements are the responsibility of HANO's management. Our responsibility is to express an opinion on these combined financial statements based on our audit.

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

Our audit was made for the purpose of forming an opinion on the combined financial statements of HANO, taken as a whole. The accompanying Schedule of Federal Financial Assistance is presented for purposes of additional analysis and is not a required part of the combined financial statements. The information in that schedule has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly presented in all material respects in relation to the combined financial statements taken as a whole.

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This report is intended for the information and use of the management of the Housing Authority of New Orleans, Louisiana and the Regional Inspector General for Audit, U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

December 30, 1997

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE

FOR THE YEAR ENDED SEPTEMBER 30, 1994

<u>Federal Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development Direct Programs:			
Operating Subsidy	14.850*	FW-1190	\$ 32,161,194
Section 8	14.156*	FW-2201/2053/2217	18,986,739
Comprehensive Improvement Assistance Program	14.850*	LA 48P001701	12,783,346
Comprehensive Grant Program	14.852*	LA 48P001702/03	10,957,985
Community Outreach Drug Elimination Program	14.157	LA 48DEP0010191	300,703
Public Housing Anti-Drug Program	14.177	LA 48DEP0010192	745,182
Workers' Compensation		NA	<u>833,588</u>
Total Federal Assistance Expended			<u>\$ 76,768,737</u>

* Major program as defined by OMB Circular A-128.

REPORT ON THE INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Management of the Housing Authority
of New Orleans and Regional Inspector
General for Audit, U.S. Department of
Housing and Urban Development

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1994, and have issued our report thereon dated December 20, 1995. We have also audited the compliance of HANO with requirements applicable to major federal financial assistance programs and have issued our report thereon dated December 20, 1995. We were not engaged to perform and did not perform an audit in accordance with the Public and Indian Housing (PIH) Compliance Supplement (PIH Number 95-31).

We conducted our audits in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether HANO complied with laws and regulations, noncompliance with which would be material to a major federal financial assistance program.

In planning and performing our audits for the year ended September 30, 1994, we considered the internal control structure of HANO in order to determine our auditing procedures for the purpose of expressing our opinions on the combined financial statements of HANO and on the compliance of HANO with requirements applicable to major programs, and to report on the internal control structure in accordance with OMB Circular A-128. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal financial assistance programs. We have addressed internal control structure policies and procedures relevant to our audit of the combined financial statements in a separate report dated December 20, 1995.

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The management of HANO is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the combined financial statements in accordance with generally accepted accounting principles and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal financial assistance programs in the following categories:

Accounting Controls:

- Legal compliance
- Asset management
- Debt restrictions
- Grant revenues and cash receipts
- Purchases and cash disbursements
- General ledger and financial reporting
- Grant accounting
- Compliance with regulations of the U.S. Department of Housing and Urban Development, excluding compliance with PIH Number 95-31 as discussed in paragraph one of this report

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Controls used in administering compliance with laws and regulations:

General Requirements

- Political activity
- Civil rights act
- Cash management
- Federal financial reports
- Allowable costs/cost principles
- Drug-free workplace act
- Administrative requirements
- Davis-Bacon act
- Relocation assistance and real property acquisition.

Specific Requirements

- Types of services
- Eligibility
- Advances and reimbursements
- Amounts claimed or used for matching as determined by the OMB Circulars A-87 and other applicable cost principles or regulations that are applicable to each of its major programs.
- Reporting

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended September 30, 1994, HANO expended 98% percent of its total federal financial assistance under major federal financial assistance programs.

We performed tests of controls, as required by OMB Circular A-128, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of HANO's major federal financial assistance programs, which are identified in the accompanying Schedule of Federal Financial Assistance. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect HANO's ability to administer federal financial assistance programs in accordance with applicable laws and regulations.

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We believe the following is a reportable conditions as described above:

- (a) HANO did not maintain sufficient documentation of compliance with competitive bidding requirements for certain contracts selected for testing related to the Modernization Program.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal financial assistance program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure policies and procedures used in administering federal financial assistance would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we consider item (a) noted above to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of HANO with requirements applicable to its major federal financial assistance programs for the year ended September 30, 1994, and this report does not affect our report thereon dated December 30, 1997.

This report is intended for the information of the management of the Housing Authority of New Orleans, Louisiana, and the Regional Inspector General for Audit, U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.

PricewaterhouseCoopers LLP

December 30, 1997

REPORT ON COMPLIANCE WITH THE GENERAL REQUIREMENTS
APPLICABLE TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Management of the Housing Authority
of New Orleans and Regional Inspector
General for Audit, U.S. Department of
Housing and Urban Development

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1994, and have issued our report thereon dated December 20, 1995.

We have applied procedures to test HANO's compliance with the following requirements applicable to its federal financial assistance programs, which are identified in the Schedule of Federal Financial Assistance for the year ended September 30, 1994:

- Political activity
- Davis - Bacon Act
- Civil Rights Act
- Cash Management
- Relocation assistance and real property acquisition
- Federal financial reports
- Allowable costs/cost principles
- Drug-Free Workplace Act
- Administrative requirements

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Single Audits of State and Local Governments. We were not engaged to perform and did not perform procedures in accordance with the Public and Indian Housing (PIH) Compliance Supplement (PIH Number 95-31). Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on HANO's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

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With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that HANO had not complied, in all material respects, with those requirements.

This report is intended for the information of the management of the Housing Authority of New Orleans, and the Regional Inspector General for Audit, U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.

PricewaterhouseCoopers LLP

December 30, 1997

REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAMS

The Management of the Housing Authority
of New Orleans and Regional Inspector
General for Audit, U.S. Department of
Housing and Urban Development

We have audited the combined financial statements of the Housing Authority of New Orleans, Louisiana (HANO) as of and for the year ended September 30, 1994, and have issued our report thereon dated December 20, 1995. We were not engaged to perform and did not perform an audit in accordance with the Public and Indian Housing (PIH) Compliance Supplement (PIH Number 95-31).

We have also audited HANO's compliance with the requirements governing types of services allowed or unallowed; eligibility; reporting; amounts claimed or used for matching; and claims for advances and reimbursements; that are applicable to each of its major federal programs, which are identified in the accompanying Schedule of Federal Financial Assistance, for the year ended September 30, 1994. The management of HANO is responsible for HANO's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about HANO's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

As further described in the accompanying Schedule of Findings and Questioned Costs, the results of our audit procedures for the Modernization Program disclosed that HANO did not comply with the requirement to maintain sufficient documentation to support specific compliance with competitive bidding requirements. In our opinion, HANO's compliance with these requirements is necessary for HANO to comply with

the requirements of the Modernization Program.
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In addition, the results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to in the second paragraph, which are described in the accompanying Schedule of Findings and Questioned Costs. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, except for instances of noncompliance with the requirements applicable to the Modernization Program referred to in paragraph four of this report, HANO complied, in all material respects, with the requirements governing types of services allowed or unallowed; eligibility; reporting; amounts claimed or used for matching; and claims for advances and reimbursements, that are applicable to each of its major federal programs for the year ended September 30, 1994. In addition, we noted immaterial instances of noncompliance which are reported as findings two and three in the Schedule of Findings and Questioned Costs.

This report is intended for the information of the management of the Housing Authority of New Orleans and the Regional Inspector General for Audit, U.S. Department of Housing and Urban Development. However, this report is a matter of public record and its distribution is not limited.



December 30, 1997

HOUSING AUTHORITY OF NEW ORLEANS
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SEPTEMBER 30, 1994

I. A. FINDINGS AND QUESTIONED COSTS - MATERIAL

Responses - See separate report from management.

PROGRAM: MODERNIZATION PROGRAM

Finding 1

QUESTIONED COST: \$908,232

CONDITION:

Of the fifteen Modernization Program contracts selected for testing, competitive bidding information was not located for six contracts. Exceptions include the following contracts:

Imre Hegedus & Associates	\$ 80,695
Wisznia & Associates	123,600
Modus, Inc.	170,000
Gendusa Grave & Burgahl	268,837
Hershberg & Associates	78,150
Nolmar	<u>186,950</u>
Total	<u>\$ 908,232</u>

EFFECT:

Because the bid documentation could not be located, HANO is unable to demonstrate compliance with competitive bidding requirements.

RECOMMENDATION:

We recommend that HANO implement procedures to ensure that all contract administration processes are completely and uniformly performed and documentation is maintained on file.

I. B. FINDINGS AND QUESTIONED COSTS - IMMATERIAL

PROGRAM: MODERNIZATION PROGRAM

Finding 2

QUESTIONED COSTS: \$40,218

CONDITION:

The Modernization Program's costs are substantially comprised of construction, rehabilitation and associated expenditures. Of the sixty transactions selected for testing, HANO could not locate one invoice for services.

EFFECT:

HANO is unable to demonstrate compliance with specific contract provisions to maintain supporting documentation of the transaction.

RECOMMENDATION:

We recommend that HANO improve its administrative filing process to locate supporting documentation, including invoices, for all transactions.

PROGRAM: MODERNIZATION PROGRAM

Finding 3

QUESTIONED COST: \$ 0

CONDITION:

Canceled checks could not be located for three of the sixty items selected for testing. However, carbon copies and other supporting documentation were inspected.

EFFECT:

HANO is unable to demonstrate payment to the authorized vendor as required by the contract policies and procedures.

RECOMMENDATION:

We recommend that HANO improve its administrative filing process to locate supporting documentation, including the canceled checks, for all transactions.

II. STATUS OF PRIOR-YEAR FINDINGS

Condition 1: Inspection Failure

Condition 2: Multiple Repairs

Condition 3: Leaking Roofs

Status: Management asserts that they have initiated corrective action to improve the conditions cited in the 1993 Single Audit Report related to the maintenance of the properties. Similar conditions were noted in previous reports of the Office of the Inspector General. We noted nothing during our audit to contradict management's assertion; however, physical conditions were not included in the scope of our audit.

Condition 4: Sexual Discrimination

Status: Nothing came to our attention as a result of our testing to indicate that HANO is not in compliance with the requirements for Civil Rights for the year ended September 30, 1994.

III. REFERENCE TO MATERIAL FINDINGS PRESENTED IN REPORTS OF OTHER AUDITORS OR FEDERAL INSPECTOR GENERAL

HUD and the Office of the Inspector performed several audits at HANO during 1994. Several material weaknesses in the physical conditions of the properties and other operations at HANO were disclosed.