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October 18, 2004

Reverend Tommie Gipson, Jr., Chairman,
and Members of the Housing Authority of
East Baton Rouge Board of Commissioners
4731 North Blvd.
Baton Rouge, LA 70806

Dear Reverend Gipson:

We performed a limited review of the financial records of the East Baton Rouge Parish Housing Authority (Authority) for the period beginning July 1, 2002, and ending December 10, 2003. We also reviewed the Authority's policies and procedures as well as the board meeting minutes. The scope of our work was significantly less than that required by *Government Auditing Standards* in the audit of the Authority's financial statements; therefore, we are not offering an opinion on the Authority's financial statements, the Authority's system of internal control, nor assurance as to compliance with laws and regulations.

As part of our review, we noted certain matters we want to bring to the attention of the board and management for consideration. We offer the following comments and suggestions:

Lack of Policies and Procedures

- a. **Budgeting** - Written policies and procedures should be established and/or adopted that will provide guidelines necessary in managing the Authority's budget. A written budget policy containing detailed procedures for preparing, adopting, monitoring, and amending the budget will provide for compliance with Louisiana Revised Statute 39:1301-1315.
- b. **Data Security** - The Authority does not have written policies and procedures related to securing the data stored on its computers, identifying critical and non-critical data, and accessing the Internet. The Authority should develop and implement policies and procedures addressing each of these issues. In addition, though passwords are used to prevent unauthorized use of computers, physical security is lacking and user IDs and passwords are not deactivated immediately upon termination. The Authority should limit physical access to office computers, including hardware, software, and documentation to authorized personnel and ensure IDs and passwords are deactivated immediately upon termination. Finally, the Authority does not have a written back-up contingency

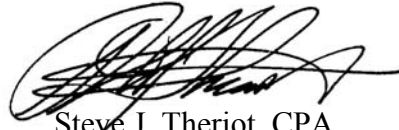
Reverend Tommie Gipson, Jr., Chairman,
and Members of the Housing Authority of
East Baton Rouge Board of Commissioners
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and recovery plan for its computer system. The Authority should develop a back-up contingency and recovery plan and test it at least annually.

Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

If you have any questions, please contact me at (225) 339-3839 or Mr. Daryl Purpera at (225) 339-3807.

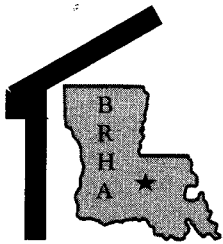
Sincerely,

A handwritten signature in black ink, appearing to read "Steve J. Theriot", written over a horizontal line.

Steve J. Theriot, CPA
Legislative Auditor

KD:JLM:DGP:dl

EBRHA04



BATON ROUGE HOUSING AUTHORITY

November 12, 2004

Mr. Steve J. Theriot, CPA
Office of the Legislative Auditor
Fraud and Abuse Audit Division
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

RE: Management Letter

Dear Mr. Theriot:

I am in receipt of your Management Letter dated October 18, 2004 pertaining to the limited review conducted by Mrs. Kimberly Dwin. Mrs. Dwin performed a limited review of the financial records and Board minutes, policies, and procedures of the East Baton Rouge Parish Housing Authority beginning July 1, 2002 and ending December 10, 2003.

The review revealed for the agency's consideration two comments and suggestions in reference to a lack of policies and procedures pertaining to Budgeting and Data Security. In response to the comments and suggestions, the East Baton Rouge Parish Housing Authority offers the following responses:

1. Budgeting. The East Baton Rouge Parish Housing Authority follows the U. S. Department of Housing and Urban Development (HUD) guidelines for budget development and monitoring. These guidelines can be found in numerous handbooks and publications such as the Financial Management Handbook 7475.1 REV and 24 Code of Federal Regulation (CFR) 990.112. These documents provide guidelines on preparation, adoption, and monitoring of the budget as well as the preparation of any budget revisions.
2. Data Security. The housing authority will develop a written policy as it relates to the security of the computer system, including the physical security of the computer room which houses the mainframe and other equipment. In addition, the housing authority will immediately deactivate the computer identification and password for terminated employees. The housing authority currently backs up the data for the mainframe however; a more stringent system will be developed and implemented within the next sixty days.

4731 North Boulevard Baton Rouge, Louisiana 70806 Phone: (225) 923-8100 Fax: (225) 923-8109

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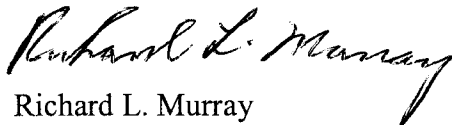


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The East Baton Rouge Parish Housing Authority will develop the policies and procedures as outlined in your correspondence. The policies will be adopted by the Board of Commissioners and a copy of the policies will be provided to the State Legislative Auditor's Office.

The East Baton Rouge Parish Housing Authority commends Mrs. Kimberly Dwin for her professionalism when she visited the office for the monitoring review. She was helpful in suggesting procedures to help make this agency a more viable one in the City of Baton Rouge and the State of Louisiana. If you have any questions or need any additional information, please give me a call at (225) 923-8150.

Sincerely,



Richard L. Murray
Executive Director

cc: File