

RECEIVED  
OFFICE OF THE  
LEGISLATIVE AUDITOR  
04 OCT 12 AM

**HOUSING AUTHORITY OF THE CITY OF COVINGTON  
COVINGTON, LOUISIANA**

**FINANCIAL AND COMPLIANCE AUDIT  
TOGETHER WITH  
INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED MARCH 31, 2004**

Under provisions of statute, this report is a public document. A copy of this report has been submitted to the 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: 10-20-04

## TABLE OF CONTENTS

---

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
BALANCE SHEET—ENTERPRISE FUND MARCH 31, 2004 .....	3
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS—ENTERPRISE FUND FOR THE YEAR ENDED MARCH 31, 2004 .....	4
STATEMENT OF CASH FLOWS—ENTERPRISE FUND FOR THE YEAR ENDED MARCH 31, 2004 .....	5
NOTES TO THE FINANCIAL STATEMENTS .....	6
<b>SUPPLEMENTARY INFORMATION:</b>	
Independent Auditors' Report on Supplementary Information .....	17
EXHIBIT I - Combining Balance Sheet—Enterprise Fund March 31, 2004 .....	19
EXHIBIT II - Combining Statement of Revenues, Expenses and Changes in Retained Earnings—Enterprise Fund For the Year Ended March 31, 2004 .....	21
SCHEDULE I - Schedule of Expenditures of Federal Awards For the Year Ended March 31, 2004 .....	23
SCHEDULE II - Financial Data Schedule - Combining Balance Sheet March 31, 2004 .....	24
SCHEDULE III - Financial Data Schedule - Combining Statement of Revenues and Expenses For the Year Ended March 31, 2004 .....	28
SCHEDULE IV - Statement of Capital Fund Program Costs (Incomplete) From Inception through March 31, 2004 .....	32

TABLE OF CONTENTS, CONTINUED

---

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	33
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	35
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED MARCH 31, 2004:	
Section I - Summary of Auditors' Remarks .....	38
Section II - Financial Statement Findings and Questioned Costs ..	40
Section III - Federal Award Findings and Questioned Costs .....	41
Section IV - Status of Prior Years' Audit Findings and Questioned Costs .....	45
EXIT CONFERENCE .....	48



Member  
American Institute of  
Certified Public Accountants  
State of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Wanda J. Tervalon, Jr., CPA  
Wanda J. Morel, Jr., CPA  
Paul W. Amodeo, Sr., CPA

## INDEPENDENT AUDITORS' REPORT

Board of Commissioners  
Housing Authority of the City of Covington  
Covington, Louisiana

We have audited the accompanying financial statements of the Housing Authority of the City of Covington (HACC) as of and for the year ended March 31, 2004, as listed in the Table of Contents. These financial statements are the responsibility of HACC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States of America. These standards require that we plan and perform an 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HACC, as of March 31, 2004, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

Board of Commissioners  
Housing Authority of the City of Covington  
Covington, Louisiana  
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2004, on our consideration of HACCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained instances of noncompliance.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 10, 2004

HOUSING AUTHORITY OF THE CITY OF COWINGTON  
BALANCE SHEET - ENTERPRISE FUND  
MARCH 31, 2004

---

ASSETS

Cash (NOTE 3)	\$ 177,421
Amounts receivable, net (NOTE 2)	31,004
Prepaid and other assets (NOTE 3)	18,222
Land, structures and equipment, net (NOTES 4 and 8)	<u>1,735,085</u>
<b>Total assets</b>	<b><u>\$1,955,731</u></b>

LIABILITIES AND EQUITY

Liabilities:

Amounts and other payables (NOTE 6)	\$ 4,817
Compensated absences payable (NOTE 12)	7,419
Security deposits held for tenants (NOTE 5)	9,823
Payroll taxes payable	<u>5,983</u>
<b>Total liabilities</b>	<b><u>28,042</u></b>

Equity:

Contributed capital (NOTE 8)	1,784,304
------------------------------	-----------

Retained earnings:

Unreserved retained earnings	<u>145,385</u>
------------------------------	----------------

<b>Total equity</b>	<b><u>1,931,689</u></b>
---------------------	-------------------------

<b>Total liabilities and equity</b>	<b><u>\$1,955,731</u></b>
-------------------------------------	---------------------------

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

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN**  
**RETAINED EARNINGS—ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2004**

Operating Revenues	
Dwelling rental	\$ 13,777
Fees and charges	<u>1,386</u>
Total operating revenues	<u>15,163</u>
Operating Expenses	
Salaries and employee benefits	133,124
Repairs and maintenance	50,830
Contracted services	31,864
Utilities	8,978
Depreciation	(93,043)
Insurance	38,331
Housing assistance payments	263,276
Convention and travel	7,343
Telephone	8,780
General	5,473
Payments in lieu of taxes	6,571
Bad debt	680
Tenant services	11,338
Postage, printing and advertising	8,746
Security	21,487
Training	11,818
Supplies	<u>1,531</u>
Total operating expenses	<u>1,042,882</u>
Operating loss	<u>(1,027,719)</u>
Non operating Revenues	
Grants and subsidies	698,736
Interest income	242
Other	<u>7,481</u>
Total non-operating revenues	<u>706,459</u>
Net loss	<u>(321,260)</u>
Retained earnings as previously reported, beginning of year	213,761
Adjustment to beginning retained earnings (NOTE 14)	<u>(5,380)</u>
Retained earnings, beginning of year, as amended	<u>208,381</u>
Retained earnings, end of year	<u>\$ (112,882)</u>

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

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**STATEMENT OF CASH FLOWS—ENTERPRISE FUND**  
**FOR THE YEAR ENDED MARCH 31, 2004**

Operating loss	\$(967,752)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	102,145
Bad debt	800
Adjustment to beginning retained earnings	(5,849)
Increase in payroll taxes payable	5,960
Decrease in amounts receivable, net	7,123
Decrease in prepaid and other assets	674
Decrease in accounts and other payables	(4,900)
Increase in compensated absences payable	1,868
Increase in security deposits held for tenants	2,873
Decrease in deferred liability	(428)
Net cash used in operating activities	<u>\$(282,314)</u>
Cash Flows from Investing Activities:	
Interest received	242
Other	620
Cash provided by investing activities	<u>862</u>
Cash Flows from Noncapital Financing Activities:	
Subsidies from Federal grants	854,746
Grants from City	6,572
Cash provided by noncapital financing activities	<u>861,318</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of fixed assets	<u>(18,187)</u>
Cash used in capital and related financing activities	<u>(18,187)</u>
Net increase in cash	15,864
Cash, beginning of year	<u>168,737</u>
Cash, end of year	<u>\$ 184,601</u>
Interest paid during the year ended March 31, 2004	<u>\$ 1,000</u>

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



**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS**

---

**NOTE 1 - Organization and Summary of Significant Accounting Policies**

**General**

The Housing Authority of the City of Covington (HACC) is governed by a five (5) member Board of Commissioners, all appointed by the Mayor of the City of Covington, and headed by an Executive Director. The Board and Executive Director are responsible for all activities of HACC. HACC has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and City of Covington.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs in the United States of America. Accordingly, HUD has entered into an Annual Contribution Contract with HACC.

As of March 31, 2004, HACC was primarily engaged in the administration of Low-Income and Housing Choice Voucher Programs to eligible low-income residents in the City of Covington, Louisiana.

Under the Low Rent Public Housing Program, HACC provides housing to eligible families under leasing arrangements. For the "Housing Choice Voucher" Program, (previously titled the Section 8 and Voucher programs) HACC provides funds in the form of rental subsidies to owners on behalf of tenants.

**Financial Reporting Entity**

Government Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity", established standards for defining and reporting on the financial entity. GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is financially independent of other state and local governments.

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued

Financial Reporting Entity, Continued

HACC was established as a separate legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that HACC is a financial reporting entity within the meaning of the provisions of GASB 14. Accordingly, HACC is not a component unit of the financial reporting entity of the City of Covington.

Basis of Presentation

As required by Louisiana State Reporting Law (R.S. 24:514) and HUD regulations, HACC's financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

Specifically, the accounts of HACC are accounted for under the proprietary fund. Accordingly, the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and applied to governmental units.

Proprietary Fund Type - A proprietary fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded as the time liabilities are incurred. HACC applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations. HACC's fund include the following type:

Enterprise Fund - An enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

Pursuant to GASB 33 (Accounting and Financial Reporting for Non-Exchange Transactions), HAOC recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- HAOC recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenues and expenses are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements received prior to the satisfaction of the time requirement(s) are recorded by HAOC as deferred revenue.

Amounts Receivable

Amounts receivable are stated at net realizable value as required by accounting principles generally accepted in the United States of America. It is the practice of HAOC to expense uncollectible receivables upon determination of uncollectibility using the allowance method.

Interprogram Activities

All interprogram transactions, except quasi-external transactions, advances and reimbursements are reported as transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfer. All other interprogram transfers are reported as operating transfers and recognized at the time the underlying event occurs. Interprogram due from and to are netted at the combined financial statement level.

HOUSING AUTHORITY OF THE CITY OF CONINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:

Land, Structures and Equipment

Land, structures and equipment are recorded at cost. Donated assets are valued at estimated fair value on the date donated. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized in the enterprise fund.

HACC follows the practice of capitalizing all structures and equipment over \$500.

Structures and equipment are depreciated in the enterprise fund of HACC using the following estimated useful lives.

<u>Assets</u>	<u>Estimated Useful Lives in Years</u>
Building	33
Building improvements	15
Land improvements	15
Equipment	3-7

Depreciation is computed using the straight-line method.

Under accounting principles generally accepted in the United States of America, long-lived assets are to be reviewed for impairment. If the sum of the expected future cash flows is less than the carrying value amount of the asset, an impairment loss should be recognized. At March 31, 2004, management has not estimated the effect of adoption of Statement of Financial Accounting Standard No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets".

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 1 - *Organization and Summary of Significant Accounting Policies, Continued:*

**Compensated Absences**

HACC follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon separation or retirement. Sick leave hours accumulate, but the employee is not paid for accumulated sick leave hours if not used by his/her retirement or separation date.

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current year expense in the enterprise fund when leave is earned.

**Total Memorandum Only**

The total column on the accompanying combining financial statements (supplementary information) are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**Budgets**

HACC prepares an annual budget for its proprietary fund. Prior to the beginning of the fiscal year, the annual budget is approved by the Board of Commissioners. Budgetary amendments require approval by the Board.

HACC does not present its budget to actual comparison for the enterprise fund as part of its financial statements as accounting principles generally accepted in the United States of America do not require such, despite adoption of an annual budget by HACC's Board of Commissioners.

**ISSUING AUTHORITY OF THE CITY OF COVINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 1 - Organization and Summary of Significant Accounting Policies, Continued:**

**Statement of Cash Flows**

For purposes of the statement of cash flows, HACC considers all highly liquid investments with original maturity of ninety (90) days or less when purchased to be cash and temporary cash investments.

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

**NOTE 2 - Accounts Receivable, Net:**

Accounts receivable, net as of March 31, 2004, consisted of the following:

	<u>Annual Contribution Contracts</u>		<u>Total</u>
	<u>Low Rent Public Housing Program</u>	<u>Housing Choice Voucher Program</u>	
HUD	\$16,940	\$8,873	\$25,813
Tenants	3,262	—	3,262
Sub-total	20,202	8,873	29,075
Less: Allowance for doubtful accounts	(1,000)	—	(1,000)
Total	<u>\$19,202</u>	<u>\$8,873</u>	<u>\$28,075</u>

As March 31, 2004, amount deemed uncollectible was \$600.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 3 - Prepaid and Other Assets:**

Prepaid and other assets at March 31, 2004, consisted of the following:

Prepaid insurance	\$36,512
Inventories	<u>1,900</u>
Sub-total	38,412
Less allowance for obsolescence	<u>(1,180)</u>
<b>Total</b>	<b><u>\$37,232</u></b>

**NOTE 4 - Land, Structures and Equipment:**

At March 31, 2004, land, structures and equipment consisted of the following:

Description	Balance As Previously Reported April 1, 2003	Additions	Balance March 31, 2004
Land and land improvements	\$ 228,337	\$ -	\$ 228,337
Building and building improvements	2,387,345	-	2,387,345
Equipment	<u>326,932</u>	<u>18,187</u>	<u>345,119</u>
Sub-total	3,002,779	18,187	3,020,966
Less accumulated depreciation	<u>(699,733)</u>	<u>(192,145)</u>	<u>(891,878)</u>
<b>Total</b>	<b><u>\$2,303,046</u></b>	<b><u>\$1,026,042</u></b>	<b><u>\$1,276,968</u></b>

**NOTE 5 - Cash:**

At March 31, 2004, the carrying amount of HAAC's deposits was \$177,421 and the cumulative bank balance was \$189,798. Of this amount \$100,000 was covered by federal depository insurance and the remainder collateralized by a pledge of securities in the joint name of HAAC and the financial institution and held in safekeeping by First National Banker's Bank.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 5 - Cash, Continued:**

Custodial credit risk is the risk that, in the event of a failure by the financial institution HACC's deposits may not be returned to it. HACC has no deposit policy for custodial credit risk; however, none of HACC's bank balances were exposed to custodial credit risk, since the pledged securities were in the joint name of HACC and the financial institution and were held in safekeeping by First National Banker's Bank.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment.

State law also requires that all deposits be fully collateralized at all times. Acceptable collateralization includes federal deposit insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the HACC or with an unaffiliated bank or trust company for the account of the HACC.

Deposits in excess of federal deposit insurance were collateralized by the securities previously described.

At March 31, 2004, cash consisted of the following:

	Low Rent Public Housing Program	Housing Choice Voucher Program	Total
Demand deposits	<u>\$113,385</u>	<u>\$66,036</u>	<u>\$179,421</u>
Interest rate	<u>2.25%</u>	<u>2.25%</u>	



**HOUSING AUTHORITY OF THE CITY OF COVINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 5 - Cash, Continued:**

Included in cash is \$10,772 received from tenants and a private donor that represent restricted cash, as follows:

Private donor	\$ 949
Tenants	<u>9,823</u>
	<u>\$10,772</u>

**NOTE 6 - Accounts and Other Payables:**

Accounts and other payables at March 31, 2004, consisted of accounts payable to vendors totaling \$4,817.

**NOTE 7 - Risk Management:**

HACC is exposed to various risks of loss related to toxic, theft of, damage to and destruction of assets; for which HACC carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

**NOTE 8 - Contributed Capital:**

At March 31, 2004, contributed capital consisted primarily of reclassification of HUD guaranteed debt previously recorded on the books of HACC, payable by HUD and secured by annual contributions. The debt does not constitute an obligation of HACC and accordingly has not been reported in the accompanying financial statements. Contributed capital also includes net of accumulated expenses, grants and subsidies of HACC. An analysis of contributed capital follows:

Balance April 1, 2003	Net Change	Balance March 31, 2004
<u>\$1,784,304</u>	<u>\$-</u>	<u>\$1,784,304</u>

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

---

NOTE 9 - *Concentration of Credit Risk:*

HACC receives primarily all of its revenues from dwelling rental and the Department of Housing and Urban Development (HUD). If the amount of revenues received from both dwelling rental and HUD, falls below contract levels, HACC's operating results could be adversely affected.

NOTE 10 - *Contingencies:*

HACC is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to HACC. These examinations may result in required refunds by HACC to the agencies and/or program beneficiaries.

NOTE 11 - *Commitments:*

As March 31, 2004, HACC has executed agreements with HUD totaling \$129,506 for various modernization, and to fund operations and management improvement activities. Balance of funds remaining at March 31, 2004 was \$11,915 (See Schedule IV).

NOTE 12 - *Compensated Absences Payable:*

Analysis of compensated absences payable follows:

Balance April 1, 2003	No. Addition	Balance March 31, 2004
<u>\$5,551</u>	<u>\$1,868</u>	<u>\$7,419</u>

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

---

**NOTE 13 - Per Diem for Board of Commissioners:**

During the year ended March 31, 2004, no board member received per diem in his/her capacity as a commissioner.

**NOTE 14 - Adjustment to Beginning Retained Earnings:**

The adjustment to beginning retained earnings is primarily the result of an adjustment necessary to reconcile the difference between the prior year's audit report prepared by others and the amount reflected on HACC's books as retained earnings.

**SUPPLEMENTARY INFORMATION**



**Member**

American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael G. Bruno, CPA  
Noble A. Tervalon, Jr., CPA  
Walter A. Morel, Jr., CPA  
Paul E. Jordan, Sr., CPA

**INDEPENDENT AUDITORS' REPORT  
ON  
SUPPLEMENTARY INFORMATION**

**Board of Commissioners  
Housing Authority of the City of Covington  
Slidell, Louisiana**

Our report on our audit of the March 31, 2004, financial statements of the **Housing Authority of the City of Covington (HACC)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments, and Non-Profit Organizations* and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards 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.

The supplementary information (Schedules II, III, and IV) which are prepared in accordance with accounting principles generally accepted in the United States of America, and is not a required part of the financial statements, has been subjected to 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.

INDEPENDENT AUDITORS' REPORT  
ON  
SUPPLEMENTARY INFORMATION  
(CONTINUED)

Also, the supplementary information (Exhibits I and II), which are prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the 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.

*Bruno & Tervalon LLP*

BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 2004

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
COMBINED BALANCE SHEET -- ENTERPRISE FUND  
MARCH 31, 2004

	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL MEMORANDUM ONLY
ASSETS				
Cash	\$ 11,385	\$44,006	\$ -0-	\$ 171,421
Accounts receivable, net	22,132	8,902	-0-	31,034
Prepaid and other assets	18,222	-0-	-0-	18,222
Due from other programs	40,271	-0-	-0-	40,271
Land, structures and equipment, net	1,213,457	-0-	13,827	1,229,084
Total assets	\$1,505,457	\$52,908	\$13,827	\$1,596,000

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF CONCORDIA  
COMING BALANCE SHEET - ENTERPRISE FUND, CONTINUED  
MARCH 31, 2004

	LOW COST PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL SUBSIDIZIUM (ONLY)
<b>LIABILITIES AND EQUITY</b>				
<b>Liabilities:</b>				
Accounts and other payable	\$ 4,517	\$ -	\$ -	\$ 4,517
Accumulated allowances payable	7,476	-	-	7,476
Prepaid taxes payable	5,983	-	-	5,983
Security deposits held for tenants	9,621	-	-	9,621
Due to other programs	-	49,271	-	49,271
Total liabilities	27,607	49,271	-	76,878
<b>Equity:</b>				
Contributed capital	1,194,304	-	-	1,194,304
Retained earnings:				
Unreserved retained earnings	8,621	22,627	23,827	55,075
Total equity	1,211,526	22,627	23,827	1,257,980
Total liabilities and equity	\$1,909,133	\$72,898	\$12,654	\$1,994,685

See Independent Auditors' Report on Supplementary Information.



**BUSINESS ACTIVITIES OF THE CITY OF CANTON  
COMMUNITY FUND OF BUSINESS, SPORTS AND CHARITIES  
RETAILERS LABOR-EMPLOYMENT FUND  
FOR THE YEAR ENDED MARCH 31, 2004**

	LEAF BROTHERS PUBLIC EMPLOYMENT PROGRAM	BUSINESS CREDIT COLLEGE PROGRAM	PUBLIC READING CAPITAL FUND PROGRAM	TOTAL MEMORIAL FUND
<b>ADVERTISING SERVICES</b>	1	4	4	9
Advertising	1,148	—	—	1,148
Press and postage	—	—	—	—
<b>Total advertising services</b>	1,148	—	—	1,148
<b>CONSTRUCTION</b>	1,448	1,448	—	2,896
Maintenance and equipment	1,448	—	—	1,448
Repairs and maintenance	1,448	—	—	1,448
Construction materials	—	—	—	—
Utilities	3,000	—	—	3,000
Telephone	30,000	—	—	30,000
Depreciation	4,000	—	—	4,000
Insurance	68,276	—	—	68,276
Building maintenance programs	1,000	—	—	1,000
Construction and rent	4,148	—	—	4,148
Commodities	500	—	—	500
General	4,277	—	—	4,277
Provision for loss of cash	100	—	—	100
Misc. fees	4,000	—	—	4,000
Taxes and licenses	1,000	—	—	1,000
Printing, printing and advertising	11,407	—	—	11,407
Security	4,700	—	—	4,700
Training	1,000	—	—	1,000
Supplies	1,000	—	—	1,000
<b>Total construction</b>	144,800	1,448	—	146,248
<b>Non-constructing</b>	1,000	1,000	—	2,000

See Independent Auditor's Report on Supplementary Information

**FINANCIAL AUTHORITY OF THE CITY OF TORONTO  
COMPARING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
NET ASSETS (GENERAL-FUNDRAISING FUNDS, CONTROLLING  
FOR THE YEAR ENDED MARCH 31, 2004**

	LOW REPLY PUBLIC REVENUE PROCESSES	FINANCIAL CREDIT VEHICLES PROCESSES	PUBLIC HOUSING CAPITAL FUNDS PROCESSES	TOTAL FINANCIAL CREDIT VEHICLES
Net Operating Revenues Gross and subsidies	\$ 11,471	\$ 1,174	\$ 14,291	\$ 16,536
Income taxes	144	14	4	162
Other	(4,211)	(4,036)	4	(8,243)
Total income (loss) after financing services (net)	\$ 7,404	\$ 1,152	\$ 14,299	\$ 16,855
Other Financing Receipts (Cost)	11,794	4	4	11,802
Operating transfer in	4	(4)	(11,264)	(11,264)
Operating transfer out	(11,258)	(4)	(11,262)	(22,524)
Total other financing services (net)	\$ 4,540	\$ (4)	\$ (11,260)	\$ (6,724)
Net Income (Loss)	\$ 11,944	\$ 1,148	\$ 3,039	\$ 16,131
Revised earnings as previously reported, beginning of year	66,179	45,900	18,148	130,227
Adjustments to beginning retained earnings	(50,653)	(11,143)	(183,188)	(244,984)
Revised earnings, beginning of year, as revised	\$ 15,526	\$ 34,757	\$ (165,040)	\$ (115,557)
Revised earnings, end of year	\$ 27,470	\$ 35,905	\$ (131,901)	\$ (68,526)

See Independent Auditor's Report on Supplementary Information

**SCHEDULE J**

**HOUSING AUTHORITY OF THE CITY OF COVINGTON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED MARCH 31, 2004**

Classified Program Title	CFDA Number	Federal Expenditures
Program funded by the U.S. Department of Housing and Urban Development (28.104)		
Subject to Annual Contributing Contracts		
Low Rent Public Housing Program	14-350	\$ 83,473
*Housing Choice Voucher Program	14-801	697,694
Public Housing Capital Fund Program	14-872	142,591
Total expenditures of federal awards		<u>\$983,758</u>

\* Denotes major program as defined by OMB Circular A-113.

**NOTE: Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of HACC and is prepared on an accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-113 "Audit of States, Local Governments, and Non-profit Organizations".

See Independent Auditor's Report on Supplementary Information.

HOUSING AUTHORITIES OF THE CITY OF COVINGTON  
FINANCIAL DATA SCHEDULE-COMBINED BALANCE SHEET  
MARCH 31, 2004

LINE ITEM NO.	ACCOUNT DESCRIPTION	LOW COST PUBLIC HOUSING PROGRAM	HOUSING CHECK VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL MEMORANDUM (DOLLAR)
111	Cash - unencumbered	310,582	364,005	4-	674,587
114	Cash - trust account deposits	9,823	-	-	9,823
160	Total cash	320,405	364,005	-	684,410
122	Accounts receivable - HUD other projects	16,563	8,172	-	24,735
126	Accounts receivable - tenant dwelling rents	5,787	-	-	5,787
126.1	Allowance for doubtful accounts - dwelling rents	(800)	-	-	(800)
130	Total receivables, net of allowance for accounts	21,550	8,172	-	29,722

See Independent Auditor's Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF CHICAGO  
FINANCIAL DATA SCHEDULE-COMBINED BALANCE SHEET, CONTINUED  
MARCH 31, 2004

LINE ITEM NO.	ACCOUNT DESCRIPTION	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL PLANNING PROGRAM	TOTAL COMBINATION (ONLY)
141	Prepaid expenses and other assets	\$ 14,112	\$ -	\$ -	\$ 14,112
142	Inventory	1,008	-	-	1,008
143	Allowance for doubtful receivables	(195)	-	-	(195)
144	Intergovernmental loans	8,221	-	-	8,221
145	Total current assets	14,112	12,885	-	26,997
146	Land	59,882	-	-	59,882
147	Buildings	2,817,241	-	-	2,817,241
148	Furniture, equipment & machinery - buildings	41,273	-	5,827	47,100
149	Furniture, equipment & machinery - administration	129,652	-	8,000	137,652
150	Leased improvements	16,212	-	-	16,212
151	Accumulated Depreciation	(1,081,850)	-	-	(1,081,850)
152	Total fixed assets, net of accumulated depreciation	3,113,212	-	13,827	3,127,039
153	Total non-current assets	3,113,212	-	13,827	3,127,039
154	Total assets	3,127,324	12,885	13,827	3,154,036

See Independent Auditor's Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF CONVENTON  
FINANCIAL DATA SCHEDULE-COMBINED BALANCE SHEET, CONTINUED  
MARCH 31, 2004

LINE ITEM NO.	ACCOUNT DESCRIPTIONS	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL (MEMORANDUM ONLY)
312	Accounts payable - 90 days	\$ 4,687	\$ -	149	\$ 4,836
321	Accrued wage/ payroll taxes payable	5,983	-	-	5,983
322	Accrued compensated absence-current period	1,888	-	-	1,888
341	Tenant security deposits	9,822	-	-	9,822
345	Other current liabilities	170	-	-	170
347	Interprograms due to	-	48,221	-	48,221
350	Total current liabilities	17,450	48,221	-	65,671
354	Accrued compensated absence non-current period	1,251	-	-	1,251
360	Total noncurrent liabilities	1,251	-	-	1,251
368	Total liabilities	18,701	48,221	-	66,922

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF CANTONING  
FINANCIAL DATA SCHEDULE—COMBINED BALANCE SHEET, CONTINUED  
MARCH 31, 2004

LINE ITEM NO.	ACCOUNT DESCRIPTIONS	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL MEMORANDUM DOLLAR
504	Net RFD PMA contributions	9,179,204	5,400	9,400	9,283,604
508	Total contributed capital	1,179,204	—	—	1,179,204
912	Unassigned fund balances/retained earnings	—	23,632	13,632	37,264
512	Total equity	1,179,204	23,632	13,632	1,216,468
600	Total liabilities and equity	9,179,204	572,632	933,632	9,685,468

See Independent Auditor's Report on Supplementary Information.

**SCHEDULE III**  
Page 1 of 4

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**FINANCIAL DATA SCHEDULE-COMBINED STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE YEAR ENDED MARCH 31, 2004**

LINE ITEM NO.	ACCOUNT DESCRIPTION	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL MEMORANDUM ONLY
700	Net leased rental revenues	\$ 73,277	\$ -	\$ -	\$ 73,277
704	Tenant revenues - other	<u>1,289</u>	<u>-</u>	<u>-</u>	<u>1,289</u>
706	Total tenant revenues	75,317	-	-	75,317
306	HUD-PHA operating grants	81,475	687,864	133,354	894,693
306.1	Capital grants	-	-	13,827	13,827
310	Investment income - unreserved	146	94	-	240
315	Other revenue	<u>6,272</u>	<u>628</u>	<u>-</u>	<u>6,900</u>
708	Total revenues	163,311	688,416	147,181	998,908

See Independent Auditors' Report on Supplementary Information.



HOUSING AUTHORITY OF THE CITY OF CONINGTON  
FINANCIAL DATA SCHEDULE-COMBINED STATEMENT OF REVENUES AND EXPENSES, CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

LINE ITEM NO.	ACCOUNT DESCRIPTION	LOW INCOME PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL (MEMORANDUM ONLY)
911	Administrative salaries	\$ 66,900	\$21,874	\$ -	\$ 88,774
912	Auditing fees	1,854	-	-	1,854
914	Computerized abstracts	1,868	-	-	1,868
915	Employee benefit contributions-administrative	18,606	5,607	-	24,213
916	Other operating administrative	24,477	25,468	-	49,945
924	Tenant services - other	10,808	5,800	-	16,608
930	Water	1,118	17	-	1,135
932	Electricity	6,207	93	-	6,300
933	Gas	628	-	-	628
940	Ordinary maintenance and operations-labor	26,088	-	-	26,088
	Page total	151,486	53,882	-	205,368

See Independent Auditors' Report on Supplementary Information.

**SCHEDULE III**  
Page 3 of 4

**HOUSING AUTHORITY OF THE CITY OF CONCORDIA**  
**FINANCIAL DATA SCHEDULE - COMBINED STATEMENT OF REVENUES AND EXPENSES, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

LINE ITEM NO.	ACCOUNT DESCRIPTION	LOW INCOME PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL MEMORANDUM COLLECT
942	Ordinary maintenance and operations materials and other	\$ 15,386	\$ -	\$ -	\$ 15,386
943	Ordinary maintenance and operations contract costs	56,714	1,963	-	64,501
945	Employee benefit contributions - ordinary maintenance	1,960	-	-	1,960
947	Protective services - other contract costs	21,487	-	-	21,487
950	Business premises	22,016	4,314	-	26,332
952	Other general expense	34	52	-	78
953	Payments in lieu of taxes	6,577	-	-	6,577
954	Bad debts	628	-	-	628
969	Total operating expenses	128,622	17,852	-	247,454
976	Surplus (deficit) of operating revenues over operating expenses	114,519	290,132	147,291	652,084

See Independent Auditor's Report on Supplementary Information.

**HOUSING AUTHORITY OF THE CITY OF CONNINGTON**  
**FINANCIAL DATA SCHEDULE—COMBINED STATEMENT OF REVENUES AND EXPENSES, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

LINE ITEM NO.	ACCOUNT DESCRIPTION	LOW RENT PUBLIC HOUSING PROGRAM	HOUSING CHOICE VOUCHER PROGRAM	PUBLIC HOUSING CAPITAL FUND PROGRAM	TOTAL (MEMORANDUM \$000.00)
	<b>Other Expenses</b>				
973	Warranty assistance payments	\$ 0	\$59,126	\$ 0	\$ 59,179
974	Depreciation expense	182,182	0	0	182,182
980	Total expenses	281,258	59,126	0	340,384
	<b>Other Financing Sources (Items)</b>				
1801	Operating transfers in	133,794	0	0	133,794
1802	Operating transfers out	0	0	(113,260)	(113,260)
1808	Excess (deficiency) of revenues over expenses	900,620	9,620	13,872	924,112
1194	Prior period adjustments, equity transfers, and correction of errors	4,29,412	17,120	910,129	1,356,661

See Independent Auditors' Report on Supplementary Information.

SCHEDULE IV

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
 STATEMENT OF CAPITAL FUND PROGRAM COSTS (INCOMPLETE)  
 FROM INCORPORATION THROUGH MARCH 31, 2004

	Annual Contribution Contract	Annual Contribution Contract	Total (Memorandum Dollars)
	<u>1,448,972,831.41</u>	<u>1,448,972,831.41</u>	
Funds approved	\$ 89,713	\$ 89,713	\$ 179,506
Funds expended	<u>77,878</u>	<u>68,213</u>	<u>146,281</u>
Excess of funds approved	<u>11,835</u>	<u>21,500</u>	<u>33,335</u>
Funds advanced: Grant funding	<u>77,878</u>	<u>68,213</u>	<u>146,281</u>
Total funds advanced	77,878	68,213	146,591
Funds expended	<u>77,878</u>	<u>68,213</u>	<u>146,281</u>
Excess (deficiency) of funds advanced	<u>0</u>	<u>0</u>	<u>310</u>

See Independent Auditor's Report on Supplementary Information.



Member  
American Institute of  
Certified Public Accountants  
Society of Accountants  
Certified Public Accountants

Michael B. Stone, CPA  
Amanda Tervalon, Jr., CPA  
Wesley J. Mott, Jr., CPA  
Patrick Smith, Sr., CPA

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

---

**Board of Commissioners  
Housing Authority of the City of Covington  
Covington, Louisiana**

We have audited the financial statements of the Housing Authority of the City of Covington (HACC) as of and for the year ended March 31, 2004, and have issued our report thereon dated September 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether HACC'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 these 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 Summary Schedule of Findings and Questioned Costs as items 2004-01 and 2004-02.

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

---

(CONTINUED)

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered HACC'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. Our consideration of the internal control over financial reporting, 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 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. We noted no matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses. However, we noted other matters involving internal control over financial reporting which we have reported to management of HACC in a separate letter dated September 10, 2004.

This report is intended solely for the information and use of HACC's Board, management, the Legislative Auditor for the State of Louisiana and the U.S. Department of Housing and Urban Development and is not intended to be, and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 10, 2004



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael B. Bruno, CPA  
Walter J. Tervalon, Jr., CPA  
Patrick J. Shreve, Jr., CPA  
Paul K. Smith, Sr., CPA

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

**Board of Commissioners  
Housing Authority of the City of Covington  
Covington, Louisiana**

**Compliance**

We have audited the compliance of the Housing Authority of the City of Covington (HACC) 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 March 31, 2004. HACC's major federal program is identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of HACC's management. Our responsibility is to express an opinion on HACC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; OMB Circular A-133, *Audit of State, Local Governments, and Non-Profit*

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

*Organizations.* These 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 previously referred to that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about HACC'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 HACC's compliance with those requirements.

In our opinion, HACC complied, in all material respects, with the requirements previously referred to that are applicable to its major federal program for the year ended March 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2004-01 and 2004-02.

#### **Internal Control Over Compliance**

The management of HACC 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 HACC'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.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-113  
(CONTINUED)

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 non-compliance with the 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 HACCC's Board, management, the Legislative Auditor for the State of Louisiana and the U.S. Department of Housing and Urban Development and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

September 10, 2004

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section I - Summary of Auditors' Results**

***Financial Statements***

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Non-compliance material to financial statements noted?	No

***Federal Awards***

Internal Control over major programs:	
• Material weakness(es) identified?	No
• Reportable condition(s) identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(c) of Circular A-133?	Yes

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section I - Summary of Auditors' Results, Continued**

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM OR CLUSTER</u>
14.871	Housing Choice Voucher Program
Dollar threshold used to distinguish between type A and type B programs:	\$500,000
Auditor qualified as low-risk auditor?	No

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

---

**Section II - Financial Statement Findings and Questioned Costs**

None reported for the year ended March 31, 2004.

**HOUSING AUTHORITY OF THE CITY OF DORINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section III - Federal Award Finding and Questioned Costs**

**Reference Number**

2004-01

**Federal Program**

Housing Choice Voucher Program (See Schedule of Expenditures of Federal Awards).

**Criteria**

Pursuant to the requirements of the Consolidated Annual Contribution Contract and 24 CFR Parts 812, 813, 817 and 982, as applicable.

**Condition**

Our review of ten (10) Housing Choice Voucher Program tenant files revealed:

- One (1) instance where HACC tenant file contained no documentation to support the independent verification of income. However, we noted a copy of the income received from the tenant on file.
- Ten (10) instances where HACC did not have an audit trail to support the timely submission of all HUD Forms 50058. It is our understanding through discussion with management that the current software system does not generate reports upon submission to "MTCIS". Furthermore, manual copies of reports are maintained and/or available. However, we noted documentation maintained by the Executive Director to suggest her review of the submission process.
- One (1) instance where the HUD Form 50058 for a tenant did not contain the social security information required. Subsequent to our review management has provided us with a revised HUD Form 50058 containing the required information.
- One (1) instance where a tenant was afforded a utility allowance for a two bedroom unit instead of a one bedroom unit. Subsequent to our review, management has corrected the error.

HOUSING AUTHORITY OF THE CITY OF COVINGTON  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004

---

**Section III - Federal Award Finding and Questioned Costs, Continued**

**Reference Number, Continued**

2004-01

**Questioned Costs**

\$84.00.

**Effect**

Noncompliance with the requirements of the Annual Contribution Contract and 24 CFR.

**Cause**

Lack of an adequate tenant file documentation and follow-up in place to include oversight of work effort.

**Recommendation**

We recommend that management of HAAC continue to improve its established processes, policies and procedures to ensure that all tenant files contain all required documentation pursuant to established policies and HUD regulations.

Also, management should review the current software system for the "MTCIS" reporting processes with an aim towards the generation of reports based on submission made through the system.

**Management's Response**

Management of HAAC will continue to work towards the completeness of all tenant files. Specifically in the areas of independent income verification, completeness of file information and use of appropriate utility allowance schedule. A current HUD Form 50058 has been placed in the tenant's file.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section III - Federal Award Finding and Questioned Costs, Continued**

**Reference Number**

2004-02

**Federal Program**

Low Rent Public Housing Program (See Schedule of Expenditures of Federal Awards).

**Criteria**

Pursuant to 24 CFR part 990, Form HUD-52723, (Operating Fund Calculation of Operating Subsidy - "OFF") must be prepared using information in accordance with HUD prescribed procedures and should be maintained subject to HUD's review and approval.

**Condition**

We were unable to perform audit procedures to test the accuracy of Form HUD-52723, Operating Fund Formula Calculation of Operating Subsidy because management was unable to provide documentation to support the previous allowable utilities expense amount for the years ended March 31, 2002, 2001, and 2000, the rent roll and add-ons. The "OFF" Calculation was prepared by HAAC's previous fee accountant, who as of this date has not provided all supporting documents to HAAC.

**Questioned Costs**

None.

**Comment**

Total federal award received for Low Rent Public Housing Program for the year ended March 31, 2004 was \$83,471.

**HOUSING AUTHORITY OF THE CITY OF COWINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section III - Federal Award Finding and Questioned Costs, Continued**

**Reference Number, Continued**

2004-02

**Effect**

Noncompliance with 24 CFR part 990.

**Cause**

Lack of an adequate file maintenance system.

**Recommendation**

We recommend that management maintain documentation used to support all amounts reported for all reports prepared and/or submitted by its fee accountant.

**Management's Response**

Management will continue to pursue with its previous fee accountant to obtain the records. Furthermore, HAACC has advised its current fee accountant to forward all such documentation for its file.



**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section IV - Status of Prior Years' Audit Findings and Questioned Costs**

**Reference Number**

2003-01

**Condition**

The 2000 Capital Funding program drew \$36,000 on May 16, 2002, but only expended \$2,897 by May 20. The 2001 Capital Funding program drew \$23,320 on August 14, 2002 to pay for playground equipment, but did not disburse the funds until October 10.

**Current Status**

Resolved.

**Reference Number**

2003-02

**Condition**

Actual expenses exceeded the budgeted expenses in the following categories:

<u>Vendor Choice Program</u>	<u>Budgeted</u>	<u>Actual</u>
Total administration	<u>\$22,333</u>	<u>\$27,200</u>
 <u>Low Rent Program</u>		
Total administration	<u>\$22,710</u>	<u>\$23,486</u>

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section IV - Status of Prior Years' Audit Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2003-02

**Current Status**

Resolved for the Low Rent Public Housing Program. The HACC does not have a formal budget for its Voucher Choice Program.

**Reference Number**

2003-03

**Condition**

Twelve Section 8 applicants were admitted into the Section 8 program during the audit year. Four did not have a rent reasonableness computation in their files.

**Current Status**

Resolved.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED MARCH 31, 2004**

---

**Section IV - Status of Prior Years' Audit Findings and Questioned Costs, Continued**

**Reference Number**

2003-04

**Condition**

HACC is not maintaining a Section 8 HAP Contract Register.

**Current Status**

Resolved.

**Reference Number**

2002-03

**Condition**

HACC did not timely expend LOCCs drawdowns within the required time. The March 31, 2002 audit was not performed until October 2002. Before October, the PHA had not observed the three-day turnaround rule, in the current audit year.

**Current Status**

Partially resolved.

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**

---

**EXIT CONFERENCE**

The financial statements and all related reports, exhibits and schedules were discussed at an exit conference. Those that participated in the conference and previous discussions are as follows:

**HOUSING AUTHORITY OF THE CITY OF COVINGTON**

Ms. Tammie Grover -- Executive Director

**BRUNO & TERYALON LLP, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Paul K. Anzloh, Sr., CPA, CGFM, MBA -- Partner  
Mr. Victor Robinson -- Senior Accountant



Member  
American Institute of  
Certified Public Accountants  
Society of Louisiana  
Certified Public Accountants

Michael D. Burns, CPA  
Justin A. Tervalon, Jr., CPA  
Walter J. Morel, Jr., CPA  
Paul R. Smith, Sr., CPA

## **INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

Ms. Tamara Groves, Executive Director  
Housing Authority of the City of Covington

In planning and performing our audit of the financial statements of the Housing Authority of the City of Covington (HACC), we considered HACC's internal control to determine our auditing procedures for the purpose for expressing an opinion on the financial statements and not to provide assurance on internal control.

As a part of our audit, we noted certain matters that are opportunities for strengthening internal control and improving operating efficiency. We previously reported on HACC's internal control in our report dated September 10, 2004. This letter does not affect our report dated September 10, 2004, on HACC's internal control or its financial statements.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or assist you in implementing the recommendations.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)**

The following is a summary of those matters:

**Condition**

Considering the size of HACC, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of HACC's assets.

**Recommendation**

We recommend that management evaluate its current internal control procedures (specifically in the areas of cash receipts, collection activities, reconciliation of those receipts and the depositing of funds collected) with an aim towards minimizing, if not eliminating the potential risk for misappropriation of assets.

**Management's Response**

Management of HACC will continue to participate in key internal control activities relative to its cash receipts cycle. Currently, HACC does not accept cash in the office at anytime.

**Condition**

Our review of HACC's cash disbursement procedures, revealed the absence of procedures in place to require evidence of the mathematical verification of invoices paid, and the deferring of paid invoices by way of stamping them "paid" to insure payment of appropriate amounts and avoid duplicate payment. It is our understanding through discussion with management that its current procedure requires that, all invoices are filed in the respective vendor files upon payment.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**Recommendation**

We recommend that management evaluate its current cash disbursement procedures and to consider the inclusion of procedures to insure that invoices are mathematically verified and defaced prior to payment.

**Management's Response**

Management will continue to evaluate the current procedure and undertake the necessary revisions to the existing procedure, if necessary. Anticipated resolution date is December 31, 2004.

**Condition**

Currently, the financial statements to include general ledger account reconciliations are prepared by HACC's fee accountant. Our review revealed the absence of any documented evidence at HACC's management level of work effort delivered to HACC by its fee accountant. Specifically, we noted the lack of evidence to support a review of the March 31, 2004, bank accountant reconciliations.

**Recommendation**

Management should evaluate the monitoring aspect of its internal control with an aim toward ensuring that all work effort of its fee accountant and staff are reviewed and evidence of such a review indicated via the signing and dating.

**Management's Response**

HACC will evaluate the monitoring aspect of its internal control with a aim towards ensuring its adequacy to provide the level of management oversight desired in an effective control environment. Anticipated resolution date is December 31, 2004.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)**

**Condition**

At March 31, 2004, the material inventory balance as reflected on HACC's general ledger remained the same as that of March 31, 2003. It is our understanding that no physical inventory was observed nor is a subsidiary ledger maintained for materials.

**Recommendation**

We recommend that management evaluate its current procedures and consider the need for periodic physical inventory count to include the necessary adjustment to the general ledger control account, if necessary.

**Management's Response**

Management will review the current materials inventory accounting procedures and undertake the necessary action by no later than November 30, 2004.

**Condition**

Inadequate audit trail to ensure the completeness in HACC Voucher Program's monthly leased-up reporting.

**Recommendation**

We recommend that pursuant to HUD regulations, a leased-up schedule is maintain to facilitate the timely and accurate reporting of administrative fees earned.

**Management's Response**

HACC will evaluate and resolve the referenced condition relative to its leased-up schedule by no later than December 31, 2004.



**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)**

**Condition**

Currently, HACC uses various software to accumulate accounting and program information on a regular basis. However, we noted no plan to require the offsite storage of all pertinent accounting and program data.

**Recommendation**

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- Definition of threats and risk (including likely effects on HACC).
- Operational security.
- Processing priorities.
- Disaster recovery planning (as appropriate).
- Insurance coverage available or desirable.

**Management's Response**

Management has initiated a review and anticipates the implementation of a plan by no later than December 31, 2004.

**Condition**

HACC has no formal system in place to assess the periodic evaluation of risk in the categories of property, general liability etc. to assess the adequacy in insurance coverage.

**Recommendation**

We recommend that a formal system be established aimed at the periodic evaluation or assessment of the adequacy in insurance coverage.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**  
**(CONTINUED)**

**Management's Response**

Currently, HACC undertakes an annual assessment of its insurance needs. However, management will re-evaluate the process and address the referenced condition by no later than December 31, 2004.

**Condition**

HACC does not have an annual procurement plan specifically for purchases below the \$10,000 threshold.

**Recommendation**

We recommend that management of HACC develop an annual procurement plan that incorporates an evaluation of its procurement activities to include documentation to support the type and/or form of procurement performed.

**Management's Response**

Management of HACC will initiate a plan of action with anticipated completion of no later than of December 31, 2004.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT  
(CONTINUED)**

\*\*\*\*\*

As always, we appreciate the courtesies extended to us by you and your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of the Board of Commissioners, management, United States Department of Housing and Urban Development, Legislative Auditor, State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 28:213, this report is distributed by the Legislative Auditor as a public document.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

September 10, 2004