



RECEIVED
LEGISLATIVE AUDITOR

05 JAN -7 AM 11:33

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

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

We have performed the procedures enumerated below, which were agreed to by the **City of New Orleans (the City)** and the Department of Property Management of the City of New Orleans, solely to assist you in evaluating selected components of the operations of the **Municipal Yacht Harbor (the Harbor)** (A component unit of the **City of New Orleans**) for the period January 1, 2004 through June 30, 2004. The management of **the City** and the Department of Property Management of **the City** are responsible for the operations of **the Harbor**. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

Cash Collections/Receipts

We obtained a summary of cash collections/receipts from tenants collected by **the Harbor** and remitted to **the City** for the period of January 1, 2004 through June 30, 2004 and ascertained whether the cash collections/receipts were (a) properly recorded, classified and reported; (b) remitted timely in compliance with applicable laws and City guidelines; (c) performed in accordance with written policies and procedures and (d) safeguarded from loss, errors and irregularities.

Under provisions of state law this report is a public document. A copy of the 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 1-12-05

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Cash Collections/Receipts, continued

Tenants in possession of boat houses/boat slips are billed quarterly or annually (at the election of the tenant) fifteen days prior to the beginning of the quarter or year, as applicable and payments are due on the first day of the quarter or year, as applicable.

During the period of our agreed-upon procedures approximately thirty-five (35) receiving warrants (batches) aggregating approximately \$836,000 representing collections/receipts from tenants were collected by **the Harbor** and remitted to **the City**. (Deposits of cash collections are not performed by **the Harbor** but by **the City** upon receipt from **the Harbor**). Our review of a sample ten (10) receiving warrants (batches) submitted to **the City** during the period covered by this engagement indicated that:

Finding 2004-01-Untimely Remittance of Cash Collections/Receipts to the City of New Orleans

- There was an average elapsed time of approximately thirty-five (35) to forty (40) days between the receipt of the payment from the tenant by **the Harbor** and remittance to **the City**.

Based on our discussions with the management of **the Harbor** it should be noted that (a) included in the sample of receiving warrants tested were warrants dated in January 2004 which were unable to be remitted to **the City** until the middle to the latter part of February 2004 pending completion of **the City's** budget administrative procedures necessary to facilitate processing and receipt of payments by **the City** and (b) the timing of the receipt of funds by **the Harbor** from tenants, the level of staffing at **the Harbor** and the batching, accumulation and balancing procedures for preparation of the receiving warrants for remittance to **the City** contributes to the elapsed time between receipt of payment from the tenant and remittance to **the City**.

We found no other exceptions as a result of the procedures.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Petty Cash and Change Funds

We obtained a summary of petty cash expenditures and reimbursements during the period covered by this engagement to determine (a) whether petty cash and change funds are properly controlled and accurately stated and (b) whether petty cash balances and disbursements are reconciled with expense receipts.

Petty cash of approximately \$500 is maintained to cover miscellaneous office expenses and minor boat house and boat slip repairs. During the period of our agreed-upon procedures there were two (2) reimbursements of petty cash expenditures processed totaling \$659.

Findings

We found no exceptions as a result of the procedures.

Delinquent Slip Rental Accounts and Fees

We obtained a summary of the accounts receivable system invoice aging reports to ascertain whether delinquent slip rental accounts and fees are actively pursued for collection and/or reporting. The summary of the accounts receivable system aging reports reviewed during the period covered by this engagement is illustrated as follows:

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Delinquent Slip Rental Accounts and Fees, continued

<u>Days outstanding</u>	As of					
	January 16, 2004		February 6, 2004		March 1, 2004	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
less than 90	119	\$ 56,516.57	84	\$ 36,137.00	72	\$ 24,754.11
91 thru 180	38	11,315.86	35	10,543.06	33	9,963.76
181 thru 270	22	5,608.89	22	5,608.89	21	5,328.69
271 thru 365	13	3,438.95	13	3,438.95	13	3,438.95
over 365	10	7,360.08	10	7,360.08	10	7,360.08
	202	84,240.35	164	63,087.98	149	50,845.59
Accrued late fees	60	46,901.53	99	65,969.55	99	64,962.51
	<u>262</u>	<u>\$ 131,141.88</u>	<u>263</u>	<u>\$ 129,057.53</u>	<u>248</u>	<u>\$ 115,808.10</u>

<u>Days outstanding</u>	As of					
	April 15, 2004		May 3, 2004		June 15, 2004	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
less than 90	89	\$ 32,101.67	55	\$ 17,191.18	25	\$ 7,695.19
91 thru 180	27	10,756.63	24	10,092.37	14	7,352.38
181 thru 270	17	5,195.40	16	5,157.59	9	2,980.50
271 thru 365	9	2,181.65	9	2,181.65	5	849.48
over 365	7	5,908.14	7	5,908.14	2	2,979.14
	149	56,143.49	111	40,530.93	55	21,856.69
Accrued late fees	89	54,496.64	85	53,243.51	64	36,548.99
	<u>238</u>	<u>\$ 110,640.13</u>	<u>196</u>	<u>\$ 93,774.44</u>	<u>119</u>	<u>\$ 58,405.68</u>

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Delinquent Slip Rental Accounts and Fees, continued

We selected a sample of ten (10) delinquent slip rental accounts illustrated as follows to determine whether they are actively pursued for collection and/or reporting.

No.	Aging Report Date	Slip #	Days Past Due					Late Charges	Total
			0 - 90	91 - 180	181 - 270	271 - 365	Over 365		
1.	06/15/04	BH-116	\$ 0.00	\$ 1,030.00	\$ 0.00	\$ 0.00	\$ 956.74	\$ 0.00	1,986.74 (b)
2.	06/15/04	W-5	206.40	206.40	206.40	206.40	1,816.00	8,924.91	11,566.51
3.	05/03/04	E-14	299.10	299.10	299.10	299.10	598.20	1,769.42	3,564.02
4.	05/03/04	E-15	206.40	206.40	206.40	206.40	412.80	1,221.05	2,459.45
5.	05/03/04	N-15	206.40	206.40	206.40	206.40	206.40	811.14	1,843.14
6.	05/03/04	N-41	206.40	206.40	206.40	206.40	1,857.60	9,770.14	12,453.34 (c)
7.	05/03/04	W-75	280.20	280.20	280.20	280.20	60.40	1,557.64	2,738.84
8.	03/01/04	E-103	299.10	299.10	299.10	299.10	598.20	1,769.72	3,564.32
9.	03/01/04	W-4	299.10	299.10	299.10	299.10	298.84	1,589.77	3,085.01
10.	03/01/04	W-151	206.40	206.40	206.40	206.40	619.20	(a)	1,444.80
			<u>\$ 2,209.50</u>	<u>\$ 3,239.50</u>	<u>\$ 2,209.50</u>	<u>\$ 2,209.50</u>	<u>\$ 7,424.38</u>	<u>\$ 27,413.79</u>	<u>\$ 44,706.17</u>

- (a) The accrued late charges associated with this account was not indicated on the applicable accounts receivable system invoice aging report.
- (b) Account involved in active litigation.
- (c) Boat slip abandoned by tenant.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Delinquent Slip Rental Accounts and Fees, continued

Finding 2004-02 - Tenant File Documentation Demonstrating Pursuit of Collection of Delinquent Accounts

- There was no consistent documentation in tenant files to evidence that delinquent slip rental accounts are actively pursued for collection; and

Finding 2004-03 - Untimely Termination of Delinquent Account Leases

- As evidenced by the aging of the ten (10) delinquent tenant accounts above, delinquent account leases are not being terminated and pursued for collection in a timely manner.

Purchases of Supplies, Fixed Assets and Contract Services

We were engaged to ascertain if purchases of supplies, fixed assets and contract services during the period of January 1, 2004 through June 30, 2004 were (a) properly authorized and supported by a purchase requisition and purchase order and (b) done in accordance with City purchasing guidelines.

Finding 2004-04 - Purchase Without Approved Requisition and Purchase Order

Based on our discussion with management and review of a sample of five (5) purchases of supplies, fixed assets and/or contract services we noted the following:

- Five purchases of the same quantity made on successive dates between January 15, 2004 and February 19, 2004 aggregating \$3,410 were made by **the Harbor** without submitting an approved purchase requisition to **the City's** purchasing department and receipt of an approved purchase order.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Purchases of Supplies, Fixed Assets and Contract Services, continued

Finding 2004-04 - Purchase Without Approved Requisition and Purchase Order, continued

Purchases under \$1,000 may be approved by **the Harbor** and payment may be made through submission of a "Request For Payment Voucher" to **the City**. However, purchases of \$1,000 or more require preparation of a purchase requisition by **the Harbor** and forwarded to **the City's** purchasing department for issuance of a purchase order. Pursuant to **City** purchasing regulations "...Any purchases by a department of the same quantity or service from a single vendor on the same date or on successive dates shall be deemed to constitute a single purchase...".

Payroll

We reviewed established procedures for payroll and selected a sample payroll period and determined that documentation was available to support hours actually worked.

Findings

We selected the pay period ended June 19, 2004 and determined that hours actually worked were supported by a "*Human Resources Time System - Work/Leave Form*" summarized on a daily basis by pay event (ie. regular hours, annual leave, sick leave, etc.) for each employee and signed by the applicable employees and their immediate supervisor.

We found no exceptions as a result of the procedures.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Waiting List

We were engaged to determine the accuracy of the information contained on the Waiting List during the period covered by this engagement and determine whether procedures used in maintaining the Waiting List were in agreement with Harbor Policies and Procedures.

Findings

We were unable to assess the accuracy of the waiting list and whether procedures used in maintaining the Waiting List during the period covered by this engagement were in agreement with Harbor policies due to the following conditions:

Finding 2004-05 - Periodic Retention of Hard Copy of Waiting List

- During the period covered by this engagements it was the policy of the Harbor to maintain the Waiting List in an electronic form and continually update it for new applications, placements, withdrawals, etc. without periodically generating a "hard copy" for retention. Therefore, no hard copy of the Waiting list as it appeared at any time during the period covered by this engagement could be provided. We were however provided a hard copy of the Waiting List as of July 10, 2004 illustrated as follows:

<u>Slip Size (feet)</u>	<u>Applicants on Waiting List In Parish</u>	<u>Applicants on Waiting List Out of Parish</u>
30	58	105
40	96	69
50	50	61
60	26	14
70	12	7

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Waiting List, continued

Finding 2004-05 - Periodic Retention of Hard Copy of Waiting List, continued

- During the period covered by this engagement eighteen (18) tenants were placed in boat slips (13 In-Parish and 5 Out-of-Parish). However, due to the unavailability of the Waiting List(s) during the period covered by this engagement and prior to the placement of the tenants placed during the period covered by this engagement, we were unable to ascertain the proper progression of these 18 placements through the Waiting List;

Finding 2004-06 - No Signed Application on File

- Of the 18 placements during the period covered by this engagement we noted (a) one tenant who did not have a signed application on file and based on our discussion with management did not go through the normal application and placement process; and (b) one tenant file could not be located; and

Finding 2004-07 - Purging of Waiting List for Rejected Offers

- During the period covered by this engagement it was the policy of **the Harbor** to give prospective tenants two (2) opportunities to reject an offer for placement before they were removed from the Waiting List. Our review of the July 10, 2004 Waiting List indicated that there were several applicants on the waiting list whose application dates preceded those applicants placed during the period covered by this engagement. It was management's assertion that this was attributable to the applicable applicants' initial rejection of an offer for placement prior to the second offer for placement being made.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Sub-Leasing

We obtained a listing of boat houses under sub-lease at June 30, 2004 and determined whether sub-leasing is in agreement with **Harbor** policy and procedures.

Based on information provided by management of **the Harbor** during the period covered by this engagement there were seven (7) known boat houses under sub-lease.

Our discussions with management and review of *Boathouse Rules and Regulations* indicate "...Lessee shall not assign, transfer, sublease, pledge, hypothecate, surrender or otherwise encumber or dispose of this lease, or any interest in any portion of the same, or permit any other person or persons, company or corporation to occupy the premises without permission of the Lessor...". Our test work indicated that:

Finding 2004-08 - Reporting and monitoring of Sub-Leasing Arrangement

- Sub-leasing is accounted for on an "Honor System" in that there are no established procedures for reporting and monitoring subleasing arrangements;

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

Sub-Leasing, continued

Finding 2004-09 - Non-Retention of Sub-Lease Agreement

- For the seven (7) subleasing arrangements reviewed, we noted evidence of the subleasing arrangement in the tenant's file however, **the Harbor** does not retain a copy of subleases entered into by the lessor to ensure **the Harbor's** earned annual ten percent (10%) subleasing fee is being properly received and reported; and

Finding 2004-10 - Prior Approval of Sub-Leasing Arrangements

- There was no documented procedure to ensure that subleasing arrangements received approval by **the Harbor** prior to execution of subleasing agreements.

Monthly/Quarterly Financial Reports

We obtained the financial report as of and for the month ended June 30, 2004 and on sample basis traced the applicable financial report to the underlying supporting documentation.

Findings

We found no exceptions as a result of the procedure.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion, on the selected components of the operations of the **Municipal Yacht Harbor**. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

Mr. Charles Rice, Chief Administrative Officer
City of New Orleans
New Orleans, Louisiana

The financial statements of the **Municipal Yacht Harbor** (A component unit of the **City of New Orleans**) are contained in the **City of New Orleans' Comprehensive Annual Financial Report**.

This report is intended solely for the information and use of the **City of New Orleans**, the Department of Property Management of the **City of New Orleans** and the Legislative Auditor of the State of Louisiana 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

October 29, 2004

CITY OF NEW ORLEANS

RECEIVED
LEGISLATIVE AUDITOR

05 JAN -7 AM 11:33

TED J. MELSON
DIRECTOR

C. RAY NAGIN
MAYOR

December 17, 2004

Mr. Armand E. Pinkney, Manager
Bruno & Tervalon, LLP
4298 Elysian Fields Ave.
New Orleans, La. 70122

Dear Mr. Pinkney:

The following responses represent the action plan for the N. O. Municipal Yacht Harbor to address the findings noted in the audit review for the period covering January 1, 2004 through June 30, 2004.

The action plans are as follows:

CASH COLLECTIONS/RECEIPTS

2004-01 Untimely Remittance of Cash Collections/Receipts to the City of New Orleans

Corrective Action Plan

All cash collection/receipts will be batched weekly by the N. O. Municipal Yacht Harbor for processing. A batch will consist of all collections/receipts received by the N. O. Municipal Yacht Harbor for the prior week (Sunday - Saturday). The N. O. Municipal Yacht Harbor will reconcile and update the corresponding data file for all collections/receipts (batch) and then submit to the Bureau of Treasury via a receiving warrant for processing, by the second workday of the subsequent workweek.

Note: The timely processing and deposit of collection/receipts may be affected in the month of January of each year because of the following:

1. Establishment of next year revenue codes in the Afin System which correlate with end of year close out and new year start up activities.



DELINQUENT SLIP RENTAL ACCOUNTS AND FEES

2004-02 Tenant File Documentation Demonstrating Pursuit of Collection of Delinquent Accounts

Corrective Action Plan

Effective January 1, 2005, the N. O. Municipal Yacht Harbor will incorporate a new law Senate Bill No. 929 (Act No. 840) relative to boats and boating: to provide with respect to the creation of a privilege on movable property stored in marinas and boatyards for the payment of rent due and other charges; to provide for exclusions; to provide with respect to notice of privilege; to provide for the enforcement of the privilege by sale or other disposition; to provide for an effective date; and to provide for related matters.

2004-03 Untimely Termination of Delinquent Account Leases

Corrective Action Plan

Effective January 1, 2005 the new law will be initiated for any boatslip lease tenant that is delinquent for two (2) quarters or more.

PURCHASES OF SUPPLIES, FIXED ASSETS AND CONTRACT SERVICES

2004-04 Purchase without Approved Purchase Requisition and Purchase Order

Corrective Action Plan

The N. O. Municipal Yacht Harbor will follow the existing procedures of the Department of Finance.

WAITING LIST

2004-05 Periodic Retention of Hard Copy of Waiting List

Corrective Action Plan

Effective, July 1, 2004 the N. O. Municipal Yacht Harbor began preparing a hard copy and posting same for public view on a monthly basis in addition to the electronic file copy. Additional hard copies are presented to the following: (1) Department of Property Management, (2) Board of Directors, MYH Management Corporation, and (3) Harbor Master's Office reading file for future review.

2004-06 No Signed Application On File

Corrective Action Plan

The Municipal Yacht Harbor will place a signed copy of the respective waiting list application in each account file.

2004-07 Purging of Waiting List for Rejected Offers

Corrective Action Plan

Effective July 2004 procedures were implemented to allow the waiting list applicant only one opportunity to accept a boatslip when offered. The applicant may either accept or decline. Either will result in the applicant's name being purged from the waiting list.

SUB-LEASING

1004-08 No Established Procedures for Reporting and Monitoring of Sub-Leasing Arrangements

Corrective Action Plan

The Boathouse Leasehold Agreement, Section "Assignment and Subletting" states:

Lessee shall not assign, transfer, sublease, pledge, hypothecate, surrender, or otherwise encumber or dispose of this lease or estate created by this case, or any interest in any portion the same, or permit any other person or persons, company or corporation to occupy the Leased Premises without permission of the Lessor. Such permission shall not be unreasonably withheld by Lessor. Upon Lessor's written approval of a sub-lease, an annual fee equal to ten percent (10%) of the annual sub-lease amount shall be charged to and due from Lessee. The first annual fee payment shall be due to Lessor upon final approval of the sub-lease, and shall be pro-rated, if applicable. For the balance of the term of the sub-lease, the ten percent (10%) annual fee shall be due on the first day of each subsequent calendar year.

2004-09 Non-Retention of Sub-Lease Agreement

Corrective Action Plan

A copy of all approved sub-lease agreements will be placed in the account file for the respective boathouse lessee.

2004-10

No Established Procedure to Ensure Prior Approval of Sub-Leasing

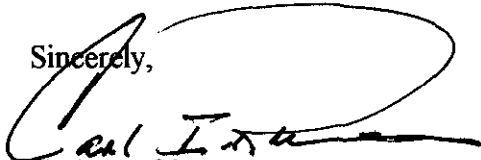
Corrective Action Plan

Upon receipt of a request for approval of a Boathouse Lessee's Sub-Lease Agreement, the N. O. Municipal Yacht Harbor will process the request consistent with the negotiated *Boathouse Lease Agreement, page 8, Section "Assignment and Subletting"* which states:

Lessee shall not assign, transfer, sublease, pledge, hypothecate, surrender, or otherwise encumber or dispose of this lease or estate created by this case, or any interest in any portion the same, or permit any other person or persons, company or corporation to occupy the Leased Premises without permission of the Lessor. Such permission shall not be unreasonably withheld by Lessor. Upon Lessor's written approval of a sub-lease, an annual fee equal to ten percent (10%) of the annual sub-lease amount shall be charged to and due from Lessee. The first annual fee payment shall be due to Lessor upon final approval of the sub-lease, and shall be pro-rated, if applicable. For the balance of the term of the sub-lease, the ten percent (10%) annual fee shall be due on the first day of each subsequent calendar year.

If you have questions or need to discuss same, let us know.

Sincerely,



Carl I. Robinson
Harbor Master

Approved by:



Ted Melson, Director
Department of Property Management

cc: