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NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT

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Release Date JUL 19 2000

FINANCIAL AND COMPLIANCE AUDIT TOGETHER WITH INDEPENDENT AUDITORS' REPORT FOR THE YEAR ENDED DECEMBER 31, 1999

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& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners of the
New Orleans Business and Industrial District
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of **New Orleans Business and Industrial District (NOBID)** as of and for the year ended December 31, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of **NOBID's** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Commissioners of the
New Orleans Business and Industrial District
Page 2

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of **New Orleans Business and Industrial District** as of December 31, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2000 on our consideration of **NOBID**'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2000

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
COMBINED BALANCE SHEET --
GOVERNMENTAL FUND TYPE AND ACCOUNT GROUP
DECEMBER 31, 1999**

| | Governmental Fund Type - <u>General Fund</u> | Account Group - General Fixed <u>Assets</u> | Total (Memorandum Only) <u> </u> |
|---|--|---|--|
| <u>ASSETS</u> | | | |
| Cash and cash equivalents (NOTE 2) | \$ 210,778 | \$ -0- | \$ 210,778 |
| Due from State of Louisiana | 65,925 | -0- | 65,925 |
| Account receivable | 7,834 | -0- | 7,834 |
| Funds available-City of New Orleans (NOTE 5) | 1,968 | -0- | 1,968 |
| Loan receivable (NOTE 3) | 412,412 | -0- | 412,412 |
| Interest receivable (NOTE 3) | 12,612 | -0- | 12,612 |
| Real estate deposit | 5,000 | -0- | 5,000 |
| Utility deposit | 1,750 | -0- | 1,750 |
| Furniture and equipment (NOTE 6) | -0- | 77,673 | 77,673 |
| Automobile (NOTE 6) | -0- | 15,049 | 15,049 |
| Building improvements (NOTE 6) | -0- | 3,375 | 3,375 |
| Building and land (NOTE 6) | -0- | 2,738,972 | 2,738,972 |
| Land (NOTE 6) | -0- | <u>981,118</u> | <u>981,118</u> |
| Total assets | <u>\$ 718,279</u> | <u>\$3,816,187</u> | <u>\$4,534,466</u> |
| <u>LIABILITIES AND FUND EQUITY</u> | | | |
| Liabilities: | | | |
| Accounts payable | \$ 107,593 | \$ -0- | \$ 107,593 |
| Payroll taxes payable and accrued expenses | 189 | -0- | 189 |
| Other liabilities | <u>1,914</u> | <u>-0-</u> | <u>1,914</u> |
| Total liabilities | <u>109,696</u> | <u>-0-</u> | <u>109,696</u> |
| Fund equity: | | | |
| Investment in general fixed assets (NOTE 6) | -0- | 3,816,187 | 3,816,187 |
| Fund balance: | | | |
| Unreserved/undesignated | <u>608,583</u> | <u>-0-</u> | <u>608,583</u> |
| Total fund equity | <u>608,583</u> | <u>3,816,187</u> | <u>4,424,770</u> |
| Total liabilities and fund equity | <u>\$ 718,279</u> | <u>\$3,816,187</u> | <u>\$4,534,466</u> |

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

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| <u>REVENUES</u> | |
|--|-----------------------|
| Property taxes (NOTE 4) | \$ 263,124 |
| Grant revenues-State of Louisiana (NOTE 8) | 1,099,575 |
| Grant revenue-City of New Orleans (NOTE 12) | 46,775 |
| Rental income (NOTE 7) | 338,650 |
| Miscellaneous tenant fees | 566 |
| Other revenues | 28,327 |
| Interest income-loan | 5,993 |
| Interest income-investments | <u>5,915</u> |
| Total revenues | <u>1,788,925</u> |
| <u>EXPENDITURES</u> | |
| Salaries | 256,153 |
| Payroll taxes | 18,819 |
| Employee insurance | 24,853 |
| Insurance | 24,733 |
| Office supplies | 8,625 |
| Telephone | 11,160 |
| Automobile expenses | 3,462 |
| Capital outlays (NOTE 6) | 981,118 |
| Office expense | 5,893 |
| Repairs and maintenance | 71,137 |
| Utilities (NOTE 10) | 37,425 |
| Professional services-Regional Food Center | 101,350 |
| Professional services-other | 119,771 |
| Promotions | 461 |
| Dues and subscriptions | 1,729 |
| Postage | 2,695 |
| Printing | 8,120 |
| Photographic supplies | 815 |
| Research and development | 12,400 |
| Sites improvements | 980 |
| Workforce development and training expenditures | 15,331 |
| Miscellaneous | 1,260 |
| President search expense | <u>4,048</u> |
| Total expenditures | <u>1,712,338</u> |
| Excess of revenues over expenditures | 76,587 |
| Fund balance-beginning of year | <u>531,996</u> |
| Fund balance-end of year | <u>\$ 608,583</u> |

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

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (GAAP BASIS) AND ACTUAL--
GOVERNMENTAL FUND TYPE - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 1999**

| <u>REVENUES</u> | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|-------------------------|-------------------------|--|
| Property taxes | \$ 255,000 | \$ 263,124 | \$ 8,124 |
| Grant revenues-State of Louisiana | 2,637,377 | 1,099,575 | (1,537,802) |
| Grant revenue-City of New Orleans | -0- | 46,775 | 46,775 |
| Rental income | 316,921 | 338,650 | 21,729 |
| Miscellaneous tenant fees | 3,977 | 566 | (3,411) |
| Other revenues | 3,200 | 28,327 | 25,127 |
| Interest income-loan | -0- | 5,993 | 5,993 |
| Interest income-investments | -0- | 5,915 | 5,915 |
| Total revenues | <u>3,216,475</u> | <u>1,788,925</u> | <u>(1,427,550)</u> |
| <u>EXPENDITURES</u> | | | |
| Salaries | 266,537 | 256,153 | 10,384 |
| Payroll taxes | 20,390 | 18,819 | 1,571 |
| Employee insurance | 34,435 | 24,853 | 9,582 |
| Insurance | 34,944 | 24,733 | 10,211 |
| Office supplies | 4,000 | 8,625 | (4,625) |
| Telephone | 9,650 | 11,160 | (1,510) |
| Automobile expenses | 3,000 | 3,462 | (462) |
| Capital outlays | 973,215 | 981,118 | (7,903) |
| Office expense | 6,000 | 5,893 | 107 |
| Repairs and maintenance | 286,913 | 71,137 | 215,776 |
| Utilities | 21,000 | 37,425 | (16,425) |
| Professional services-Regional Food Center | 194,310 | 101,350 | 92,960 |
| Enterprise Park Project | 1,231,915 | -0- | 1,231,915 |
| Professional services-other | 65,248 | 119,771 | (54,523) |
| Promotions | 22,331 | 461 | 21,870 |
| Dues and subscriptions | 1,925 | 1,729 | 196 |
| Postage | 2,500 | 2,695 | (195) |
| Printing | 4,000 | 8,120 | (4,120) |
| Photographic supplies | 2,500 | 815 | 1,685 |
| Research and development | 5,000 | 12,400 | (7,400) |
| Sites improvements | 11,331 | 980 | 10,351 |
| Workforce development and training expenditures | 15,331 | 15,331 | -0- |
| Miscellaneous | -0- | 1,260 | (1,260) |
| President search expense | -0- | 4,048 | (4,048) |
| Total expenditures | <u>3,216,475</u> | <u>1,712,338</u> | <u>1,504,137</u> |
| Excess of revenues over expenditures | -0- | 76,587 | 76,587 |
| Fund balance-beginning of year | <u>531,996</u> | <u>531,996</u> | <u>-0-</u> |
| Fund balance-end of year | \$ <u>531,996</u> | \$ <u>608,583</u> | \$ <u>76,587</u> |

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

NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The **New Orleans Business and Industrial District (NOBID)** is a 7,000 acre Louisiana Enterprise Zone created by the Louisiana Legislature to attract new business and industry through incentives such as sales, use and property tax benefits. **NOBID** also encompasses a 92-acre Foreign Trade Zone which provides additional savings on duty fees.

In 1992, a special project referred to as the "Enterprise Center" (the Center) was initiated in an effort to promote economic growth in the City of New Orleans, by promoting business and industrial development in the district. The Center includes the following components designed to improve the development environment in New Orleans East:

- o Industrial/service based incubator;
- o Advanced technology institute; and
- o College extension programs.

NOBID is used to account for the operations of the district. Its financing sources are derived principally from the proceeds of 20 mills, or \$20 per \$1,000 of assessed value, which is levied on all property within the district for the purpose of constructing roads, sewerage, drainage, water supply systems and other infrastructure improvements to facilitate industrial development.

The Board of Commissioners is composed of twelve (12) members who are appointed by various organizations and public officials and serve without compensation.

Basis of Presentation

NOBID is a special municipal district that was created under Louisiana Revised Statute 33:4701, as amended on June 28, 1995. Through **NOBID's** Board of Commissioners, **NOBID** has the power to acquire, construct, improve, maintain, and operate projects and to provide additional municipal services within the district.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Basis of Presentation, Continued

Under GASB Statement No. 14, **NOBID** is considered a primary government and does not include any component units. **NOBID** has powers to incur debt, issue bonds, and sue and be sued. Also, the Board of Commissioners have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. **NOBID** has yet to receive an opinion from the State of Louisiana's Attorney General on its independence from the City of New Orleans. These financial statements include all of the funds and account groups and activities considered to be part of or controlled by **NOBID**.

Fund Accounting

The accounts of **NOBID** are organized on the basis of funds and an account group, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into one generic fund type and one broad fund category as follows:

Governmental Fund Type

This is the fund type through which most governmental functions typically are financed. The following fund is used by **NOBID**.

General Fund

The General Fund is the general operating fund of **NOBID**. It is used to account for all financial resources except those required to be accounted for in another fund or account group.

General Fixed Assets Account Group

This is not a fund but rather an account group that is used to account for general fixed assets acquired principally for general purposes.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Fund Accounting, Continued

Basis of Accounting

The General Fund is accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Property tax collections are considered "measurable" when in the hands of the collecting agency and are recognized as revenue at this time.

Expenditures are recognized in the accounting period in which the liability is incurred, if measurable.

Budgetary Data

NOBID follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Each year, **NOBID** is required to prepare a budget and submit it to the Board of Commissioners for approval.
2. Upon review and completion of all actions necessary to finalize and implement the budget, it is then adopted by the Board of Commissioners prior to the commencement of the fiscal year to which the budget applies.
3. Budgetary amendments involving the transfer of funds, program or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated, require the approval of the Board of Commissioners.
4. All budgetary appropriations lapse at the end of each fiscal year.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED

Cash and Cash Equivalents

Cash includes amounts in demand deposits, interest-bearing time deposits and money market accounts. Cash equivalents include amounts in short-term investments with original maturities of ninety (90) days or less. Under state law, **NOBID** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

Fixed Assets

Fixed assets are recorded as expenditures at the time purchased, and the related assets are reported in the general fixed assets account group. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost.

Total Column on Combined Balance Sheet - Overview

The total column on the combined balance sheet - overview is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present the financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation.

NOTE 2 - CASH AND CASH EQUIVALENTS

NOBID had cash and cash equivalents totaling \$210,778 (book balances) at December 31, 1999, as follows:

| | |
|--------------------|------------------|
| Cash | \$170,564 |
| Money market funds | <u>40,214</u> |
| Total | <u>\$210,778</u> |

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 2 - CASH AND CASH EQUIVALENTS, CONTINUED

Cash deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

At December 31, 1999, **NOBID** has \$212,051 in cash deposits (collected bank balances). These deposits are secured from risk by \$212,051 of federal deposit insurance.

NOTE 3 - LOAN RECEIVABLE

In 1996, the City of New Orleans, Economic Development Trust Fund (EDF) granted funds to **NOBID** in the amount of \$414,253 to attract industrial manufacturing facilities to the District. As such, **NOBID** provided a start-up/working capital loan to a Louisiana Corporation. The loan bears interest at 5.8%, with interest for twenty (20) years and with principal and interest payments to begin eighteen (18) months from the beginning of the term which is, September 27, 1996. However, in accordance with a new agreement executed in August 1999 between **NOBID** and the Louisiana Corporation, the first principal and interest payment date was deferred to October, 1999. The October, November and December 1999 loan payments were paid to the Regional Loan Corporation (RLC), who is servicing the loan, prior to December 31, 1999. Subsequent to year end, **NOBID** received from the RLC the total loan payments for the months October 1999 through December 1999. The total amount of the loan is unsecured.

During the deferral period for payment of principal and interest, the accrual of interest has been discontinued. As such, no accrued interest was recorded to **NOBID**'s financial records during the 1999 and 1998 fiscal years.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 4 - PROPERTY TAX REVENUES

Property tax revenues represent the amount of property tax assessments collected by the City of New Orleans. Presently, the tax is 20 mills, or \$20 per \$1,000 of assessed value, which is levied on all property within the district for the purpose of constructing roads, sewerage, drainage, water supply systems and other infrastructure improvements to facilitate industrial development.

During the year ended December 31, 1999, tax revenues collected by the City of New Orleans for the **New Orleans Business and Industrial District** was \$263,124.

NOTE 5 - FUNDS AVAILABLE - CITY OF NEW ORLEANS

As of December 31, 1999, NOBID had \$1,968 available from the City of New Orleans (CNO). Below is the activity which took place during the year ended December 31, 1999.

| | |
|---|------------------------|
| Balance of funds due to CNO at December 31, 1998 | \$ 28,234 |
| Tax revenues collected during 1999 | <u>263,124</u> |
| Total funds available | <u>291,358</u> |
| Less: | |
| Amounts received from CNO | <u>(289,390)</u> |
| Balance of funds available at December 31, 1999 | \$ <u><u>1,968</u></u> |

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 6 - CHANGES IN GENERAL FIXED ASSETS

A summary of the changes in general fixed assets is as follows:

| <u>Description</u> | <u>January 1, 1999</u> | <u>Additions</u> | <u>Deletions</u> | <u>December 31, 1999</u> |
|----------------------------|----------------------------|-------------------|------------------|------------------------------|
| Furniture and equipment | \$ 79,695 | \$ -0- | \$(2,022) | \$ 77,673 |
| Automobile | 15,049 | -0- | -0- | 15,049 |
| Building improvements | 3,375 | -0- | -0- | 3,375 |
| Building and land | 2,738,972 | -0- | -0- | 2,738,972 |
| Land | <u>-0-</u> | <u>981,118</u> | <u>-0-</u> | <u>981,118</u> |
| | <u>\$2,837,091</u> | <u>\$ 981,118</u> | <u>\$(2,022)</u> | <u>\$ 3,816,187</u> |

NOTE 7 - OPERATING LEASE

NOBID has entered into rental agreements with tenants which require monthly rental payments. These rental agreements expire on various dates between 2000 and 2002.

The following is a schedule by year of aggregate future minimum rentals of noncancellable operating leases as of December 31, 1999:

| | |
|-------|------------------|
| 2000 | \$188,700 |
| 2001 | 52,464 |
| 2002 | <u>30,604</u> |
| Total | <u>\$271,768</u> |

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 8 - GRANT REVENUES AND EXPENDITURES

In 1999, the State of Louisiana granted funds to **NOBID**. For the year ended December 31, 1999, **NOBID** earned and expended grant funds as follows:

| <u>Grant Program/ Project</u> | <u>Funding Source</u> | <u>Revenue</u> | <u>Expenditure</u> |
|---|---------------------------|--------------------|---------------------|
| Land banking Workforce Development and Training Program | State of LA | \$ 974,785 | \$ 974,785 |
| Regional Food Center | State of LA | 23,440 | 15,331 |
| | State of LA | <u>101,350</u> | <u>101,350</u> |
| Total | | <u>\$1,099,575</u> | <u>\$ 1,091,466</u> |

NOTE 9 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of all significant financial instruments have been determined by the organization utilizing available market information and appropriate valuation methodologies. **NOBID** considers the carrying amounts of cash and loan receivable to be fair value.

NOTE 10 - UTILITIES

For tenants leasing warehouse space and certain other tenants, **NOBID** charges those tenants for utility use. At December 31, 1999, utilities expense is calculated as follows:

| | |
|-----------------------|------------------|
| Utilities expense | \$136,020 |
| Billings to tenants | <u>(98,595)</u> |
| Net utilities expense | <u>\$ 37,425</u> |

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS,
CONTINUED**

NOTE 11 - RISK MANAGEMENT

NOBID is exposed to various risks of loss related to torts; theft of; damage to and destruction of assets for which **NOBID** 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 12 - GRANT REVENUE - CITY OF NEW ORLEANS

In prior years, **NOBID** recorded a liability in the amount of \$46,775 to the City of New Orleans (the City) for unused Economic Development Trust Fund (the Fund) grant funds relating to the purchase of **NOBID**'s office facility.

During the audit period the City reviewed the Fund's grant and determined that **NOBID** had fully complied with the provisions of the grant and no amounts were due from **NOBID** to the City at December 31, 1999.

During 1999, a decrease of \$46,775 in the liability to the City was recognized by **NOBID** to reflect the final result of the City's review, resulting in an increase, recorded as Grant Revenue-City of New Orleans, in excess of revenue over expenditures.

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MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

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

To the Board of Commissioners of the
New Orleans Business and Industrial District
New Orleans, Louisiana

We have audited the general purpose financial statements of **New Orleans Business and Industrial District (NOBID)** as of and for the year ended December 31, 1999, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **NOBID's** general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of general purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards, which are described in the accompanying Schedule of Findings and Questioned Costs as Items 99-3 and 99-4.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered **NOBID'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

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

(CONTINUED)

To the Board of Commissioners of the
New Orleans Business and Industrial District
New Orleans, Louisiana

internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect **NOBID**'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-1 to 99-4.

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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions described above are not a material weakness.

This report is intended solely for the use of management, the State of Louisiana, and the Legislative Auditor and is not intended and should not be used by anyone other than these specified parties.


BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2000

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999**

We have audited the general purpose financial statements of **New Orleans Business and Industrial District** as of and for the year ended December 31, 1999, and have issued our report thereon dated June 9, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit of the general purpose financial statements as of December 31, 1999 resulted in an unqualified opinion.

1. Summary of Independent Auditors' Results

- A. Reportable conditions in internal control were disclosed by the audit of the financial statements: Yes Material weaknesses: No
- B. Noncompliance which is material to the general purpose financial statements: Yes
- C. Reportable conditions in internal control over major programs: N/A
Material weaknesses: N/A
- D. The type of report issued on compliance for major programs: N/A
- E. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: N/A
- F. Major programs: N/A
- G. Dollar threshold used to distinguish between Type A and Type B programs: N/A
- H. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: N/A
- I. A management letter was issued: Yes

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. *Finding Relating to the Financial Statements
Reported in Accordance with Government
Auditing Standards*

99-1 Credit Card Charges

We noted during our audit that several credit card billings were approved and paid without review and support of original source documentation. Typical charges were gasoline purchases, meal expenses, and minor supply purchases.

We recommend that **NOBID** implement procedures to ensure that all credit card purchases are supported by original source documentation. These invoices should accompany the billing statements for the purpose of approving the disbursements for payment.

99-2 Time and Attendance Records

We noted during our audit that **NOBID** does not require time and attendance sheets signed by the employee and approved by the supervisor. **NOBID**'s policy is to maintain attendance calendars which documents the type of non-attendance day (i.e. vacations, illnesses, jury duty, etc.). However, based on our review of personnel records, we noted that such records are not routinely maintained nor signed by the employee or person maintaining the records.

During the course of the audit, we were requested to review the status of a former employee who taught two (2) courses three (3) times a week during the day at a local university and had a legal practice while maintaining a full-time position at **NOBID**. The Board was aware of all of this employee's outside work activity and apparently felt that such work did not interfere with the employee's job performance at **NOBID**. Also, **NOBID** requested and received an opinion from the Louisiana Board of Governmental Ethics informing **NOBID** that the Code of Governmental Ethics would not prohibit the former employee from teaching courses at the local university since there is no relationship between the university and **NOBID**. The former employee must use his lunch or leave time to teach the courses. While this employee taught the two (2) courses, compensatory and vacation leave appeared to have been used, which was documented on the aforementioned attendance calendar.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. Finding Relating to the Financial Statements
Reported in Accordance with Government
Auditing Standards, Continued

99-2 Time and Attendance Records, Continued

We recommend that **NOBID** update its policies and procedures regarding documentation of employee attendance to provide time and attendance sheets or other daily attendance records be maintained to account for an employee's attendance or non-attendance. Bi-weekly time sheets prepared by employees should be considered as being required to serve as additional documentation of all employee time worked, including weekends and holidays, and non-attendance time, i.e., employee leave and compensatory time. Time sheets should be certified or signed by employees and their immediate supervisors.

99-3 Employee Bonuses

We noted during the audit that **NOBID** paid five (5) employees bonuses ranging from \$50.00 to \$1,500.00. The total bonuses amounted to \$2,550. Payments of such bonuses were violations of state law because they were paid for past services.

We recommend that **NOBID** update its policy for the payment of employee bonuses to comply with state law which provides that employee bonuses can only be paid for an employee's future service.

Management's Response

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(CONTINUED)**

2. Finding Relating to the Financial Statements
Reported in Accordance with Government
Auditing Standards, Continued

99-4 Budget Adoption

We noted during our audit that **NOBID** did not adopt its 1999 budget prior to the beginning of the 1999 fiscal year. The 1999 budget was adopted March 9, 1999.

According to Louisiana Revised Statute, Section 39:1308(A), a political subdivision must adopt the budget for an ensuing fiscal year prior to the end of the fiscal year in progress. Therefore, we recommend that **NOBID** review its budget procedures to ensure that the fiscal year budget is timely adopted as required by state law.

3. Findings and Questioned Costs Relating to Federal Awards

Not applicable.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 1999**

**1. INTERNAL CONTROL AND COMPLIANCE
WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS**

No prior year audit findings reported.

2. INTERNAL CONTROL AND FEDERAL COMPLIANCE

No prior year audit findings reported.

3. MANAGEMENT LETTER

See the status of prior year audit management letter comments reported to management of **NOBID** in a separate letter dated March 24, 2000.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
EXIT CONFERENCE**

The audit report has been discussed with members of the Finance Committee, Board Chairman and District Staff.

Bruno & Tervalon

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

June 9, 2000



**NEW ORLEANS
BUSINESS & INDUSTRIAL DISTRICT**



MIKE FOSTER
GOVERNOR



MARC HAYDEL MORAL
MAYOR

June 30, 2000

Mr. Michael B. Bruno, CPA
Managing Partner
Bruno & Tervalon
650 South Pierce Street, Suite 203
New Orleans, Louisiana 70119

Dear Mr. Bruno:

This correspondence serves as a response to your firm's comments as contained in the independent auditor's report of and for the year ended December 31, 1999. My response addresses in order your firm's findings that commence on page 18 of the report.

- 99-1: The staff of the New Orleans Business & Industrial District (NOB&ID) will immediately submit to our Business Manager invoices generated through credit card purchases. The Business Manager will monthly reconcile these invoices with the credit card statement.
- 99-2: The staff of NOB&ID will commence on July, 15, 2000 the signing daily attendance records. No members of the full time staff are employed on an hourly basis, eliminating the effectiveness of hourly time sheets. As of May 1, 2000, new staff accrues one half day of vacation leave and sick leave each pay period, or two weeks.
- 99-3: The new contracts of staff members support future salary enhancements for special achievement. Bonuses for past services are not available.
- 99-4: The President and Business Manager of NOB&ID, working with the accounting consultant firm, will submit the District's proposed budget to the Board of Commissioners prior to November 30 of each year, thus allowing sufficient time for the Finance Committee and Board to review and approve the budget prior to December 31.

Your firm's comments are greatly appreciated. Please feel free to call me at (504) 254-2146 should you have questions or concerns.

Sincerely,

Eugene J. Green, Jr.
President

cc: Members, Board of Commissioners

District Staff

& Tervalon

MICHAEL B. BRUNO, CPA
ALCIDE J. TERVALON, JR., CPA
WALDO J. MORET, JR., CPA

RECEIVED
LEGISLATIVE AUDITOR

2000 JUL -5 AM 11:38

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Commissioners of the
New Orleans Business and
Industrial District
New Orleans, Louisiana

We have audited the financial statements of **New Orleans Business and Industrial District (NOBID)** for the year ended December 31, 1999 and have issued our report thereon dated June 9, 2000.

In planning and performing our audit of the financial statements of **NOBID** for the year ended December 31, 1999, we considered **NOBID**'s internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The comments that accompanies this letter summarizes our findings and recommendations regarding those matters. This letter does not affect our report dated June 9, 2000 on the financial statements of **NOBID**.

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

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

To the Board of Commissioners of the
New Orleans Business and
Industrial District

Page 2

This report is intended solely for the use of management and the State of Louisiana, Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 9, 2000

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
CURRENT YEAR MANAGEMENT LETTER COMMENTS**

99-1 VACATION PAY POLICY

During the course of our audit we noted that an employee of NOBID resigned during the fiscal year and another employee resigned in March 2000. These employees were compensated for unused vacation leave. NOBID has a written policy for compensating employees for their unused vacation leave at termination of employment.

According to the personnel policy manual, vacation leave for regular full-time employees are earned on an anniversary date basis based on length of service. The executive administrative assistant utilizes an attendance control form and an absence report to document vacation leave used by an employee. We noted during our review of personnel files that absence reports were generally not signed by the employee taking leave or signed by the approving supervisor.

Although we believe NOBID properly compensated these employees according to the leave control forms, the policy on terminations pay for unused vacation is not clearly expressed in the policy manual the time at which vacation leave is earned.

We recommend that NOBID revise it's vacation leave policy in a manner that would clearly state when vacation leave is earned and possible cite examples to further its understanding. Also, we recommend that the leave policy state that personnel files should be documented at all times with the amount of leave time earned and used, and accumulated leave balances.

99-2 SECURITY FOR UNUSED CHECKS

In the 1998 fiscal year, approximately seven checks appeared to have been stolen by a temporary employee. In 1999, NOBID was totally reimbursed by a local bank for one of the forged checks that had been cashed. Stop payments were effectively issued for the remaining stolen checks and as of the audit date none of the other stolen checks had been cashed.

Consequently, we performed audit procedures as considered necessary to determine that no further fraudulent checks were issued during the 1999 fiscal year. Based on such work, no fraudulent checks were detected.

However, we noted that unused checks were still not kept under lock and key to prevent unauthorized use. We recommend that security measures be implemented to ensure that unused checks are properly secured.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
CURRENT YEAR MANAGEMENT LETTER COMMENTS,
CONTINUED**

99-3 CELLULAR TELEPHONE EXPENSE

Based on our review of cellular telephone bills, we noted that the president, vice president and maintenance engineer were assigned cellular telephones. The average monthly bill was approximately \$575.00 and the highest monthly charge for an individual's use was \$556.00.

NOBID does not have a policy for identifying personal cellular telephone calls, however, NOBID personnel reviewed certain cellular telephone statements and determined that approximately \$200.00 of the calls were personal.

We recommend that NOBID set a limit on the number of minutes allowed per month for each cellular telephone number. Any minutes exceeding the limit will be considered personal and the cost for excess minute usage shall be reimbursable to NOBID. Exceptions to the excess minute policy can be made when all minutes used are fully documented as for business purposes.

During 1999, the Board's attorney has performed an analysis of personal cellular telephone calls made by one (1) former employee. We recommend that NOBID request its attorney to submit a formal report to the Board of the results of the attorney's analysis.

99-4 INDEPENDENT CONTRACTORS

During our audit we noted that two (2) individuals whose work status at NOBID was classified as independent contractors. There is potential that these individuals could possibly be considered employees of NOBID based upon Internal Revenue Service guidelines.

We recommend that NOBID review the laws and regulations of the Internal Revenue Service to determine whether certain individuals should be classified as independent contractors or employees.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
CURRENT YEAR MANAGEMENT LETTER COMMENTS,
CONTINUED**

99-5 PERSONNEL POLICY MANUAL

Based on our review of NOBID's personnel policy manual, we noted that certain provisions of the employee bonus policy appear to be violations of State law. At December 31, 1999, five (5) employees received bonuses ranging as low as \$50.00 to a high of \$1,500.00 for a former employee.

According to State law, severance pay is only ordinarily considered in a lay-off situation. However, NOBID's written policy implies that only an employee who is terminated involuntarily is eligible to receive termination (severance) pay. This policy does not address an employee being ineligible to receive termination pay because he or she was fired (involuntarily terminated).

We recommend that NOBID review its personnel policy manual with the assistance of the Board's attorney for the purpose of ensuring that stated policies are in compliance with State and Federal laws.

99-6 MISSING EQUIPMENT

On January 26, 1999, NOBID reported to the police that a laptop computer, costing \$2,022, was stolen. NOBID did receive a written police report. We noted that the employee assigned to use the computer, off site, had appeared to have returned the computer on December 4, 1998 to NOBID by signing and dating the equipment usage form, which indicated the equipment was returned, however, no evidence of a signature by the Executive Administrative Assistance to support the turning in of the equipment.

We recommend that NOBID review related internal controls to ensure that physical safeguards over capital equipment are adequate and in use.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
CURRENT YEAR MANAGEMENT LETTER COMMENTS,
. CONTINUED**

99-7 PERSONNEL RECORDS/BANK STATEMENTS

In April, 1999, NOBID's Executive Administrative Assistant's office was broken into in which all personnel records and all January, 1999 to March, 1999 bank statements were stolen. Although NOBID's bank statements were stolen in this incident, all financial information had already been processed and financial statements were compiled for the period. This incident was reported to the police and a police report is on file at NOBID.

We recommend that NOBID review the completeness of all personnel files and, as considered necessary, NOBID should obtain any missing information as required to be documented in the personnel files. Also bank statement information should be requested from banks for bank statements that were stolen in the above incident.

99-8 INVOLUNTARY EMPLOYEE TERMINATIONS

A former employee of NOBID has threatened to sue NOBID for the wrongful termination of employment. NOBID has written policies for involuntary terminating an employee. Although, in the Board's attorney's opinion, the facts surrounding the former employee's dismissal does not support the allegation of wrongful/improper discharge, we recommend that NOBID, with the assistance of the Board's attorney, review its policy and procedures for the involuntary termination of an employee to ensure that such policies and procedures are administered to comply with State and Federal laws.

99-9 CERTIFYING MINUTES

While we are unaware of any legal requirements of the Board to certify minutes with the signature of the Secretary of the Board, we recommend that the minutes of all Board and Committee meetings be signed and dated by the Board Secretary or other responsible member to certify the actions taken by the Board or Committees.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
CURRENT YEAR MANAGEMENT LETTER COMMENTS,
. CONTINUED**

99-10 FIXED ASSET CAPITALIZATION POLICY

We noted during our audit that NOBID has not adopted a fixed asset capitalization policy. Currently, NOBID is capitalizing fixed assets per our recommendation as auditors.

We recommend that NOBID formally adopt a fixed asset capitalization policy stating that items with more than a one year life and a value greater than \$500.00 (at cost) should be capitalized. The assets should be capitalized at the time of purchase rather than at year end.

99-11 CASH RECEIPTS

As noted in the prior year, cash receipts are being collected by two (2) employees.

Once again, we recommend that all cash receipts be collected by one (1) designated person independent of record keeping functions. This person should prepare a daily sheet listing all such receipts and immediately stamp checks "For Deposit Only". A copy of the listing would be sent to the person keeping accounting records for account distributions and subsidiary postings. Since NOBID has a limited number of staff personnel, either individual above can prepare and make daily bank deposits. At month end, the management of NOBID should match the daily cash receipts listings to deposits on the bank statements. We suggest that the daily cash receipts listing provide a line for the signature of the person who reviewed monthly deposits and approved account distributions. See prior year management comments 98-3.

99-12 ACCOUNTS PAYABLE

As in the prior year, we noted that certain vendor payments were not made on a timely basis. Also, NOBID has yet to implement an accounts payable system as recommended in the prior year. See prior year management comment 98-11.

99-13 MAILING OF PAID CHECKS

Signed checks are still being returned to person who prepares them for signatures to be mailed. Signed checks should be returned for mail out to a person who is independent of cash disbursement and accounts payable functions. See prior year

NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
CURRENT YEAR MANAGEMENT LETTER COMMENTS,
CONTINUED

management letter comment 98-12.

99-14 SUPPORT FOR LONG DISTANCE TELEPHONE CHARGES

As in the prior year long distance telephone charges were still not being documented with NOBID's business purpose. We recommend that NOBID implement procedures to ensure that long distance telephone charges are made for business purposes. See prior year management comment 98-15.

PRIOR YEAR MANAGEMENT LETTER COMMENTS

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS**

98-1 UNTIMELY STATUS OF MONITORS REPORTS

A grant agreement between NOBID and the Louisiana Department of Economic Development (LDED) required NOBID to submit quarterly monitoring reports to LDED on the status of the Workforce Development and Training Program with a subrecipient that leases space in the NOBID facility. The first status report was due June 30, 1997. Based on information received from LDED, we noted that three (3) quarterly reports during the grant period were not timely filed.

According to the grant agreement, NOBID is required to submit quarterly monitoring reports through May 5, 2000. Therefore, we recommend that NOBID implement procedures to ensure that monitoring reports are submitted timely to the grantor.

Current Status

Resolved.

98-2 SECURITY FOR UNUSED CHECKS

We noted during the 1998 audit that several unused checks were discovered missing from NOBID's office and one (1) of those checks in the amount of approximately \$900 was cashed before NOBID discovered that the checks were missing. Stop payments were then issued on the other missing checks.

Although NOBID has currently implemented new procedures to ensure that unused checks are securely kept to prevent unauthorized use, we recommend that NOBID continue these procedures to strengthen internal controls. Also, the check of approximately \$900 that did clear the bank has been turned over to the appropriate authorities for disposition.

Current Status

Although NOBID had unused checks secured under lock and key during 1999, we noted during field work that once again unused checks were not securely kept. See current year management letter comment 99-2.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-3 CASH RECEIPTS

We noted during our audit that cash receipts are being collected by NOBID's building director and the executive secretary. Cash receipts received in the mail are collected by the receptionist and building tenants' rents and other fees are typically paid directly to the building director.

We recommend that all cash receipts be collected by one (1) designated person independent of record keeping functions. This person should prepare a daily sheet listing all such receipts and immediately stamp checks "For Deposit Only". A copy of the listing would be sent to the person keeping accounting records for account distributions and subsidiary postings. Since NOBID has a limited number of staff personnel, either individual above can prepare and make daily bank deposits. At month end, the management of NOBID should match the daily cash receipts listings to deposits on the bank statements. We suggest that the daily cash receipts listing provide a line for the signature of the person who reviewed monthly deposits and approved account distributions.

Current Status

The conditions are unchanged from the prior year. See current year management letter comment. 99-11.

98-4 OUTSTANDING CHECKS

In our 1998 cash test work, we noted that on the outstanding check listings many checks were outstanding over 90 days.

We recommend that NOBID establish and implement procedures to provide that checks outstanding over 90 days be investigated for their non-presentation.

Current Status

Resolved.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-5 VOID CHECKS

We noted during our 1998 audit that many checks listed as outstanding were actually voided. However, these voided checks were recorded into the accounting records as being paid.

We recommend that NOBID immediately establish procedures to ensure that voided checks are not being recorded in the accounting records. Before sending cash disbursements records to its accountants for compiling financial statements, NOBID should verify that voided checks are not coded as cash disbursements.

Current Status

Resolved.

98-6 EXCESS BANK ACCOUNTS

We noted during our 1998 audit that NOBID maintains twelve (12) bank accounts with six (6) financial institutions. Six (6) of these accounts have little or no monthly activity in which NOBID is charged service fees.

We recommend that NOBID review its banking activity and close bank accounts with little activity and similar purposes. Consideration should be given to financial institutions who will at all times provide pledge securities for bank deposits in excess of federal deposit insurance limits.

Current Status

At December 31, 1999, NOBID maintained nine (9) bank accounts. In 2000, NOBID closed five (5) bank accounts with the Board's authorization, leaving four (4) opened and active bank accounts.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-7 CHECKS NOT DUAL-SIGNED

We noted during our 1998 review of paid checks that several checks were paid with only one (1) authorized signature. NOBID requires two (2) authorized signatures on each check.

In order to maintain adequate internal controls over cash disbursements, we recommend that NOBID follow current procedures which provide that all checks are to be signed by two (2) authorized officials.

Current Status

Resolved.

98-8 OFFICERS/DIRECTORS LIABILITY

We noted during our audit that NOBID could not provide evidence of coverage of officers and directors liability insurance.

We recommend that NOBID obtain officers and directors liability insurance to reduce the loss that may arise against the Board of Commissioners.

Current Status

Resolved.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-9 INVOICE APPROVAL

We noted during our 1998 test of expenditures that invoice approval was not always documented on invoices or in the disbursement package. Also, the original invoice was not always marked paid to prevent duplicate payment.

We recommend that NOBID review its invoice approval procedures to ensure that all cash disbursements are approved by appropriate persons and documented in disbursement packages and the invoice be stamped paid to prevent reuse.

Current Status

Resolved.

98-10 OVERPAYMENT OF VENDORS INVOICES

During our test of expenditures we noted that a vendor invoice was overpaid by \$1,000.00. Also, the same vendor was paid twice on a different invoice for \$179.00.

We recommend that NOBID review its procedures to ensure that cash disbursements are only made for amounts that are supported by documentation. Once the cash disbursement is approved, officials authorized to sign checks should review the documents supporting the payment and perforate these documents at the time of signing the check to prevent them from being submitted for reuse.

Current Status

Resolved.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-11 ACCOUNTS PAYABLE

We noted during our 1998 audit that payments to vendors were not always made on a timely basis. In one (1) instance a vendor's invoice, dated in 1996, was paid in 1998. We noted several other instances whereby vendors invoices remained unpaid over ninety (90) days.

We recommend that NOBID consider using an accounts payable application package (the package). The package is designed to monitor operating cash outflows and provide information which will aid in the control of the costs and expenses associated with the flows. Basically, this computer-based system should provide information on: (1) who NOBID owes money, (2) how much, (3) for how long, (4) checks to vendors, and (5) cash requirements.

Current Status

Unresolved. See current year management letter comment 99-12.

98-12 MAILING OF PAID CHECKS

We noted during our 1998 audit that signed checks are returned to the person who prepares them for signatures to be mailed.

In order to strengthen internal controls over cash disbursements, we recommend that the signed checks not be returned to the custody of the employee who prepared them for signature. The official signing checks should maintain control of the checks until they are placed in the mail by a person who is independent of cash disbursement and accounts payable functions.

Current Status

Unresolved. See current year management letter comment 99-13.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-13 DUE TO THE CITY OF NEW ORLEANS (CNO)

We noted during our 1998 audit that a liability to CNO totaling \$46,775 has been outstanding since 1995.

We recommend that NOBID meet with representatives of CNO to settle the debt by paying the debt in full or by requesting that the CNO grant the amount to NOBID for future or past services related to the original transaction.

Current Status

Resolved.

98-14 DEFICIT SPENDING

At December 31, 1998 and 1997, NOBID had deficiencies of revenues over expenditures totaling \$252,938 and \$122,594, as restated, respectively.

While we noted that NOBID's Board of Commissioners has adopted a balanced budget for 1999 and is currently monitoring its 1999 financial activity, we recommend that NOBID continue its procedures to timely compare actual to *budgeted revenues and expenditures on a monthly basis to provide stronger controls over budgeting*. As such, barring unexpected expenditures, NOBID should not experience deficit spending for the year ending December 31, 1999.

Current Status

Resolved.

**NEW ORLEANS BUSINESS AND INDUSTRIAL DISTRICT
PRIOR YEAR MANAGEMENT LETTER COMMENTS,
(CONTINUED)**

98-15 SUPPORT FOR LONG DISTANCE TELEPHONE CHARGES

During our test of expenditures we noted that long distance telephone charges were not documented to indicate that the calls were made for the business purposes of NOBID.

We recommend that a long distance telephone log be maintained to document the business purpose of long distance calls. We also recommend that each month the receptionist or secretary review the telephone bills and match the calls on the bills with the telephone log. Any calls that cannot be matched should be researched as to whether it was non-related NOBID's business and brought to the attention of the appropriate person.

Current Status

Unresolved. See current year management letter comment 99-14.



**NEW ORLEANS
BUSINESS & INDUSTRIAL DISTRICT**

RECEIVED
LEGISLATIVE AUDITOR
MIKE FOSTER
2000 JUN -5 11:38
MARC HAYDEL MORIAL
MAYOR

June 30, 2000

Mr. Michael Bruno
Managing Partner
Bruno and Tervalon
650 South Pierce Street, Suite 203
New Orleans, Louisiana 70119

Dear Mr. Bruno:

This correspondence serves to respond to your firm's independent auditor comments to management relative to your audit of the financial statements and internal controls of the New Orleans Business and Industrial District (NOB&ID) for the year ended December 31, 1999. The staff and Board of Commissioners of NOB&ID appreciate your findings and recommendations and will do what is necessary to address the issues.

My response addresses your comments in order commencing with page 3 of your management letter.

99 - 1 *The general counsel for NOB&ID is at present rewriting the District's personnel policy manual. It is anticipated that this manual will be available prior to September 1, 2000.*

New staff members hired after May 1, 2000 earn their vacation and sick leave at the rate of one half day per pay period, or every two weeks. This information will be included in the contracts of new staff members. This vacation and sick leave cannot be used during the first three months of employment, but it accrues immediately upon employment. In addition, note that staff must complete a Leave Request Form prior to taking vacation and that this document must be signed by the President prior to allowance of the Leave.

99 - 2 *The President has informed the Business Manager to keep all unused checks under lock and key.*

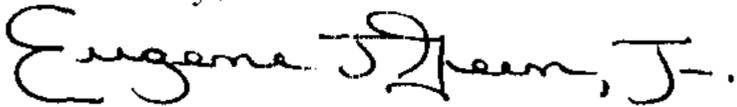
99 - 3 *At present the District has two cellular phones in operation. NOB&ID will set a limit on the number of minutes allowed per month for each cellular phone used. Staff will follow the recommendations of Bruno and Tervalon such that excess minute usage will be reimbursable by the staff member to whom the phone is assigned.*

- 99 - 3 (cont) Staff will recommend to the Board that General Counsel be given an opportunity to report her findings relative to personal cellular telephone calls made by a previous staff member.
- 99 - 4 At present there is on staff one independent contractor who performs maintenance duties. Based on my conversation with the independent auditor the independent contractor in question will before September 1, 2000 be made an employee of the District.
- 99 - 5 The President of NOB&ID will review the policy manual once it has been completed by general counsel to ensure that the District's policies are in compliance with applicable laws. We will correct any existing discrepancies relative to severance pay.
- 99 - 6 Equipment that is taken out of the Enterprise Center must be signed out through use of the Equipment Usage form. This form, newly revised, must be signed by the staff member and the Executive Administrative Manager both prior to removal of the equipment and upon return of it.
- 99 - 7 The Business Manager has been advised to update the personnel file of staff members who were in place at the time of the break-in. In addition, he has been requested to contact the institutions at which NOB&ID maintained accounts between January, 1999 and March, 1999 to secure copies of bank statements covering that time period.
- 99 - 8 Staff will, in concert with general counsel, review policies relative to involuntary termination once the personnel manual has been completed.
- 99 - 9 Because the Executive Administrative Assistant attends all Board meetings, making notes, taping meetings and reviewing the tapes, she will serve as the certifying agent of actions taken by the Board or Committee.
- 99 - 10 The Business Manager has been told by the President to adopt a fixed asset capitalization policy along the lines of the suggestion of the independent auditor.
- 99 - 11 Effective July 15, 2000, cash receipts will be collected by the Project Manager prior to their being made available to the Business Manager who is responsible for deposits. These receipts will be logged in and stamped "for deposit only". There will be a review once monthly.
- 99 - 12 Checks are written and disbursed every two weeks. Every effort will be made to pay vendors in a timely manner.

- 99 - 13 After the President and a relevant Commission member have signed the checks as required, the checks will be returned to the Project Manager who will assume responsibility for their mailing to the vendor.
- 99 - 14 A long distance phone log has been created. Each staff member will be given this form and required to, when making a long distance phone call, reveal the person called, the date of the call, and the number dialed. This log will be turned in once monthly to the Business Manager.

The District staff anticipates working with you to make the needed reforms. You may feel free to contact me at 254-2146 should you have questions or concerns.

Sincerely,

A handwritten signature in cursive script that reads "Eugene J. Green, Jr." with a horizontal line under the name.

Eugene J. Green, Jr.
President

cc: Members, Finance Committee
Steve Jamerson, Business Manager