

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**

**HOUSING AUTHORITY
OF NEW ORLEANS**

YEAR ENDED SEPTEMBER 30, 2003

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 Ratier Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5-14-04

Housing Authority of New Orleans

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3
MANAGEMENT'S DISCUSSION AND ANALYSIS	5
BASIC FINANCIAL STATEMENTS	
BALANCE SHEET	12
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	14
STATEMENT OF CASH FLOWS	15
NOTES TO FINANCIAL STATEMENTS	17
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	20
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133	23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	37
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS	48
SUPPLEMENTAL INFORMATION	
FINANCIAL DATA SUBMISSION SUMMARY - COMBINING BALANCE SHEET	48
FINANCIAL DATA SUBMISSION SUMMARY - COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS	51
SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL AWARDS	52
CERTIFICATE OF ACTUAL MODERNIZATION COSTS AND ADVANCES	54
SCHEDULE AND RECONCILIATION OF COMPREHENSIVE GRANT PROGRAM ADVANCES AND COSTS	55
SCHEDULE AND RECONCILIATION OF CAPITAL FUND ADVANCES AND COSTS	56
SCHEDULE AND RECONCILIATION OF HOME VI ADVANCES AND COSTS	57
SCHEDULE AND RECONCILIATION OF DRUG ELIMINATION ADVANCES AND COSTS	58
MANAGEMENT LETTER	59



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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Housing Authority of New Orleans

We have audited the accompanying basic financial statements of the Housing Authority of New Orleans and its discretely presented component unit as of and for the year ended September 30, 2003, as listed in the table of contents. These basic financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of New Orleans and its discretely presented component unit as of September 30, 2003, and the changes in financial position and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2004, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 5 to 11 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures that consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and we express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of the Housing Authority of New Orleans taken as a whole. The accompanying supplemental information on pages 49 through 55, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Charlotte, North Carolina
January 9, 2004

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2003
(Unaudited)

Our discussion and analysis of the Housing Authority of New Orleans' financial performance provides an overview of the Authority's financial activities for the fiscal year ended September 30, 2003. Please read it in conjunction with the financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The assets of the Authority exceeded its liabilities at September 30, 2003 by approximately \$183,600,000 (net assets), an increase of 15.7% from September 30, 2002.
- The Authority's unrestricted cash balance at September 30, 2003 was approximately \$26,835,000, representing an increase of approximately \$7,963,000, or 41.2%, from September 30, 2002.
- The Authority had total revenue of approximately \$143,562,000, including capital grants revenue of approximately \$42,273,000, and total expenses of approximately \$119,285,000 for the year ended September 30, 2003.
- Net assets increased by approximately \$28,277,000 for the year.
- The Authority's fixed asset additions for the year were approximately \$40,296,000.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: (1) fund financial statements, and (2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. The Authority is a special-purpose government engaged only in business-type activities. Accordingly, only fund financial statements are presented as the basic financial statements.

The financial statements are designed to provide readers with a broad overview of the Authority's finances in a manner similar to a private sector business.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating, or otherwise changing in a dramatic manner.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2003
(Unaudited)

The *statement of revenue, expenses and changes in net assets* presents information detailing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The *statement of cash flows* provides information about the Authority's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities.

These financial statements report on the functions of the Authority that are principally supported by intergovernmental revenues. The Authority's function is to provide decent, safe, and sanitary housing to low-income and special needs populations, which is primarily funded with grant revenue received from the U.S. Department of Housing and Urban Development (HUD).

MAJOR PROGRAMS

The Authority has many programs that are consolidated into a single enterprise fund. The major programs consist of the following:

Low-Income Public Housing - Under the Conventional Public Housing Program, the Authority rents units it owns to low-income families. The Conventional Public Housing Program is operated under an Annual Contribution Contract (ACC) with HUD, and HUD provides an Operating Subsidy to enable the Authority to provide housing at a rent that is based upon 30 % of adjusted gross household income.

Comprehensive Grant Program (CGP) - The Conventional Public Housing Program also included the CGP, which was the primary funding source for physical and management improvements to the Authority's properties until the Capital Fund Program replaced this program in federal fiscal year 2000. CGP funding was based on a formula allocation that took into consideration the size and age of the Authority's housing stock.

Capital Fund Program (CFP) - As noted above, CFP is the current primary funding source for the Authority's physical and management improvements. While the formula funding methodology used for the CGP was revised for the CFP, funds are still provided by formula allocation and based on size and age of the Authority's units.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2003
(Unaudited)

HOPE VI – Urban Revitalization Program - The HOPE VI program was developed to replace severely distressed public housing. HOPE VI permits expenditures for the capital costs of demolition, construction, rehabilitation and other physical improvements, development of replacement housing, and community and supportive services. It encourages Public Housing Authorities (PHAs) to seek new partnerships with private entities to create mixed-financed and mixed-income communities that are different from traditional public housing "projects". HOPE VI grants are awarded to PHAs based upon a competitive application process.

Section 8 Housing Assistance - Vouchers - The housing choice voucher program is the federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. Housing choice vouchers are administered locally by PHAs. The PHAs receive funds from HUD to administer the voucher program. A housing subsidy is paid to the landlord directly by the PHA on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Section 8 Housing Assistance - New Construction/Substantial Rehabilitation, and Moderate Rehabilitation - These programs assist low-income families in affording decent, safe and sanitary housing by encouraging property owners to construct new, or rehabilitate existing substandard housing, and then to lease the units with rental subsidies to low-income families.

FINANCIAL ANALYSIS

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority has only one fund type, namely an enterprise fund which is a proprietary fund type. The financial statements can be found on pages 13 through 16 of this report.

Notes to the Financial Statements

Notes provide additional information essential to a full understanding of the data provided in the financial statements. Notes to the financial statements can be found on pages 17 through 32 of this report.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2003
(Unaudited)

Balance Sheet

The following table represents a condensed Balance Sheet as of September 30, 2003 and 2002:

	(Thousands)	
	2003	2002
Current assets	\$ 42,267	\$ 48,117
Restricted assets	2,391	2,428
Fixed assets	<u>192,248</u>	<u>172,515</u>
Total Assets	\$ 237,206	\$ 223,060
Current liabilities	\$ 14,787	\$ 27,518
Long-term liabilities	<u>28,849</u>	<u>28,189</u>
Total Liabilities	43,636	55,707
Net assets:		
Invested in capital assets	192,248	172,515
Unrestricted net assets	<u>1,482</u>	<u>(5,162)</u>
Total Net Assets	193,730	167,353
Total Liabilities and Net Assets	\$ 237,206	\$ 223,060

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Authority, assets exceeded liabilities by approximately \$193,600,000 at September 30, 2003, and \$167,373,000 at September 30, 2002.

The majority of the Authority's net assets are invested in capital assets (e.g., buildings, machinery, and equipment). The Authority uses these capital assets to provide housing services to residents; consequently, these assets are not available for future spending. The unrestricted net assets of the Authority are available for future use to provide program services.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2003
(Unaudited)

Statement of Revenues, Expenses, and Changes in Net Assets

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Net Assets for the years ended September 30, 2003 and 2002.

	(Thousands)	
	2003	2002
Intergovernmental revenue	\$ 152,276	\$ 156,932
Program revenue	9,564	10,289
Other revenue	1,813	1,787
Savings from compensated liabilities	<u>1,939</u>	<u>-</u>
Total Revenue	<u>165,592</u>	<u>169,008</u>
Operating expenses	49,881	55,587
Depreciation expenses	20,328	20,203
Housing Assistance Payments	<u>49,135</u>	<u>54,138</u>
Total Expenses	<u>119,344</u>	<u>129,928</u>
Net Increase	<u>\$ 46,248</u>	<u>\$ 39,080</u>

The net assets of the Authority increased by approximately \$16,277,000 during the year ended September 30, 2003 and by \$42,056,000 during the year ended September 30, 2002. The Authority's revenues are largely governmental revenues received from cost reimbursement grants. The Authority draws down monies from the grants' awards for allowable program expenses, except for non-cash transactions, such as depreciation expense and changes in compensated absences. The Authority's governmental revenues and charges for services were sufficient to cover all expenses incurred during the year.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2003
(Unaudited)

CAPITAL ASSETS

As of September 30, 2003 and 2002, the Authority's investment in capital assets for its business-type activities was approximately \$192,248,000 and \$172,535,000 (net of accumulated depreciation), respectively, as reflected in the following schedule.

	(Thousands)	
	2003	2002
Land	\$ 36,710	\$ 36,334
Buildings and improvements	178,878	112,788
Equipment - administrative	18,734	6,027
Construction in progress	14,328	28,163
Accumulated depreciation	<u>(241,006)</u>	<u>(220,777)</u>
Total	<u>\$ 192,248</u>	<u>\$ 172,535</u>

Major capital asset purchases during the years ended September 30, 2003 and 2002 include dwelling structure improvements and development activity.

Additional information on the Authority's capital assets can be found in Note G on page 28 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Authority is primarily dependent upon HUD for the funding of operations; therefore, the Authority is affected more by the Federal budget than by local economic conditions. The budgets for 2003-2004 have already been approved by HUD.

FUTURE EVENTS THAT WILL FINANCIALLY IMPACT THE AUTHORITY

During the years ended September 30, 2003 and 2002, approximately 91% and 92%, respectively, of the Authority's revenues came from governmental grants. The Authority is engaged in a comprehensive redevelopment project that encompasses six of its most severely distressed communities. This redevelopment project requires the demolition of 4,800 low-income housing units, or approximately 45% of the Authority's housing portfolio. When an entity is that dependent on one source of revenue, or radically transforming the composition of its housing portfolio, there is always a risk that should funding change due to unforeseen circumstances, the Authority would be facing a financial uncertainty.

Housing Authority of New Orleans

MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

September 30, 2003
(Unaudited)

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Housing Authority of New Orleans, 4100 Texas Street, New Orleans, LA 70122, or call (504) 670-5345.

Housing Authority of New Orleans

BALANCE SHEET

Enterprise Fund and Discretely Presented Component Unit

September 30, 2003

	ASSETS		
	Primary Government	Component Unit Resident Lease	Total Reporting Entity
Current Assets			
Cash and cash equivalents - unrestricted	\$ 26,699,177	\$ 131,466	\$ 26,830,643
Investments	5,542,213	-	5,542,213
Accounts receivable - tenants	279,367	-	279,367
Accounts receivable - HUD	8,388,581	-	8,388,581
Accounts receivable - other	371,649	-	371,649
Prepaid expenses	112,789	-	112,789
Inventories	1,048,181	-	1,048,181
Total Current Assets	42,410,547	131,466	42,542,013
Restricted Assets			
Resident security deposits	606,683	-	606,683
Resident reserves	1,468,311	-	1,468,311
Resident loan collateral	-	517,846	517,846
Total Restricted Assets	2,074,994	517,846	2,592,840
Fixed Assets			
Land	36,732,134	-	36,732,134
Buildings and improvements	370,977,913	-	370,977,913
Furniture, equipment and machinery - dwelling	1,742,893	-	1,742,893
Furniture, equipment and machinery - administration	8,964,796	13,681	8,978,477
Construction in progress	14,939,268	-	14,939,268
	413,357,943	13,681	413,371,624
Less: Accumulated Depreciation	(241,093,085)	(12,604)	(241,105,689)
Total Fixed Assets	172,264,858	7,077	172,271,935
Total Assets	\$ 218,148,111	\$ 496,989	\$ 221,205,610

(Continued)

Housing Authority of New Orleans

BALANCE SHEET

Enterprise Fund and Discretely Presented Component Unit

September 30, 2000

LIABILITIES AND NET ASSETS

	Primary Government	Component Unit Resident Lease	Total Reporting Entity
Current Liabilities			
Accounts payable	\$ 4,490,958	\$ -	\$ 4,490,958
Accounts payable - HUD	1,973,983	-	1,973,983
Accrued wages/taxes payable	583,887	-	583,887
Settlements, judgments and contingencies	2,100,487	-	2,100,487
Accrued expenses	649,284	-	649,284
Due to City of New Orleans (PFLCOT)	112,577	-	112,577
Deferred revenue	8,409	-	8,409
Other current liabilities	3,308,189	-	3,308,189
Accrued compensated absences - current portion	479,054	-	479,054
Total Current Liabilities	16,108,088	-	16,108,088
Current Liabilities Payable from Restricted Assets			
Resident security deposits	686,893	-	686,893
Long-Term Liabilities			
Accrued compensated absences - not of current portion	1,373,115	-	1,373,115
Settlements, judgments and contingencies	36,210,457	-	36,210,457
Other noncurrent liabilities	1,442,584	-	1,442,584
Total Long-Term Liabilities	39,026,156	-	39,026,156
Total Liabilities	45,554,177	-	45,554,177
Net Assets			
Invested in capital assets	192,244,858	3,197	192,248,055
Unrestricted	849,074	473,102	1,322,176
Total Net Assets	193,093,932	476,309	193,570,241
Total Liabilities and Net Assets	\$ 236,748,111	\$ 476,309	\$ 237,224,420

See notes to financial statements

Hoising Authority of New Orleans

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
Enterprise Fund and Discretely Presented Component Unit

For the year ended September 30, 2003

	Primary Government	Component Unit Resident Lease	Total Reporting Entity
Operating Revenue			
Dwelling rent	\$ 9,984,489	\$ -	\$ 9,984,489
Operating subsidy and grant revenue	132,313,967	-	132,313,967
Other income	1,286,384	187,336	1,473,720
Total Operating Revenue	<u>143,584,840</u>	<u>187,336</u>	<u>143,772,176</u>
Operating Expenses			
Administrative	17,189,543	189,393	17,378,936
Tenant services	2,829,642	-	2,829,642
Utilities	11,828,092	-	11,828,092
Ordinary maintenance and operations	14,427,523	-	14,427,523
Protective services	923,888	-	923,888
General	2,993,377	-	2,993,377
Housing assistance payments	49,153,746	-	49,153,746
Depreciation	29,121,886	6,892	29,128,778
Total Operating Expense	<u>118,679,548</u>	<u>206,187</u>	<u>118,885,735</u>
Operating Income	<u>24,905,292</u>	<u>(18,851)</u>	<u>24,886,441</u>
Nonoperating revenues (expenses)			
Interest revenue	408,989	7,664	416,653
Savings from compromised liabilities	1,839,341	-	1,839,341
Total Nonoperating Revenues (Expenses)	<u>2,248,330</u>	<u>7,664</u>	<u>2,255,994</u>
Net Income	<u>26,153,622</u>	<u>(11,187)</u>	<u>26,142,435</u>
Net Assets - Beginning	<u>168,828,382</u>	<u>246,966</u>	<u>169,075,348</u>
Net Assets - Ending	<u>\$ 194,982,004</u>	<u>\$ 235,779</u>	<u>\$ 195,217,783</u>

See notes to financial statements

Housing Authority of New Orleans

STATEMENT OF CASH FLOWS
 Enterprise Fund and Discretely Presented Component Unit

For the year ended September 30, 2000

	Primary Government	Component Unit Resident Loan	Total Reporting Entity
Cash flows from operating activities			
Dwelling unit receipts	\$ 9,418,196	\$ -	\$ 9,418,196
Operating subsidy and grant receipts	543,976,751	-	143,976,751
Other income receipts	1,331,803	181,336	1,488,968
Interest income receipts	408,989	7,668	408,121
Total receipts	<u>115,118,899</u>	<u>189,004</u>	<u>153,213,899</u>
Administrative expenses paid	(13,956,700)	(199,995)	(18,118,097)
Tenant services expenses paid	(3,128,774)	-	(3,128,774)
Utilities expenses paid	(12,881,841)	-	(12,881,841)
Ordinary maintenance and operational expenses paid	(14,831,864)	-	(14,831,864)
Protective services expenses paid	(1,083,819)	-	(1,083,819)
General expenses paid	(9,493,887)	-	(9,493,887)
Housing assistance payments	(49,125,746)	-	(49,125,746)
Total disbursements	<u>(130,996,811)</u>	<u>(219,895)</u>	<u>(131,216,706)</u>
Net cash provided by operating activities	<u>46,122,478</u>	<u>(30,891)</u>	<u>46,091,587</u>
Cash flows from investing activities			
Increase in restricted assets	183,721	25,817	209,538
Increase in investments	3,061,768	-	3,061,768
Fixed asset additions	(51,946,397)	-	(51,946,397)
Net cash used by investing activities	<u>(38,760,770)</u>	<u>25,817</u>	<u>(38,679,945)</u>
NET INCREASE (DECREASE) IN CASH	8,021,789	(5,067)	7,981,117
Cash and cash equivalents, beginning	<u>18,877,457</u>	<u>194,034</u>	<u>19,071,491</u>
Cash and cash equivalents, ending	<u>\$ 26,899,137</u>	<u>\$ 173,967</u>	<u>\$ 26,834,600</u>

(Continued)

Housing Authority of New Orleans

STATEMENT OF CASH FLOWS - CONTINUED
Enterprise Fund and Discretely Presented Component Unit

For the year ended September 30, 2005

	Primary Government	Component Unit Resident Lease	Total Reporting Entity
Reconciliation of net income to net cash provided by operating activities:			
Net income (loss)	\$ 26,362,552	\$ (80,487)	\$ 26,277,665
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	20,311,896	6,092	20,317,998
Changes in asset and liability accounts:			
(Increase) decrease in assets:			
Accounts receivable - tenants	(14,688)	-	(14,688)
Accounts receivable - HUD	10,908,757	-	10,908,757
Accounts receivable - other	34,639	-	34,639
Prepaid expenses	112,676	-	112,676
Inventories	(165,098)	-	(165,098)
Increase (decrease) in liabilities:			
Accounts payable	(1,317,437)	-	(1,317,437)
Accounts payable - HUD	1,834,436	-	1,834,436
Accrued wages/taxes payable	(266,641)	-	(266,641)
Settlements, judgments and contingencies	(9,219,741)	-	(9,219,741)
Accrued expenses	83,884	-	83,884
Due to City of New Orleans (PFLCOT)	45,800	-	45,800
Deferred revenue	(582,388)	-	(582,388)
Accrued compensated absences	(3,621)	-	(3,621)
Total adjustments	20,344,928	6,092	20,351,812
Net cash provided by operating activities	\$ 46,712,478	\$ (74,395)	\$ 46,638,083

See notes to financial statements

Housing Authority of New Orleans
NOTES TO FINANCIAL STATEMENTS

September 30, 2003

NOTE A - ORGANIZATION

Organization

The Housing Authority of New Orleans (the "Authority") is a public body corporate and politic established on September 29, 1956 pursuant to the laws of the State of Louisiana to provide low-cost housing for qualified individuals in accordance with the rules and regulations prescribed by the Department of Housing and Urban Development ("HUD") and other Federal Agencies. The primary purpose of the Authority is to provide safe, decent, sanitary, and affordable housing to low-income, elderly, and disabled families in New Orleans, Louisiana.

Reporting Entity

GAAP Statement No. 14, *The Financial Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under the provisions of this Statement, the Authority is considered a primary government, since it is a special purpose government that has a separate governing body, is legally separate, and is fiscally independent of other state or local governments.

The Authority is a related organization of the City of New Orleans since Commissioners are appointed by the Mayor of the City of New Orleans. The City of New Orleans is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the City of New Orleans. Accordingly, the Authority is not a component unit of the financial reporting entity of the City of New Orleans. The Authority has been determined to be a "Troubled Agency" by HUD, and HUD has appointed a Receiver to act as the Executive Director and has replaced the Authority's Board of Commissioners with its own appointed Board.

In determining how to define the reporting entity, management has considered all potential component units. The determination to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the *Codification of Governmental Accounting and Financial Reporting Standards* and GAAP Statement No. 14. These criteria include consideration of oversight responsibility, including financial accountability, appointment of a voting majority, imposition of will, financial benefit to or burden on a primary organization, financial accountability as a result of fiscal dependency, potential dual inclusion, and organizations included in the reporting entity although the primary organization is not financially accountable.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

HANO currently has one subsidiary/affiliate organization, and based upon the application of the criteria mentioned above, HANO Resident Loan Corporation, Inc. is a component unit of the Authority.

The main programs of the Authority are as follows:

- Low-Rent Public Housing under Annual Contributions Contract FW-1198 and related programs for development, modernization, community development, and resident assistance.
- Housing Choice Voucher Program (Formerly Section 8 Rental Assistance Program):

Rental Vouchers	FW-2217
Moderate Rehabilitation/Single Room Occupancy	FW-2147
New Construction	FW-2201
- Locally Owned Homeownership Program
- Resident-Managed Low-Rent Public Housing

Basis of Presentation and Accounting

In accordance with both Louisiana State Reporting Law (LAS-R-S-24514) and uniform financial reporting standards for HUD housing programs, the financial statements are prepared in accordance with United States generally accepted accounting principles (GAAP).

Based upon compelling reasons offered by the U.S. Department of HUD, the Authority reports under the governmental proprietary fund type (enterprise fund), which uses the accrual basis of accounting. The enterprise fund emphasizes the flow of economic resources as a measurement focus. In this fund, revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred. Pursuant to the election option made available by GASB Statement No. 20, pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989 are applied in the preparation of the financial statements.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2005

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The enterprise method is used to account for those operations that are financed and operated in a manner similar to private business, or where the Board has decided that the determination of revenues earned, costs incurred, and/or net income necessary for management accountability is appropriate. The intent of the governing body is that the costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through funding from HUD and charges to residents for rent and other fees.

Budgets

Budgets are prepared on an annual basis for each major operating program and are used as a management tool throughout the accounting cycle. The capital fund budgets are adopted on a "project length" basis. Budgets are not, however, legally adopted nor legally required for financial statement presentation.

Cash Equivalents

Cash and cash equivalents includes amounts in demand deposits, interest-bearing demand deposits, and time deposits and other investments with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Inter-Program Receivables and Payables

Inter-program receivables/payables are all classified as either current assets or current liabilities, and are the result of the use of the Public Housing Program as the common paymaster or "general fund" for shared costs of the Authority. Cash settlements are made periodically, and all inter-program balances are reconciled. These inter-program receivables and payables have been eliminated in the preparation of the basic financial statements. The detail by program can be found in the Combining Schedules of this report.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are recorded at fair value. Investment instruments consist only of items specifically approved for public housing agencies by the U.S. Department of Housing and Urban Development. Investments are either insured or collateralized using the dedicated method. Under the dedicated method of collateralization, all deposits and investments over the federal depository insurance coverage are collateralized with securities held by the Authority's agent in the Authority's name. It is the Authority's policy that all funds on deposit are collateralized in accordance with both HUD requirements and requirements of the State of Louisiana.

Inventories

Inventories are valued at cost using the First In, First Out ("FIFO") method. If inventory falls below cost due to damage, deterioration, or obsolescence, the Authority establishes an allowance for obsolete inventory. The Authority uses the consumption method for expense recognition and relies upon its periodic (annual) inventory for financial reporting purposes.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond the fiscal year end are recorded as prepaid items.

Restricted Assets

Certain assets may be classified as restricted assets on the balance sheet because their use is restricted for modernization programs, security deposits held in trust, family self-sufficiency program reserves, and tenants' reserves, among others.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

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

Fair Value of Financial Instruments

The carrying amount of the Authority's financial instruments at September 30, 2003 including cash, investments, accounts receivable, and accounts payable closely approximates fair value.

Fixed Assets

All purchased fixed assets are valued at cost when historical records are available. When no historical records are available, fixed assets are valued at estimated historical cost. Land values were derived from development clearance documentation. Donated fixed assets are recorded at their fair value at the time they are received. All normal expenditures of preparing an asset for use are capitalized when they meet or exceed the capitalization threshold.

Pursuant to the enterprise GAAP method, the cost of buildings and equipment is depreciated over the estimated useful lives of the related assets on a composite basis using the straight-line method. Depreciation commences on modernization and development additions in the year following completion, or in the fifth year if the program is 90% complete. The useful lives of buildings and equipment for purposes of computing depreciation are as follows:

Buildings	17½ years
Building modernization	10 years
Vehicles	5 years
Equipment	5 years

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Maintenance and repairs expenditures are charged to operations when incurred. Expenditures in excess of \$1,000 are capitalized. When land, buildings and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in operations.

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as annual vacation and sick leave. A liability for compensated absences for annual/vacation leave that is attributable to services already rendered and that is not contingent on a specific event, outside the control of the Authority and its employees, is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the Authority and its employees are accrued for in the period in which such services are rendered or in which such events take place.

Litigation Losses

The Authority recognizes estimated losses related to litigation in the period in which the event giving rise to the loss occurs, the loss is probable, and the loss can be reasonably estimated.

Annual Contribution Contracts

Annual Contribution Contracts provide that HUD shall have the authority to audit and examine the records of public housing authorities. Accordingly, final determination of the Authority's financing and contribution status for the Annual Contribution Contracts is the responsibility of HUD based upon financial reports submitted by the Authority.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE A - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority carries commercial insurance for risks of loss regarding workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years, with the exception of automobile liability insurance claims, which exceed coverage by \$1,608,808. Additionally, there has been no significant reduction in insurance coverage from the prior year. For other risks regarding property and general liability, the Authority is self-insured (see notes H and I).

NOTE B - DEPOSITS AND INVESTMENTS

For purposes of the Statement of Cash Flows, the Authority considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents. There were no non-cash investing, capital and financing activities during the year.

HUD requires authorities to invest excess funds in obligations of the United States, certificates of deposit or any other federally insured instruments.

HUD also requires that deposits be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivisions. Pursuant to HUD restrictions, obligations of the United States are allowed as security deposits. Obligations furnished as security must be held by the Authority or with an unaffiliated bank or trust company for the account of the Authority.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

It is the Authority's policy to maintain collateralization in accordance with state and HUD requirements.

Deposits

The three credit risk categories are defined as follows:

- 1) Insured or collateralized with securities held by the entity or by its agent (correspondent bank or Federal Reserve Bank) in the entity's name.
- 2) Collateralized with securities held by the pledging financial institution trust department or agent in the entity's name.
- 3) Uncollateralized or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the entity's name.

At September 30, 2003, the Authority's deposit balances were as follows:

	Credit Risk Category			Total Book Balances
	1	2	3	
Demand Deposits	\$ 28,380,914	\$ -	\$ -	\$ 28,380,914

Cash and cash equivalents are reported on the balance sheet as follows:

Cash and cash equivalents - unrestricted	\$ 26,834,683
Cash and cash equivalents - restricted	<u>1,485,311</u>
Total cash and cash equivalents	<u>\$ 28,380,914</u>

Investments

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal offices in Louisiana, or any other federally insured investment.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE B - DEPOSITS AND INVESTMENTS (Continued)

State law also requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC/SLIC insurance and the market value of securities purchased and pledged to the political subdivision. Pursuant to HUD restrictions, obligations of the United States are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an affiliated bank or trust company for the account of the political subdivision.

It is the Authority's policy to maintain collateralization in accordance with and HUD requirements.

The three credit risk categories for investments are defined as follows:

- 1) Insured or registered, or securities held by government or its agent in the government's name.
- 2) Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
- 3) Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

At fiscal year end, the Authority's investment balances were as follows:

Type of Investment	Category			Carrying Amount	Cost
	1	2	3		
Certificates of Deposit at Maturity Insured Depositories	\$3,942,213	\$ -	\$ -	\$3,942,213	\$3,942,213

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable as of September 30, 2003 consisted of the following:

Dwelling rents	\$	527,532
Allowance for doubtful accounts		<u>(215,160)</u>
Net tenant receivables		279,367
HUD (see NOTE F for detail)		8,386,591
Other		<u>271,049</u>
	\$	<u>9,028,007</u>

NOTE D - RESIDENT ESCROWS

Resident escrows as of September 30, 2003 consisted of the following:

Homebuyers' reserves	\$	1,181,172
Family self-sufficiency		275,927
Homeownership reserves		<u>9,202</u>
	\$	<u>1,466,301</u>

NOTE E - PREPAID EXPENSES

Prepaid expenses as of September 30, 2003 consisted of prepaid insurance of \$112,798.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE F - DUE FROM/TO U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Amounts due from HUD as of September 30, 2003 were as follows:

2002 RGSS	\$	2,707
2001 DEP		608,877
1994 Hope VI		28,756
1996 Hope VI		349,342
1998 Hope VI		43,284
2000 Hope VI		8,898
2001 Hope VI		184,878
2000 CFP		2,816,804
2001 CFP		2,498,238
2002 CFP		968,408
1996 CGP		215,168
HCVP Voucher		558,992
HCVP Mod/Rehab 3		128,113
HCVP Mod/Rehab 4		148,178
NC005		15,968
		<u>15,968</u>
	\$	<u>8,986,991</u>

Amounts due to HUD as of September 30, 2003 were as follows:

Low Rent Operating Subsidy	\$	1,738,624
NC005		82,144
SRC000		93,896
SRCSC001		11,702
SRC001		24,402
NC001		17,987
2000 Hope VI		728
		<u>728</u>
	\$	<u>1,973,483</u>

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE G - LAND, BUILDINGS, AND EQUIPMENT

	Balance September 30, 2002	Additions	Transfer and Deletions	Balance September 30, 2003
Land	\$ 38,333,898	\$ -	\$ 298,138	\$ 38,732,036
Buildings	112,788,498	-	28,899,417	179,977,815
Equipment - Dwelling	-	-	1,742,892	1,742,892
Equipment - Administration	6,027,245	-	2,517,052	3,510,193
Construction in Progress	18,183,111	49,048,654	(81,283,467)	14,948,298
Total	195,332,752	49,048,654	-	453,371,895
Accumulated Depreciation	(278,773,842)	(28,327,990)	-	(307,101,832)
TOTAL	\$ 172,558,910	\$ 19,720,664	\$ -	\$ 192,279,578

NOTE H - ACCRUED CONTINGENT LIABILITIES AND SETTLEMENTS

	Current	Long-term	Total
Judgments and settled claims	\$ 1,368,522	\$ 13,841,331	\$ 15,209,853
Interest payable on judgments and claims	731,975	123,596	855,571
Pending claims	-	12,267,190	12,267,190
\$ 2,100,497	\$ 26,232,117	\$ 28,332,614	

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE II - ACCRUED CONTINGENT LIABILITIES AND SETTLEMENTS (Continued)

Reconciliation of Accrued Contingent Liabilities and Settlements to the EDS:

	<u>Line 324</u>	<u>Line 332</u>	<u>Total</u>
Judgments and settled claims	\$ 1,368,532	\$ 13,841,331	\$ 15,209,863
Interest payable	731,973	123,908	855,881
Pending claims	-	12,287,180	12,287,180
	<u>2,100,505</u>	<u>26,252,419</u>	<u>28,352,924</u>
Other noncurrent liabilities:			
Orleans Parish School Board	-	361,493	361,493
Homebuyers' reserve liability	-	1,181,351	1,181,351
	<u>-</u>	<u>1,442,844</u>	<u>1,442,844</u>
	<u>\$ 2,100,505</u>	<u>\$ 27,695,263</u>	<u>\$ 29,795,768</u>

NOTE I - RISK MANAGEMENT

As stated in Note A, the Authority is exposed to various risks of loss related to torts, theft of damage to, and destruction of assets for which the Authority is self-insured for general liability, workers' compensation claims, fire and extended coverages.

The Authority funds its self-insurance fund annually consistent with state law requirements and the availability of funds for this purpose.

The Authority is a defendant in various lawsuits in which a probable loss to the Authority has been estimated. This estimate has been booked in the financial statements as shown in Note III, above.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE I - RISK MANAGEMENT (Continued)

The Authority is also a defendant in various lawsuits related to accidents and injuries on the Authority properties, for which no probability of outcome has been determined. In addition, the Authority is a defendant in a class action lawsuit regarding alleged lead-based paint poisoning. No estimate of probable loss has been made in this regard.

NOTE J - COMPENSATED ABSENCES PAYABLE

The Authority has established a policy (in accordance with State Civil Service) to pay each employee their accrued annual leave upon termination up to a maximum of 390 hours. The cost of current leave privileges, computed in accordance with GASB codification Section 660, is recognized as a current year expense in the period in which it is earned, in accordance with generally accepted accounting principles.

At September 30, 2003 total leave to be paid upon termination is \$1,652,169. Of this amount, \$479,034 is deemed to be a current liability.

NOTE K - DEFINED CONTRIBUTION PENSION PLAN

The Authority provides pension benefits for all its full-time employees through a defined contribution plan entitled "Housing Authority of New Orleans Pension Plan". The plan is administered by the Pension Plan Committee and was revised in November 2002. The Pension Plan Committee consists of employees of HANO. As a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investments earnings. The Board of Commissioners for the Authority is authorized to establish and amend plan benefits. Employees are eligible to participate after one hour of service.

The Authority contributes 5% of the employee's base salary each month, while the employee contributes a mandatory 5% of 1% of their gross wages. The Authority's contributions for each employee, and interest allocated to the employee's account, are fully vested after 3 years of service. Interest forfeited, either as a result of death or employees who leave employment prior to being vested, is apportioned among all participants in the plan year in which the forfeiture occurs.

The Authority's total payroll in fiscal year 2003 was \$18,857,981. The contributions of the Authority and employees were calculated using \$16,909,865. The Authority and the employees made contributions amounting to \$690,946 and \$92,021, respectively.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE L - ECONOMIC DEPENDENCY

The Authority received approximately 91% of its revenues from the U.S. Department of Housing and Urban Development ("HUD") in the fiscal year. If the amount of revenues received from HUD falls below critical levels, the Authority's operating results could be adversely affected.

NOTE M - CONTINGENCIES

The Authority is subject to possible examinations made by Federal and State authorities who determine compliance with terms, conditions, laws and regulations governing other grants given to the Authority in the current and prior years. There were no such examinations for the year ended September 30, 2003.

NOTE N - ANNUAL CONTRIBUTIONS CONTRACT PW-1190

Annual Contributions Contract PW-1190

Pursuant to the Annual Contributions Contract, HUD contributes an operating subsidy approved in the operating budget. Operating subsidy contributions for the year ended September 30, 2003, were \$22,368,901 for the Authority managed Low-Rent Public Housing Program and \$7,646,996 for the Resident Managed Low-Rent Public Housing Program.

Annual Contributions Contracts

Housing Choice Voucher Program Annual Contributions Contracts provide for housing assistance payments to private owners of residential units on behalf of eligible low or very low-income families. The program provides for such payments with respect to existing and moderately rehabilitated housing covering the difference between the maximum rental on a dwelling unit, and the amount of rent contribution by a participating family and related administrative expense.

Housing Authority of New Orleans

NOTES TO FINANCIAL STATEMENTS - CONTINUED

September 30, 2003

NOTE N - ANNUAL CONTRIBUTIONS CONTRACT FW-1190 (Continued)

HUD contributions for the year ended September 30, 2003, were as follows:

FW-2217 Rental Vouchers	\$ 48,375,273
FW-2347 Moderate Rehabilitation/ Single Room Occupancy	2,484,902
FW-2201 New Construction	<u>2,348,833</u>
	<u>\$ 53,209,008</u>

NOTE O - COMMITMENTS

The Authority is engaged in a modernization and development program and has entered into construction-egg contracts with approximately \$71,960,000 remaining until completion.



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

To the Board of Directors
The Housing Authority of New Orleans

We have audited the basic financial statements of the Housing Authority of New Orleans as of and for the year ended September 30, 2003, and have issued our report thereon dated January 9, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Housing Authority of New Orleans' basic financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Housing Authority of New Orleans' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the 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 the Housing Authority of New Orleans' 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 2003-1 to 2003-6.

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 material weaknesses. However, of the reportable conditions described above, items 2003-3 to 2003-8 are considered to be material weaknesses. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of the Housing Authority of New Orleans in a separate letter dated January 9, 2004.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Charlotte, North Carolina
January 9, 2004



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

To the Board of Directors
The Housing Authority of New Orleans

Compliance

We have audited the compliance of the Housing Authority of New Orleans with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2003. The Housing Authority of New Orleans' major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Housing Authority of New Orleans' management. Our responsibility is to express an opinion on the Housing Authority of New Orleans' compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Housing Authority of New Orleans' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Housing Authority of New Orleans' compliance with those requirements.

As described in items 2003-7 to 2003-10 in the accompanying Schedule of Findings and Questioned Costs, the Housing Authority of New Orleans did not comply with requirements regarding (a) allowable costs/cost principles, eligibility, and equipment and real property management applicable to its Low-Rent Public Housing - Operating Subsidy, (b) special rules applicable to its Housing Choice Voucher Program, (c) reporting applicable to its Revitalization of Severely Distressed Public Housing (HOPV VI) program, and (d) procurement applicable to its Drug Elimination Program. Compliance with such requirements is necessary, in our opinion, for the Housing Authority of New Orleans to comply with requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Housing Authority of New Orleans complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the Housing Authority of New Orleans is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Housing Authority of New Orleans' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance 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 compliance that, in our judgment, could adversely affect the Housing Authority of New Orleans's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-7 to 2003-10.

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 noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance 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, of the reportable conditions described above, we consider items 2003-8, 2003-9, and 2003-10 to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Charlotte, North Carolina
January 9, 2004

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2000

Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the Housing Authority of New Orleans.
2. Reportable conditions and material weaknesses were identified during the audit of the basic financial statements.
3. No instances of noncompliance material to the basic financial statements of the Housing Authority of New Orleans were disclosed during the audit.
4. Reportable conditions and material weaknesses were identified during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Housing Authority of New Orleans expresses a qualified opinion.
6. Audit findings relative to the major federal award programs for the Housing Authority of New Orleans are reported in this schedule.
7. The programs tested as major programs include:
 - CFDA #14.850 Low-Rent Public Housing – Operating Subsidy
 - CFDA #14.899 Comprehensive Grant Program
 - CFDA #14.866 HOPE VI – Urban Revitalization Program
 - CFDA #14.872 Capital Fund Program
 - CFDA #14.182 HCVP – New Construction
 - CFDA #14.871 HCVP – Voucher
 - CFDA #14.856 HCVP – Moderate Rehabilitation
8. The threshold for distinguishing Type A and B programs was \$1,000,000.
9. The Housing Authority of New Orleans did not qualify as a low-risk auditee.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2003

Comment on findings: Due to the timing of the performance of the prior year audit, and the fact that the audit report and findings were delivered to HANO on approximately September 30, 2003 (the end of the current audit period), there was no opportunity for the 2002 audit findings to be addressed and closed before the end of the current audit, other than financial statement audit findings 2002-1 and 2002-8, and major federal awards program findings 2002-12, 2002-14, and 2002-15 which were addressed and for which no compliance findings were noted for the current year. There were no new findings to report for the current year audit.

Findings -- Financial Statements Audit

2002 - 1 -- Cash Disbursement Procedures

Signed checks are in the custody of the individual that prepares manual checks. They should be handled by someone independent of all payable, disbursing, cash receiving and general ledger functions. This matter relates to finding 2002-2, which remains unresolved as of year end.

We recommend that after checks are signed, they be given to an individual to mail that is independent of all payable, disbursing, cash receiving and general ledger functions.

Management's Response:

HANO has taken necessary steps to separate these duties by reassigning the duty of manual check preparation to another member of the Accounts Payable area. The Authority considers this finding closed based on action taken.

2002 - 2 -- Procurement System -- Legal Services

Only three of the twenty-four attorneys currently providing legal services for HANO are under contract, as the last formal procurement process was conducted by the legal department approximately four years ago. This matter relates to finding 2002-3, which remains unresolved as of year end.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2003

Management's Response:

HANO is in the process of assessing its short and long-term needs for legal services. Once complete, the Authority will procure the required services in accordance with the procurement policy.

2003 - 3. Processing of Vendor Invoices

Many of the disbursements selected for testing were lacking proper approval on the check request and/or invoice. Performance of invoice verification procedures such as comparing the invoice to the purchase order and receiving reports, recomputing extensions and footings, and verifying discount and freight terms are not indicated on the face of the invoice. This matter relates to finding 2003-4, which remains unresolved as of year end.

We recommend that performance of invoice verification procedures and management approvals for payment be documented on the face of the invoice. Invoices could be stamped with places where the performance of these procedures could be documented with the initials of the person performing the procedures and the date the procedures were performed.

Management's Response:

HANO concurs with the auditors finding and will immediately implement procedures to ensure proper invoice verification and management approvals are documented on the face of invoices or their accompanying paperwork. HANO will also update the approval document's signature approval format to specifically delineate the required signatures based on disbursement amount.

2003 - 4. Procurement System - Compliance with Established Procedures

The semi-formal procurement process was not conducted on all disbursements greater than \$1,000 for services, as is required by the procurement policy. Rather, invoices for amounts exceeding \$1,000 were submitted for payment without ever passing through the Procurement Department. This matter relates to finding 2003-5, which remains unresolved as of year end.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2005

We recommend that the procurement policies be strictly adhered to. If invoices are submitted for payment without having gone through the normal procurement procedures, payment of the invoice should be withheld until compliance with the procurement procedures is documented.

Management's Response:

HANO's procurement policy allows the Authority to utilize a "Direct Pay List" for goods and services needed by which the nature of the transaction are impractical or impossible to competitively bid and as such are exempt from competitive bidding requirements. All requests for goods and services not included on the list shall be properly processed by the Procurement Department. To ensure all future procurements are compliant with established procedures, HANO's Finance Department and Procurement Department will coordinate efforts to provide adequate staff training, enforce adherence to procedures for all transactions greater than \$1,000.

2001 - 5 - Procurement System - Vendor Data Base

A review of the information in the vendor data base found numerous problems. The data base had approximately 18,400 vendor files. Of these files approximately 17,000 did not have phone numbers, 14,000 did not have taxpayer identification numbers, 675 did not have complete address information, and 275 were duplicate vendor names. In addition to the problems that the Authority can encounter in trying to process and locate vendors when adequate records are not maintained, there also exists the potential for failing to comply with the requirements of the Internal Revenue Code by not sending the required Form 1099 to vendors. This matter relates to finding 2002-6, which remains unresolved as of year end.

We recommend that the data base be reviewed and the required information gathered. Inactive vendors should be removed from the data base, and unnecessary duplicate vendors should be deleted.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2003

Management's Response:

HANO is currently engaged in a process to update all vendor files and make sure all pertinent information is retained on file for active vendors. HANO is contacting each vendor in the vendor database for which a payment has been made within the last 24 months and requesting they complete the requisite paperwork and return to HANO on a date certain. Any vendor that does not comply will be placed on an "inactive and unable to distribute funds" status until such time as they either comply or are deemed to be permanently inactive. Additionally, all currently inactive vendors will be appropriately coded as well as duplicate vendors purged from the system. Data validation procedures will be followed to assure all active vendor files are corrected.

2003-6. Procurement System - Authorized Vendor

The ability to set-up vendor accounts in the computer system is not limited to authorized personnel in the Procurement Department; consequently, it is possible for personnel in the Accounting Department to set-up vendors and process payments for purchases and vendors that have not been subjected to the required procurement process. This matter relates to finding 2003-7, which remains unresolved as of year end.

We recommend that computer controls be established that limits the ability to set-up vendor accounts to those in the Procurement Department that require that ability as part of their job function.

Management's Response:

HANO concurs with the auditors finding and has restricted access to the vendor setup process in the computer system to personnel in the Procurement Department. The Authority considers this finding closed based on action taken.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2005

Findings and Questioned Costs – Major Federal Awards Programs Audit

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CFDA #14.850 Low-Rent Public Housing – Operating Subsidy

2003 – 7. Cost Allocation Plan

Condition and Criteria: The Authority modified its Cost Allocation Plan to be effective as of the beginning of the year (October 1, 2003), however, the new plan was never input into the computerized accounting system. HUD regulations require that only allowable costs can be charged to HUD programs. In determining whether an indirect cost is allowable, it must be allocated among various cost centers and programs in accordance with a plan that complies with federal cost principles. This matter relates to finding 2003-9, which remains unresolved as of year end.

Effect: If it is determined that costs were not allocated in accordance with applicable HUD regulations, the Authority could be responsible for refunding the unallowed costs to HUD.

Auditor's Recommendation: The cost allocation plan should be reviewed each year as part of the budgeting process and any changes should be implemented as of the beginning of the year.

Management's Response:

HANO is updating its budget process and cost allocation methodology. Every precaution will be taken to update the computer system in a timely manner so that costs are allocated for each fiscal year based on the activities and funding sources for any particular fiscal year. The Authority considers this finding closed based on action taken.

2003 – 8. Tenant Lease File Screen

Condition and Criteria: Of the 60 lease files tested, the following deficiencies were noted:

- 93% of the lease files did not have either the tenant's signature or the signature of the Authority's representative on the annual income calculation.
- 10% of the rent payments were for different amounts than what was shown on the rent roll.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2015

- 85% of the lease files did not have a move-in inspection for the unit the tenant occupied during the period tested.
- 13% of the lease files had leases with rents that differed from the rent roll.
- 29% of the rent payments could not be agreed to a deposit slip.
- 33% of the leases were not signed by residents of the apartment over the age of 18 (exclusive of the head of household).
- 15% of the lease files had income amounts that were not supported through third party verification.
- 4% of the lease files showed zero income for the tenant; however there was no certification of zero income.
- 7% of the lease files that were requested for testing could not be found by the Authority.

This matter relates to finding 2012-15, which remains unresolved as of year end.

Effect: The Authority does not have sufficient documentation of compliance with HUD regulations regarding the eligibility of tenants and the proper amount of rent that tenants must pay. This could jeopardize HUD funding of the Authority.

Auditors' Recommendation: A systematic and complete review of all tenant files should be conducted. All missing documentation should be obtained. A checklist of required documents should be developed and placed in the front of each tenant file. After the annual recertification, a tenant file should not be filed away as completed until all required documents are signed-off as being in the file.

Management's Response:

Upon notification of the tenant file deficiencies HANO took the proper steps to immediately correct them. The Authority would like to note that based on HANO's procedure, Housing Management staff is only required to obtain the head of household's signature and not all of the resident's signatures who are over 18 years of age and as such did not modify these files. Management has since trained/retained staff on rent calculation and Rental Integrity Monitoring. Additionally, procedures are being reviewed and updated for consistency to the revised ACOF and a system of quality control is planned to be implemented pending technical assistance from a third party contractor. HANO is also updating its standard operating procedure manual and will provide on-going training to all Housing Management staff.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2005

2002...9...Inventory of Fixed Assets

Condition and Criteria: The Authority was unable to produce a listing of all current equipment, furniture, land and buildings as of September 30, 2005. Several schedules were provided with account titles which have been carried forward from earlier years. The Authority failed to perform a physical inventory of its fixed assets at least once every two year as required by HUD regulations. This matter relates to finding 2002-11, which remains unresolved as of year end.

Effect: Without detail records and periodic inventories of fixed assets, fixed assets and any proceeds from disposal may be subject to theft or misappropriation.

Auditors' Recommendation: A physical inventory of the Authority's fixed assets should be taken, and that inventory should be recorded in the accounting records.

Management's Response:

HANO will engage in an inventory of fixed assets and reconcile the results to the general ledger in fiscal year 2006 and no less than bi-annually thereafter.

2002...10...Accounting for the Activities of the Resident Management Corporations

Condition and Criteria: The Authority has two developments under Resident Management Corporation (RMC) agreements that are also under separate Operating Fund Formulas. HANO provides contract administration and oversight to the RMCs as owner of the properties. In so doing, the Authority provides monthly subsidy allocations to the Grant and Cooper Resident Management Corporations. To record these advances in the appropriate sub-ledger for the respective RMC, the Authority debits an account titled Undistributed Expenses. When the RMC provides an accounting of its expenditures, the Undistributed Expenses account is cleared out and the appropriate accounts (generally expense accounts) are debited. This accounting entails an annual reconciliation between each RMC's trial balance and the records of the Authority. Supporting documentation and required annual audits are not always provided in a timely manner in accordance with the terms of the contracts with the RMCs. This matter relates to finding 2002-12, which remains unresolved as of year end.

Housing Authority of New Orleans

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year ended September 30, 2005

Effort: These procedures do not ensure that the funds spent by the RMCs are sufficiently monitored. Consequently, it is possible that HUD funds are not being spent and accounted for in accordance with HUD regulations.

Auditors' Recommendation: We recommend that the Authority enforce the terms of the contracts with the RMCs, which will result in a complete accounting for and monitoring of each RMC's activities.

Management's Response:

The Authority will immediately take action to implement oversight and accounting systems that ensure timely compliance with the RMC contractual agreements.

Total questioned costs for CFDA #14.850 Low-Rent:

Public Housing - Operating Subsidy \$ - 0 -

Hoisington Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2005

Ref. No.	Fiscal Year Finding Initially Observed	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Status
Section I - Internal Control and Compliance Matters for Financial Statements				
1	2002	AUDIT ENGAGEMENT COMPLETION The September 30, 2002 audited financial statements were not filed with SEC or the Louisiana Legislative Auditor by the filing deadline.	YES	The auditor considers this finding closed.
2	2002	CASH DISBURSEMENTS PROCEDURES Deposit checks are in the custody of the individual that prepares manual checks.	NO	This finding continues as Finding 2001-1. Corrective action of reassignment of duties will resolve this finding in FY2004.
3	2002	PROCUREMENT SYSTEM - LEGAL SERVICES Only 1 of 14 attorneys are under contract with HAHO.	NO	This finding continues as Finding 2001-3. Upon completing a review of HAHO's needs for legal services, the required services will be procured in accordance with the procurement policy.
4	2002	PROCUREMENT OF FUNDING INVOICES Many statements were not followed documentation of approval and verification/reconciliation.	NO	This finding continues as Finding 2001-3. Procedures will be implemented to ensure proper documentation of verification procedures and management approval for payment.
5	2002	PROCUREMENT SYSTEM - COMPLIANCE WITH ESTABLISHED PROCEDURES Procurement procedure for purchases greater than \$1,000 were not consistently followed.	NO	This finding continues as Finding 2001-4. Additional employee training and coordination between the Procurement and Finance Departments to ensure compliance with stated procurement policies.
6	2002	PROCUREMENT SYSTEM - VENDOR DATA ERROR The vendor database had incomplete information and duplicate entries for the same vendor.	NO	This finding continues as Finding 2001-5. HAHO is currently updating vendor files.
7	2002	PROCUREMENT SYSTEM - AUTHORIZED VENDORS The ability to bring new vendors in the computer system was not effectively controlled processes in the Procurement Department.	NO	This finding continues as Finding 2001-6. Corrective action of restricting access will resolve this finding in FY2004.
8	2002	ERROR IN YEAR END CLOSING PROCEDURES Business instances of accounts payable and revenue account re-off errors were accounted while performing the audit.	YES	The auditor considers this finding closed.

Housing Authority of New Orleans

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS - CONTINUED

Year ended September 30, 2005

Ref. No.	Fiscal Year Finding Identifying Character	Description of Finding	Current Action Taken	Planned Corrective Action or Partial Corrective Action Taken or Planned
Section II - Internal Control and Compliance Material to Federal Awards				
9	2002	COOP ALLOCATION PLAN (Integrating the year allocation plan with the implementation as of the beginning of the year as intended.	YES	The finding continues in finding 2005-7.
10	2001	TENANT LEASE FILE ERRORS Testing of lease files found many errors.	NO	This finding continues in finding 2005-8. HANSO is using steps to streamline processes and update standard operating procedures. It clarifies contracts will be filed for technical assistance.
11	2001	INVENTORY OF FIXED ASSETS Fixed asset schedules were not finalized, and a physical inventory of fixed assets has not been conducted at least once every year.	NO	This finding continues in finding 2005-9. HANSO will take a physical inventory of its fixed assets and reconcile the results to the general ledger during FY 2006, and at least bi-annually thereafter.
12	2002	ACCOUNTING FOR THE ACTIVITIES OF THE RESIDENT MANAGEMENT CORPORATIONS In-house accounting oversight is not maintained for the two Resident Management Corporations under the auspices of HANSO.	NO	This finding continues in finding 2005-10. HANSO will implement oversight and accounting systems that ensure timely compliance with the RMC contractual agreements.
13	2001	DOCUMENTATION OF UNIT INSPECTION RATES The unit unit inspections were performed were inaccurately recorded due to a software problem.	YES	The auditor considers this finding closed.
14	2001	FINANCIAL REPORTING Quarterly financial reports from HOPE VI project did not agree to the information in LOCCC due to an omission of some costs from the quarterly reports.	YES	The auditor considers this finding closed.
15	2001	PROCUREMENT HANSO did not have documentation justifying the reason/limited competition as a contract for over \$1,000,000 was acceptable.	YES	OIG and FBI/DO have reviewed the transactions and have closed their investigations without adjustment. The auditor considers this finding closed.

SUPPLEMENTAL INFORMATION

Board of Directors of New York

FINANCIAL STATEMENTS
COMBINED BALANCE SHEET ACCOUNTS

September 30, 2003

Line Item	Account Description	2003		2002		2001		2000		1999		1998		1997		1996		1995		1994		
		Assets	Liabilities																			
1	Current Assets	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	
2	Accounts Receivable	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	
3	Accounts Payable	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	
4	Accounts Receivable - Other	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	
5	Accounts Payable - Other	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	
6	Total Current Assets	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	
7	Non-current Assets	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	
8	Investments	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	
9	Property, Plant, and Equipment	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
10	Goodwill	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
11	Other Intangible Assets	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
12	Total Non-current Assets	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	
13	Total Assets	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	
14	Current Liabilities	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
15	Accounts Payable	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	
16	Accounts Payable - Other	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	-	500,000	
17	Total Current Liabilities	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
18	Non-current Liabilities	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
19	Long-term Debt	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
20	Total Non-current Liabilities	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	
21	Total Liabilities	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	
22	Equity	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000
23	Common Stock	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
24	Retained Earnings	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000	-	1,000,000
25	Total Equity	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000
26	Total Assets	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000	-	2,000,000

Showing Authority of New Entries

FINANCIAL DATA SUBMISSION SUMMARY
COMPARISON STATEMENT OF BIDDERS, OFFERS AND
CONTRACTS IN THE MOST ACCURATE

Year ending September 30, 2018

Line	Account Description	All Bid		Low Bid		Proposals		Award		Contract	
		(\$ MIL)	(\$ MIL)	(\$ MIL)	(\$ MIL)	(\$ MIL)	(\$ MIL)				
10	PROBABLE BIDDING	100.00	100.00								
11	Open Contract	100.00	100.00								
12	Unsettled Bids			100.00							
13	Unsettled Offers										
14	Unsettled Contracts										
15	UNSETTLED BIDDING	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
16	UNSETTLED BIDDING (NEW)	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
17	Other Entries										
18	Unsettled Bids										
19	Unsettled Offers										
20	Unsettled Contracts										
21	TOTAL BIDDING	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00
22	Unsettled Bids										
23	Unsettled Offers										
24	Unsettled Contracts										
25	TOTAL BIDDING (NEW)										
26	Unsettled Bids										
27	Unsettled Offers										
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160	Unsettled Contracts										
161	TOTAL BIDDING (NEW)										
162	Unsettled Bids										
163	Unsettled Offers										
164	Unsettled Contracts										

Housing Authority of New Orleans

STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2003

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Public Housing:			
Operating Subsidy	A - Major	14.850	\$ 30,807,897
Drug Elimination Program	B - Nonmajor	14.854	1,708,512
Comprehensive Grant Program	A - Major	14.859	25,592,462
HOPE VI - Urban Revitalization Program	A - Major	14.868	7,897,593
ROSS Grant	B - Nonmajor	14.879	129,739
Capital Fund program	A - Major	14.872	12,743,688
Housing Choice Voucher Program:			
New Construction	A - Major	14.182	2,748,815
Voucher	A - Major	14.871	48,518,560
Moderate Rehabilitation	A - Major	14.856	<u>2,684,992</u>
TOTAL FEDERAL FINANCIAL AWARDS:			\$ 132,215,967

CERTIFICATE OF ACTUAL MODERNIZATION COSTS AND ADVANCES

September 30, 2003

GRANT NUMBER	L448901700-96	L448901700-97	L448901700-98	L448901700-99
PROGRAM FUND BUDGET	COP 1996 Y06	COP 1997 Y01	COP 1998 Y06	COP 1999 Y06
Advances	\$ 27,569,428	\$ 16,400,000	\$ 27,569,211	\$ 24,621,000
Cash	27,789,559	16,400,000	27,569,211	24,621,000
Excess (Deficiency) of Advances Due To (From) BUD	\$ (220,131)	-	\$ -	\$ -
The Annual Modernization Cost Certificate is in agreement with the Authority's records	Yes	Yes	Yes	Yes
All modernization work is completed with the grant funds being completed	Yes	Yes	Yes	Yes
All advances have been paid and those are on undisbursed materials, laborer's contracts or material-man's items against the Project on file in any public office where the same should be filed in order to be valid. The time in which such items could be filed has expired.	Yes	Yes	Yes	Yes
There were no budget overruns.	Yes	Yes	Yes	Yes

Hoising Authority of New Orleans

SCHEDULE AND RECONCILIATION OF COMPREHENSIVE-GRAANT PROGRAM ADVANCES AND COSTS

September 30, 2005

PROGRAM FUND REPORT	1996 796	1997 797	1998 798	1999 799	Total
	<u>\$ 27,765,104</u>	<u>\$ 26,481,893</u>	<u>\$ 27,769,211</u>	<u>\$ 24,631,698</u>	<u>\$ 116,647,906</u>
ADVANCES					
Cash receipts - prior years per audit	\$ 26,601,833	\$ 24,688,175	\$ 26,882,669	\$ 14,451,046	\$ 92,623,693
Cash receipts - corrections - Tours M, Building	348,211	1,736,733	-	588,436	2,673,479
Cash receipts - corrections - other	-	-	(2,191)	1,188	(7)
Adjusted prior years	<u>26,950,044</u>	<u>26,424,893</u>	<u>26,880,478</u>	<u>15,039,669</u>	<u>95,335,884</u>
Cash receipts - current year	<u>6,665,236</u>	<u>-</u>	<u>4,487,733</u>	<u>19,295,672</u>	<u>30,448,641</u>
Comitative as of September 30, 2005	<u>27,615,280</u>	<u>26,424,893</u>	<u>27,769,211</u>	<u>34,335,341</u>	<u>116,174,605</u>
COSTS					
Prior years per audit	26,698,187	26,661,171	22,776,768	26,448,262	82,584,818
Corrections to prior years	289,221	1,736,733	(1,091)	588,436	2,623,299
Adjusted prior years	<u>26,987,408</u>	<u>26,424,893</u>	<u>22,775,677</u>	<u>27,036,718</u>	<u>82,764,806</u>
Current year	<u>7,866,891</u>	<u>-</u>	<u>1,614,821</u>	<u>13,712,389</u>	<u>23,194,101</u>
Comitative as of September 30, 2005	<u>27,769,299</u>	<u>26,424,893</u>	<u>27,769,211</u>	<u>40,749,107</u>	<u>116,647,711</u>
EXCESS(BREQUENCY) OF ADVANCES OVER TOURS/MOOR FUND					
	<u>\$ 175,189</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,189</u>
Asset Modernization-Cost Certificate issued					
	Yes	Yes	No	Yes	
Ball costs					
Prior years per audit	\$ 4,238,868	\$ 3,763,673	\$ 1,206,632	\$ 8,271,646	\$ 17,479,819
Corrections	-	-	(1,191)	-	(1,191)
Adjusted prior years	<u>4,238,868</u>	<u>3,763,673</u>	<u>1,205,441</u>	<u>8,271,646</u>	<u>18,275,629</u>
Current year	<u>119,662</u>	<u>-</u>	<u>65,689</u>	<u>1,171,668</u>	<u>1,357,019</u>
Comitative as of September 30, 2005	<u>4,358,530</u>	<u>3,763,673</u>	<u>1,271,130</u>	<u>9,443,314</u>	<u>19,835,206</u>
Hard costs					
Prior years per audit	\$ 16,811,221	\$ 18,961,698	\$ 21,211,749	\$ 11,798,634	\$ 68,783,302
Corrections - Tours M, Building	348,211	1,736,733	-	588,436	2,673,479
Adjusted prior years	<u>17,159,432</u>	<u>20,698,431</u>	<u>21,211,749</u>	<u>12,387,070</u>	<u>71,456,682</u>
Current year	<u>7,996,182</u>	<u>-</u>	<u>4,946,812</u>	<u>12,956,812</u>	<u>25,899,806</u>
Comitative as of September 30, 2005	<u>25,155,614</u>	<u>20,698,431</u>	<u>26,158,561</u>	<u>25,343,882</u>	<u>97,356,504</u>

Hunting Authority of New Zealand

SCHEDULE AND RECONCILIATION OF CAPITAL FUND EXPENSES AND COSTS

September 30, 2003

PROGRAM FUNDS	Existing Requirements Funds				Total
	2002 NS	2003 NS	2004 NS	2005 NS	
WFOCET	\$ 1,861,609	\$ 1,479,650	\$ 2,226,273	\$ 28,799,683	\$ 31,367,215
EXPENSES:					
Cash receipts - prior years per audit	-	-	-	1,960,671	-
Cash receipts - current year	5,688	-	-	4,111,962	\$ 5,172,650
Commutative as of September 30, 2003	1,867,297	1,479,650	2,226,273	31,269,316	\$ 38,533,138
COSTS:					
Prior years per audit	5,688	-	-	4,911,479	\$ 4,917,167
Current year	-	-	-	3,398,876	3,398,876
Commutative as of September 30, 2003	5,688	-	-	8,310,355	\$ 13,310,043
RECONCILIATION OF BALANCE SHEET					
RECONCILIATION TO FINANCIAL STATEMENTS					
Actual Reconciliation Cost Certificate issued	\$ -	\$ -	\$ -	\$ 12,498,330	\$ 12,498,330
Self costs					
Prior years per audit	-	-	-	6,795,294	\$ 6,795,294
Current year	-	-	-	1,221,684	1,221,684
Commutative as of September 30, 2003	-	-	-	8,016,978	\$ 8,016,978
Bad debts					
Prior years per audit	1,698	-	-	1,481,271	\$ 1,482,969
Current year	-	-	-	4,998,860	4,998,860
Commutative as of September 30, 2003	1,698	-	-	6,470,139	\$ 6,471,837

Board of Directors of New Orleans

REVENUE AND RECONSTRUCTION OF BOND FINANCING AND COSTS

September 30, 2003

PROGRAM	1994	1995	1996	1997	2000	2001	2002	Total
REVENUE	\$	\$	\$	\$	\$	\$	\$	\$
ADVERTISING	44,203,000	600,000	20,000,000	3,980,000	1,643,000	1,643,000	1,643,000	36,155,000
CONTRIBUTIONS	1,878,000	280,000	6,981,000	1,088,000	1,403,000	1,403,000	1,403,000	15,487,100
Cost recovery - prior years per month	6,560,000	-	1,795,000	26,210	296,700	296,700	296,700	8,950,610
Cost recovery - current year	-	-	-	-	-	-	-	-
Contributions as of September 30, 2003	20,144,800	280,000	10,271,000	1,078,210	1,419,700	1,419,700	1,419,700	34,562,910
COSTS								
Prior years per month	14,893,213	260,000	9,030,210	1,840,718	1,861,200	1,861,200	1,861,200	33,593,331
Current year	5,174,400	-	1,251,400	27,200	124,000	124,000	124,000	5,476,600
Contributions as of September 30, 2003	20,100,000	260,000	10,271,400	1,867,918	1,419,000	1,419,000	1,419,000	34,562,318
RECONSTRUCTION OF								
ADMINISTRATIVE PROGRAMS								
Annual Administration Cost Certificate issued	5,050,000	-	12,450,000	1,050,000	80,000	80,000	134,000	17,454,000
Ball costs								
Prior years per month	1,094,214	1,400	1,176,318	684,811	1,094,200	1,100,000	1,100,000	5,000,000
Current year	473,000	-	473,000	11,843	70,000	70,000	70,000	1,066,843
Contributions as of September 30, 2003	1,099,214	1,400	1,649,318	696,654	1,464,200	1,470,000	1,470,000	5,537,157
Ball costs								
Prior years per month	1,000,000	1,210,000	1,440,000	1,000,000	-	-	8,078	5,048,000
Current year	4,000,000	-	81,000	90,000	20,000	20,000	90,000	4,421,000
Contributions as of September 30, 2003	4,000,000	1,210,000	1,521,000	1,090,000	20,000	20,000	110,000	7,469,000

Hoarding Authority of New Orleans

SCHEDULE AND RECONCILIATION OF DRUG ELIMINATION ADVANCES AND COSTS

September 30, 2003

PROGRAM FUND BUDGET	2000 417	2001 413	2002 414	Total
	<u>\$ 2,476,516</u>	<u>\$ 3,093,887</u>	<u>\$ 2,776,868</u>	<u>\$ 8,347,271</u>
ADVANCES:				
Cash receipts - prior years per audit	\$ 2,476,516	\$ 3,093,887	\$ 112,892	\$ 5,683,295
Cash receipts - current year	-	-	1,876,769	1,876,769
Cumulative as of September 30, 2003	<u>2,476,516</u>	<u>3,093,887</u>	<u>2,000,661</u>	<u>8,571,064</u>
COSTS:				
Prior years per audit	2,476,516	3,093,887	801,766	6,372,169
Current year	-	-	1,768,513	1,768,513
Cumulative as of September 30, 2003	<u>2,476,516</u>	<u>3,093,887</u>	<u>2,611,279</u>	<u>8,181,682</u>
EXCESS (DEFICIENCY) OF ADVANCES DUE TO (FROM) FUND	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (610,617)</u>	<u>\$ (610,617)</u>
Fund SF-200s issued and agreed	Yes	Yes	No	
Soft costs				
Prior years per audit	\$ 2,476,516	\$ 3,093,887	\$ 801,766	\$ 6,372,169
Current year	-	-	1,768,513	1,768,513
Cumulative as of September 30, 2003	<u>\$ 2,476,516</u>	<u>\$ 3,093,887</u>	<u>\$ 2,611,279</u>	<u>\$ 8,181,682</u>
Hard costs				
Prior years per audit	\$ -	\$ -	\$ -	\$ -
Current year	-	-	-	-
Cumulative as of September 30, 2003	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



January 9, 2004

Housing Authority of New Orleans

To the Board of Commissioners
and Management

In planning and performing our audit of the financial statements of the Housing Authority of New Orleans, (the "Authority") for the year ended September 30, 2003, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. This letter does not affect our report dated January 9, 2004, on the Authority's financial statements.

Due to the timing of performance of the prior year audit, and the fact that the audit report and management letter were delivered to HANO on approximately September 30, 2003 (the end of the current audit period), there was no opportunity to clear many of the prior year comments. Comments that are repeated from the prior year management letter dated August 29, 2003 are identified in the attached memorandum. We will review the status of our comments during our next audit engagement. We have already discussed the comments and suggestions with management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist in the implementation of these recommendations.

Sincerely,

Reznick Fedder & Silverman

Housing Authority of New Orleans

COMMENTS AND SUGGESTIONS

Cash Controls

• MC1

Comment: Approximately ten percent of the checks selected for cash disbursement testing were voided checks. An excessive number of checks are voided due to the check printing process which causes the first couple of checks in each check run to be voided. This matter relates to a 2003 comment.

Suggestion: The Authority needs to adjust their check printing procedures so that check printing does not result in large numbers of voided checks.

Management's Response: The Finance Department in conjunction with MIS is in the process of implementing a laser check writing process that will eliminate the need for numerous alignment checks. Until such time as the Authority fully implements the laser check system it will have no other option than to continue under the current process. The Authority considers this Management Comment closed effective FY2004.

• MC2

Comment: Voided checks are not kept and filed either centrally, or with each month's bank reconciliation. Voided checks are distributed to the persons responsible for preparing the bank reconciliations. After preparation of the reconciliation, there is no policy in place for the retention of voided checks. Authority employees were able to locate all of the voided checks selected for testing, but not in a timely manner as the voided checks are not readily accessible. This matter relates to a 2003 comment.

Suggestion: The Authority needs to develop procedures for the retention of voided checks so that checks are kept in a secure location and carefully monitored to prevent potential fraud.

Management's Response: Procedures for how the checks are retained will be revised so that all voided checks will be secured in a central location and filed numerically by account. A system for ensuring all voided checks are accounted for will also be implemented.

Housing Authority of New Orleans

COMMENTS AND SUGGESTIONS - CONTINUED

Accounting

• MC 3

Comment: Easy access to detail transaction activity was hampered because the year's activity was compressed to reduce the size of the files stored on the Authority's computer, and to increase the speed of accessing and printing information. Areas of the audit that were affected included following the postings of individual payments to employees for payroll to the posting of payroll in the general ledger, and likewise, following the postings of vendor invoices to the general ledger. This matter relates to a 2002 comment.

Suggestion: The Authority needs to develop a clear audit trail of financial information within their accounting system to facilitate management review and the audit function.

Management's Response: Effective immediately Finance and MIS will coordinate the monthly and year-end closing process to ensure detail transaction registers are maintained prior to summarization and posting. The Authority considers this Management Comment closed effective FY2004.

• MC 4

Comment: Receivable subsidiary ledgers are balanced with the general ledger annually rather than monthly. This matter relates to a 2002 comment.

Suggestion: The Authority needs to develop procedures for monthly reconciliation of receivable subsidiary ledgers to the general ledger.

Management's Response: Finance will begin monthly reconciliation in FY2004. The Authority considers this Management Comment closed effective FY2004.

• MC 5

Comment: Payroll registers are not reconciled to quarterly payroll tax returns or to the general ledger. W-2s are not reconciled to the general ledger or to the payroll registers. This matter relates to a 2002 comment.

Suggestion: The Authority needs to develop policies and procedures for quarterly reconciliations of payroll registers to the payroll tax returns and the general ledger. Procedures should be developed to reconcile W-2's to the payroll tax returns and general ledger.

Hoising Authority of New Orleans

COMMENTS AND SUGGESTIONS - CONTINUED

Management's Response: HANO currently reconciles the W-2's with the payroll tax returns. Effective FY 2004 the procedure will be updated to include reconciliation to the general ledger.

+ MC 6

Comment: Reports of Master File changes are not made to the department requesting the changes. This matter relates to a 2002 comment.

Suggestion: The Authority needs to develop policies and procedures to ensure that all changes to the Master File are reported both to management and the department requesting the change to ensure the appropriate change was made and that only authorized changes are made.

Management's Response: MIS has since adopted the practice of only making Master file update changes with Departmental Director Approval based on established authorization levels. Upon successful implementation of any master file updates, the department Director and affected staff are notified. The Authority considers this Management Comment closed effective FY2004.

Other

+ MC 7

Comment: Employees involved in cash receipts, cash disbursements, tenant receivable accounts management, accounts payable, payroll and MIS are not required to annually take vacations of at least one continuous week, during which another individual performs the duties of the individual who is on vacation. This matter relates to a 2002 comment.

Suggestion: The Authority needs to develop a policy requiring all employees within the functions of cash receipts, cash disbursements, tenant receivables, accounts payable and MIS to take a minimum of one continuous week off each year with a separate individual assuming their responsibilities for that week.

Housing Authority of New Orleans

COMMENTS AND SUGGESTIONS - CONTINUED

Management's Response: To the extent Civil Service allows mandatory vacation for five consecutive business days, HANO will comply with this recommendation. Otherwise, Finance will rotate responsibilities for a minimum five-day period annually, for those key positions. The Authority considers this Management Comment closed effective FY2004.

Christopher Park and Press Park PILOT Account (see 2003 audit)

- **Comment:** PILOT is being accrued annually on the Christopher Park and Press Park programs, but no payments are being made to the City of New Orleans.

Suggestion: Recommend Authority take action by either paying the liability or eliminating the liability based upon appropriate criteria and ceasing to accrue such liability.

Management Response: HANO is working to resolve this issue prior to the completion of the FY2004 audit.

All of the current year comments are carried forward from the prior year due to the timing of the delivery of the prior audit report (Additional information concerning this matter can be found in the accompanying letter to the Board of Commissioners and Management).



March 31, 2004

Greene C. Austin, CPA
First Assistant Legislative Auditor
Office of Legislative Auditors
Parr Office Room 94.017
Baton Rouge, LA 70804-9197

Re: Response to Auditor's Internal Control Findings and Management Letter Comments
Housing Authority of New Orleans
As of and for the Year Ended September 30, 2003

Enclosed is the Corrective Action Plan for the audit period September 30, 2003 in response to the Auditor's Report of Internal Control and Compliance and Management Letter comments for the Housing Authority of New Orleans (HANO) in accordance with State requirements.

If further information is required, do not hesitate to contact me at 584-670-3267.

Sincerely,

Catherine D. Lamborg
Administrative Receiver

Enclosure:

cc: Lee H. Moore, Ph.D., Deputy Receiver
Nadine Jackson, Ph.D.
Andrea Elbert
Irving LaPointe

**HOUSING AUTHORITY OF NEW ORLEANS
RESPONSE TO MANAGEMENT LETTER, AUDITORS' FINDINGS
AND CORRECTIVE ACTION PLAN AS OF MARCH 31, 2004**

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2003

Independent Auditor's Internal Control and Compliance Report

Reference Number:

2003 - 1 Cash Disbursement Procedures

Management's Response:

HANO has taken necessary steps to separate these duties by reassigning the duty of manual check preparation to another member of the Accounts Payable area.

Status of Corrective Action:

The Authority considers this finding closed based on action taken.

Reference Number:

2003 - 2 Procurement System - Legal Services

Management's Response:

HANO is in the process of assessing its short and long-term needs for legal services. Once complete, the Authority will procure the required services in accordance with HANO's procurement policy, HUD regulations and state law.

Status of Corrective Action:

HANO has conducted training on procurement actions inclusive of legal services. All future needs for legal services will be procured consistent with policy. The authority considers this finding closed based on action taken.

Reference Number

2003 - 3 Processing of Vendor Invoices

Management's Response

HANO concurs with the auditors finding and will immediately implement procedures to ensure proper invoice verification and management approvals are documented on the face of invoices or their accompanying paperwork. HANO will also update the approval document's signature approval format to specifically delineate the required signatures based on disbursement amount.

Status of Corrective Action

The Authority has updated its procedures and performed requisite training. HANO considers this finding closed.

Reference Number

2003 - 4 Procurement System - Compliance with Established Procedures

Management's Response

HANO's procurement policy allows the Authority to utilize a "Direct Pay List" for goods and services needed by which the nature of the transaction are impractical or impossible to competitively bid and as such are exempt from competitive bidding requirements. All requests for goods and services not included on the list shall be properly procured by the Procurement Department. To ensure all future procurements are compliant with established procedures, HANO's Finance Department and Procurement Department will coordinate efforts to provide adequate staff training, enforce adherence to procedures for all transactions greater than \$1,000.

Status of Corrective Action

The Authority has updated its procedures and performed requisite training. HANO considers this finding closed.

Reference Number

2003 – 3 Procurement System – Vendor Data Base

Management's Response

HANO's is currently engaged in a process to update all vendor files and make sure all pertinent information is retained on file for active vendors. HANO is contacting each vendor in the vendor database for which a payment has been made within the last 24 months and requesting they complete the requisite paperwork and return to HANO on a date certain. Any vendor that does not comply will be placed on an "inactive and unable to distribute funds" status until such time as they either comply or are deemed to be permanently inactive. Additionally, all currently inactive vendors will be appropriately coded as well as duplicate vendors purged from the system. Data validation procedures will be followed to assure all active vendor files are corrected.

Status of Corrective Action

HANO has performed the procedures recommended and has made progress on the clean up of the vendor database as a result, to the extent the software restrictions permit. The Authority considers this finding closed based on action taken.

Reference Number

2003 – 6 Procurement System – Authorized Vendors

Management's Response

HANO concurs with the auditor finding and has restricted access to the vendor setup process in the computer system to personnel in the Procurement Department.

Status of Corrective Action

The Authority considers this finding closed based on action taken.

Reference Number

2003 - 7 Cost Allocation Plan

Management's Response

HANO is updating its budget process and cost allocation methodology. Every precaution will be taken to update the computer system in a timely manner so that costs are allocated for each fiscal year based on the activities and funding sources for any particular fiscal year.

Status of Corrective Action

The Authority considers this finding closed based on action taken.

Reference Number

2003 - 8 Tenant Lease File Errors

Management's Response

Upon notification of the tenant file deficiencies HANO took the proper steps to immediately correct them. The Authority would like to note that based on HANO's procedure, Housing Management staff is only required to obtain the head of household's signature and not all of the resident's signatures who are over 18 years of age and as such did not modify those files. Management has since trained/retrained staff on rent calculation and Rental Integrity Monitoring. Additionally, procedures are being reviewed and updated for consistency to the revised ACOP and a system of quality control is planned to be implemented pending technical assistance from a third party contractor. HANO is also updating its standard operating procedure manual and will provide on-going training to all Housing Management staff.

Status of Corrective Action

As of the date of the 2003 audit report, this condition remains unresolved. HANO is performing the necessary assessment, making procedural changes, and updating files accordingly. This finding continues.

Reference Number:

2003 - 9 Inventory of Fixed Assets

Management's Response

HANO will engage in an inventory of fixed assets and reconcile the results to the general ledger in fiscal year 2004 and no less than bi-annually thereafter.

Status of Corrective Action

HANO is currently engaged in a fixed asset inventory process consistent with promised action. The authority considers this finding closed.

Reference Number:

2003-14 Accounting for the Activities of the Resident Management Corporation

Management's Response

The Authority will immediately take action to implement oversight and accounting systems that ensure timely compliance with the RMC contractual agreements.

Status of Corrective Action

HANO is in the process of assessing its oversight requirements, systems and processes for management of properties under RMC contractual agreements. This finding continues.

Management Letter Comments

Cash Controls – MC.1

Management's Response

The Finance Department in conjunction with MIS is in the process of implementing a laser check writing process that will eliminate the need for numerous alignment checks. Until such time as the Authority fully implements the laser check system it will have no other option than to continue under the current process.

Status of Corrective Action

The Authority considers this Management Comment closed effective FY 2004.

Cash Controls – MC.2

Management's Response

Procedures for how the checks are retained will be revised so that all voided checks will be secured in a central location and filed numerically by account. A system for ensuring all voided checks are accounted for will also be implemented.

Status of Corrective Action

HANO is assessing the process for centralizing voided checks and determining the requisite steps to ensure access by authorized personnel is consistent with need throughout the accounting cycle.

Accounting – MC.3

Management's Response

Effective immediately Finance and MIS will coordinate the monthly and year-end closing process to ensure detail transaction registers are maintained prior to summarization and posting.

Status of Corrective Action

The Authority considers this Management Comment closed effective FY 2004.

Accounting – MC 4

Management's Response

Finance will begin monthly reconciliation in FY2004.

Status of Corrective Action

The Authority considers this Management Comment closed effective FY2004.

Accounting – MC 5

Management's Response

HANO currently reconciles the W-2s with the payroll tax returns. Effective FY2004 the procedure will be updated to include reconciliation to the general ledger.

Status of Corrective Action

HANO is in process of performing the tracking necessary to create and implement stated Procedures.

Accounting – MC 6

Management's Response

MIS has since adopted the practice of only making Master file update changes with Departmental Director approval based on established authorization levels. Upon successful implementation of any Master file updates, the Department Director and affected staff are notified.

Status of Corrective Action

The Authority considers this Management Comment closed effective FY2004.

Other – MCT

Management's Response

To the extent Civil Service allows mandatory vacation for five consecutive business days, HANO will comply with this recommendation. Otherwise, Finance will rotate responsibilities for a minimum five-day period annually, for these key positions.

Status of Corrective Action

The Authority considers this Management Comment closed effective FY2004.

Pre 2003 Audit Comments

Christopher Park and Sweet Park PILOT Accruals

Management's Response

HANO is working to resolve this issue prior to the completion of the FY2004 audit.

Status of Corrective Action

No progress has been made to date on this management comment as actions require cooperation from third-party entities outside the control of HANO.

**Hearing Authority of New Orleans
Current Status of Prior Year Findings
As of March 31, 2004**

Finding No.	Current Status
2002 - 1	The Authority considers this finding closed based on action taken.
2002 - 2	The Authority considers this finding closed based on action taken.
2002 - 3	HANO has conducted training on procurement actions inclusive of legal services. All future needs for legal services will be procured consistent with policy. The authority considers this finding closed based on action taken.
2002 - 4	The Authority has updated its procedures and performed requisite training. HANO considers this finding closed.
2002 - 5	The Authority has updated its procedures and performed requisite training. HANO considers this finding closed.
2002 - 6	HANO has performed the procedures recommended and has made progress on the clean up of the vendor database as a result, to the extent the software restrictions permit. The Authority considers this finding closed based on action taken.
2002 - 7	The Authority considers this finding closed based on action taken.
2002 - 8	The Authority considers this finding closed based on action taken.
2002 - 9	The Authority considers this finding closed based on action taken.
2002 - 10	As of the date of the 2003 audit report, this condition remains unresolved. HANO is performing the necessary assessment, making procedural changes, and updating files accordingly. This finding continues.
2002 - 11	HANO is currently engaged in a fixed asset inventory process consistent with promised action. The authority considers this finding closed.
2002 - 12	HANO is in the process of assessing its overnight requirements, systems and processes for management of properties under RMC contractual agreements. This finding continues.
2002 - 13	The Authority considers this finding closed based on action taken.
2002 - 14	The Authority considers this finding closed based on action taken.
2002 - 15	The OIG and HUD have closed the finding. The Authority considers this finding closed.