

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
REPORT ON EXAMINATION
OF
FINANCIAL STATEMENTS AND SUPPLEMENTAL DATA
YEAR ENDED JUNE 30, 2017

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Housing Authority of the City of Kenner, Louisiana as of and for the year ended June 30, 2017, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority as of June 30, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis on pages 8 through 15 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

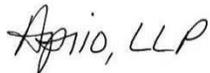
Other Information

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. Supplementary data is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented for the Department of Housing and Urban Development's information, and is not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Additionally, the accompanying Schedule of Compensation, Benefits and Other Payments to the Executive Director is presented for the Office of the Louisiana Legislative Auditor's information and is not a required part of the basic financial statements.

The Financial Data Schedule, the Schedule of Expenditures of Federal Awards and other supplementary data are the responsibility of management and were derived from and relate directly to the underlying accounting data and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting data and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Birmingham, Alabama
December 7, 2017

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

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

We have audited, in accordance with the 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, the financial statements of the Authority, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated December 7, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

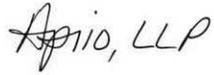
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be *material weaknesses* or *significant deficiencies*. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be *material weaknesses*. However, *material weakness* may exist that have not been identified

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Aprio, LLP". The signature is written in a cursive, slightly stylized font.

Birmingham, Alabama
December 7, 2017

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the Authority's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Authority's major federal program for the year ended June 30, 2017. The Authority's major federal program is identified in the Summary of Auditors' Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the *Uniform Guidance* 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 Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Authority's compliance.

Basis for Qualified Opinion the Major Federal Program

As described in the accompanying Schedule of Findings and Questioned Costs, the Authority did not comply with requirements regarding the Section 8 Housing Choice Voucher Program (CFDA No. 14.871), as described in Finding 2017-001 for the Allowable Activities/Costs compliance requirements. Compliance with such requirements is necessary, in our opinion, for the Authority to comply with the requirements applicable to that program.

Basis for Qualified Opinion – Scope Limitation

Additionally, and as described in the accompanying Schedule of Findings and Questioned Costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of the Authority with the Section 8 Housing Choice Voucher Program (CFDA No. 14.871), as described in Finding 2017-004 for the Reporting compliance requirement. Consequently, we were unable to determine whether the Authority complied with that requirement applicable to that program.

Qualified Opinion on the Major Federal Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, and the possible effects of the matter described in the Basis for Qualified Opinion – Scope Limitation paragraph, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2017-002 and 2017-003. Our opinion on the major federal program is not modified with respect to this matter.

The Authority's Responses to the Findings

The Authority's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

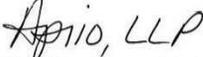
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a *material weakness* in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be *material weaknesses* or *significant deficiencies* and therefore, *material weaknesses* or *significant deficiencies* may exist that were not identified. We identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as Findings 2017-001, 2017-002 and 2017-004 that we consider to be *material weaknesses*.

The Authority's Responses to the Findings

The Authority's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Authority's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of our testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.


Aprio, LLP
Birmingham, Alabama
December 7, 2017

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
FOR THE YEAR ENDED JUNE 30, 2017**

The Housing Authority of the City of Kenner's ("the Authority") Management's Discussion and Analysis is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the Authority's financial activity, (c) identify changes in the Authority's financial position (its ability to address the next and subsequent year challenges), and (d) identify individual program issues or concerns.

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's net position decreased \$.1 million during 2017, and was \$5.8 million and \$5.7 million for 2016 and 2017, respectively.

- Revenues increased \$.3 million during 2017, and were \$11.7 million and \$12 million for 2016 and 2017, respectively.

- The total expenses of all Authority programs decreased \$.9 million. Total expenses were \$13 million and \$12.1 million for 2016 and 2017, respectively.

Authority-Wide Financial Statements

Statement of Net Position

These Statements include a Statement of Net Position, which is similar to a Balance Sheet. The Statement of Net Position reports all financial and capital resources for the Authority. The statement is presented in the format where total assets equal total liabilities and “net position”, formerly known as net assets. Assets and liabilities are presented in order of liquidity.

The focus of the Statement of Net Position (the “Unrestricted Net Position”) is designed to represent the net available liquid (non-capital) assets, net of liabilities, for the entire Authority. Net Position (formerly net assets) is reported in three broad categories:

Net Investment in Capital Assets: This component of Net Position consists of all Capital Assets.

Restricted Net Position: This component of Net Position consists of restricted assets, when constraints are placed on the asset by creditors (such as debt covenants), grantors, contributors, laws, regulations, etc.

Unrestricted Net Position: Consists of Net Position that does not meet the definition of “Net Investment in Capital Assets”, or “Restricted Net Position”.

Statement of Revenues, Expenses, and Changes in Net Position

The Authority-wide financial statements also include a Statement of Revenues, Expenses and Changes in Net Position (similar to an Income Statement). This Statement includes Operating Revenues such as rental income and operating grants, Operating Expenses such as administrative, utilities, maintenance, and depreciation, and Non-Operating Revenue such as capital grant revenue, investment income and a gain on the disposition of capital assets.

The focus of the Statement of Revenues, Expenses and Changes in Net Position is the “Change in Net Position”, which is similar to Net Income or Loss.

Statement of Cash Flows

Finally, a Statement of Cash Flows is included, which discloses net cash provided by, or used for operating activities, capital and related financing activities and investing activities.

The Authority's Main Programs

Conventional Public Housing – Under the Conventional Public Housing Program, the Authority rents units that it owns to low-income households. The Conventional Public Housing Program is operated under an Annual Contributions Contract (ACC) with HUD, and HUD provides Operating Subsidy and Capital Grant funding to enable the PHA to provide housing at a rent that is based upon 30% of household income. The Conventional Public Housing Program also includes the Capital Fund Program which is the primary funding source for physical and management improvements to the Authority's properties.

Housing Choice Voucher Program – Under the Housing Choice Voucher Program, the Authority administers contracts with independent landlords that own the property. The Authority subsidizes the family's rent through a Housing Assistance Payment made to the landlord. The program is administered under an Annual Contributions Contract (ACC) with HUD. HUD provides Annual Contributions Funding to enable the Authority to structure a lease that sets the participants' rent at 30% of household income.

Other Programs – In addition to the significant programs above, the Authority also maintains the following program:

- Disaster Housing Assistance Grant Program

AUTHORITY-WIDE STATEMENTS

Statement of Net Position

The following table reflects the condensed Statement of Net Position compared to the prior year. The Authority is engaged only in Business-Type Activities.

TABLE 1
STATEMENT OF NET POSITION

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Assets:			
Current & Restricted Assets	\$ 2,831,210	\$ 2,732,908	\$ 98,302
Capital Assets	4,910,100	4,468,948	441,152
Other Assets	48,000	-	48,000
Total Assets	\$ 7,789,310	\$ 7,201,856	\$ 587,454
Liabilities:			
Current Liabilities	\$ 1,486,349	\$ 1,342,151	\$ 144,198
Non-Current Liabilities	558,385	12,526	545,859
Total Liabilities	\$ 2,044,734	\$ 1,354,677	\$ 690,057
Net Position:			
Net Investment in Capital Assets	\$ 4,492,747	\$ 4,468,948	\$ 23,799
Restricted Net Position	615,430	108,224	507,206
Unrestricted Net Position	636,399	1,270,007	(633,608)
Total Net Position	\$ 5,744,576	\$ 5,847,179	\$ (102,603)

Major Factors Affecting the Statement of Net Assets

During fiscal year 2017 current and restricted assets increased due to a) an increase of grants receivable from the timing of grant draws, b) an increase in prepaid costs and c) an increase in cash restricted for housing assistance payments. Capital assets increased due to additions exceeding dispositions and depreciation, resulting primarily from an office building acquired during the fiscal year under a capital lease. Other assets consist of non-current prepaid insurance costs paid in connection with the office building lease.

Current liabilities increased due to an increase in accounts payable due to vendors, an increase in other current liabilities due to a settlement of a law suit with a former employee, and an increase in unearned revenues from grant funds received before the Authority was eligible to apply them. Non-current liabilities increased as a result of lease payment obligations entered into in connection with the acquisition of the office building, and an increase in other non-current liabilities due to a settlement of a law suit with a former employee.

Restricted net position increased due to an increase in cash restricted for housing assistance payments.

Table 2 presents details on the change in Unrestricted Net Position

TABLE 2

CHANGE IN UNRESTRICTED NET POSITION

Unrestricted Net Position, June 30, 2016	\$ 1,270,007
Results of Operations	(198,958)
Capital Expenditures from Operations	(245,145)
Proceeds Received on the Disposition of Capital Assets	8,000
Investment Income	448
Depreciation Expense	309,253
Change in Restricted Net Position	<u>(507,206)</u>
Unrestricted Net Position, June 30, 2017	<u><u>\$ 636,399</u></u>

While the results of operations are a significant measure of the Authority's activities, the analysis of the changes in Unrestricted Net Position provides a clearer change in financial well-being.

TABLE 3

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following schedule compares the revenues and expenses for the current and previous fiscal year. The Authority is engaged only in Business-Type Activities.

	<u>2017</u>	<u>2016</u>	<u>Variance</u>
Revenue:			
Tenant Rental Revenue	\$ 397,878	\$ 420,312	\$ (22,434)
Operating Grants	11,286,313	10,960,123	326,190
Capital Grants	87,907	173,453	(85,546)
Investment Income	448	1,093	(645)
Gain on Disposition of Capital Assets	8,000	-	8,000
Other Revenue	194,691	161,711	32,980
	<u>194,691</u>	<u>161,711</u>	<u>32,980</u>
Total Revenue	<u>\$ 11,975,237</u>	<u>\$ 11,716,692</u>	<u>\$ 258,545</u>
Expenses:			
Administrative Expenses	\$ 1,289,622	\$ 949,566	\$ 340,056
Tenant Services	5,034	820	4,214
Utilities	87,840	80,794	7,046
Maintenance & Operations	384,458	383,588	870
General Expense	393,466	246,448	147,018
HAP Expense	9,608,167	9,854,487	(246,320)
Loss on Disposition of Capital Assets	-	71,433	(71,433)
Loss on Recapture of Disaster Funds	-	1,098,159	(1,098,159)
Depreciation	309,253	315,050	(5,797)
	<u>309,253</u>	<u>315,050</u>	<u>(5,797)</u>
Total Expenses	<u>\$ 12,077,840</u>	<u>\$ 13,000,345</u>	<u>\$ (922,505)</u>
Excess (Deficiency) Revenue Over Expense	<u>\$ (102,603)</u>	<u>\$ (1,283,653)</u>	<u>\$ 1,181,050</u>

Major Factors Affecting the Statement of Revenue, Expenses and Changes in Net Position

Operating Grants increased in 2017 due to an increase of federal funding under both the Section 8 Housing Choice Voucher and Capital Fund Programs. Capital grants decreased with the reduction of renovation and modernization activity on the Authority's Public Housing dwelling properties.

Administrative expenses increased due to significant increases in administrative salaries and benefits, and legal costs incurred during the fiscal year. There were also increases in service agreement costs on leased equipment and other office supplies which contributed to the increase. General expenses increased due to the settlement of a wrongful termination law suit filed by a former employee in the amount of \$162,894. Housing assistance payment expense decreased due to both decreased leasing and lower applicable payment standards.

The 2016 loss on the disposition of capital assets was a result of a year-end physical inventory and the resulting write-off of impaired furniture and equipment, and other small personal property items which fell beneath the applicable capitalization threshold. No such write-off was necessary during fiscal year 2017. The 2016 loss on recapture of disaster funds was a result of HUD's intention to recapture remaining funds from the Disaster Housing Assistance Grant program. The fiscal year 2017 legal suit settlement expense resulted from a settlement of a law suit with a former employee.

CAPITAL ASSETS

As of year end, the Authority had \$4.9 million invested in a variety of capital assets as reflected in the following schedule, which represents a net increase (additions, deductions and depreciation) of \$.4 million or 10% from the end of last year.

**TABLE 4
CAPITAL ASSETS AT YEAR-END
(NET OF DEPRECIATION)**

	<u>2017</u>	<u>2016</u>	<u>Variance</u>	<u>% Change</u>
Land	\$ 2,681,967	\$ 2,486,487	\$ 195,480	8%
Buildings & Improvements	9,721,226	9,251,196	470,030	5%
Furniture & Equipment	144,388	67,801	76,587	113%
Construction in Progress	174,440	184,690	(10,250)	-6%
Accumulated Depreciation	<u>(7,811,921)</u>	<u>(7,521,226)</u>	<u>(290,695)</u>	<u>4%</u>
Net Capital Assets	<u>\$ 4,910,100</u>	<u>\$ 4,468,948</u>	<u>\$ 441,152</u>	<u>10%</u>

**TABLE 5
CHANGE IN CAPITAL ASSETS**

The following reconciliation summarizes the change in Capital Assets.

Beginning Balance, July 1, 2016	\$ 4,468,948
Additions and Transfers:	
Land	195,480
Buildings & Improvements	470,030
Equipment	95,145
Construction in Progress	(10,250)
Dispositions, Net of Depreciation	-
Depreciation Expense	<u>(309,253)</u>
Ending Balance, June 30, 2017	<u>\$ 4,910,100</u>

DEBT

Debt obligations as of fiscal year ends 2016 and 2017 were as follows:

	<u>2017</u>	<u>2016</u>
Capital Lease Obligation	<u>\$ 417,353</u>	<u>\$ -</u>

ECONOMIC FACTORS

Significant economic factors affecting the Authority are as follows:

- Federal funding provided by Congress to the Department of Housing and Urban Development
- Local labor supply and demand, which can affect salary and wage rates
- Local inflationary, recessionary and employment trends, which can affect resident incomes and therefore the amount of rental income
- Inflationary pressure on supplies and other costs

FINANCIAL CONTACT

This financial report is designed to provide our residents, the citizens of Kenner, and federal and state regulatory bodies with a general overview of the Housing Authority of the City of Kenner's finances as of June 30, 2017. The individual to be contacted regarding this report is Ms. Brenda Richard-Montgomery, Interim Executive Director, Housing Authority of the City of Kenner, at 2001 25th Street, Kenner, Louisiana 70062.

HOUSING AUTHORITY OF THE CITY OF KENNER
 STATEMENT OF NET POSITION
 JUNE 30, 2017

ASSETS AND DEFERRED
OUTFLOWS OF RESOURCES

	Enterprise Fund
<u>Current Assets</u>	
Cash and Cash Equivalents	\$ 1,996,652
Accounts Receivable - Grants	38,411
Tenants Accounts Receivable	1,180
Accounts Receivable - Other	38,831
Prepaid Costs	140,706
Total Current Assets	<u>2,215,780</u>
<u>Restricted Assets</u>	
Cash and Cash Equivalents	615,430
Total Restricted Assets	<u>615,430</u>
<u>Capital Assets</u>	
Land	2,681,967
Buildings and Improvements	9,721,226
Furniture & Equipment	144,388
Construction in Progress	174,440
	<u>12,722,021</u>
(Less): Accumulated Depreciation	(7,811,921)
Net Capital Assets	<u>4,910,100</u>
<u>Other Assets</u>	
Prepaid Costs, Non-Current	48,000
Total Other Assets	<u>48,000</u>
Total Assets	<u>7,789,310</u>
Deferred Outflows of Resources	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,789,310</u>

See the accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER
 STATEMENT OF NET POSITION
 JUNE 30, 2017

LIABILITIES, DEFERRED INFLOWS OF
 RESOURCES AND NET POSITION

	Enterprise Fund
<u>Current Liabilities</u>	
Accounts Payable	\$ 82,760
Accrued Wages and Payroll Taxes	1,661
Accrued Compensated Absences	9,653
Accounts Payable - HUD	1,098,189
Accounts Payable - Other	
Government	62,577
Tenant Security Deposits	39,722
Unearned Revenue	157,473
Other Current Liabilities	34,314
Total Current Liabilities	<u>1,486,349</u>
<u>Long Term Liabilities</u>	
Long Term Capital Debt	417,353
Other Non-Current Liabilities	112,580
Accrued Compensated Absences	28,452
Total Long Term Liabilities	<u>558,385</u>
Total Liabilities	<u>2,044,734</u>
Deferred Inflows of Resources	<u>-</u>
Total Liabilities and Deferred Inflows of Resources	<u>2,044,734</u>
<u>Net Position</u>	
Net Investment in Capital Assets	4,492,747
Restricted Net Position	615,430
Unrestricted Net Position	636,399
Total Net Position	<u>5,744,576</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 7,789,310</u>

See the accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2017

	Enterprise Fund
<u>Operating Revenues</u>	
Dwelling Rent	\$ 397,878
Operating Grants	11,286,313
Other Revenue	194,691
Total Operating Revenues	<u>11,878,882</u>
<u>Operating Expenses</u>	
Administrative	1,289,622
Tenant Services	5,034
Utilities	87,840
Maintenance and Operations	384,458
General Expense	393,466
Housing Assistance Payments	9,608,167
Depreciation	309,253
Total Operating Expenses	<u>12,077,840</u>
Operating Income (Loss)	<u>(198,958)</u>
<u>Non-Operating Revenues</u>	
Investment Income	448
Gain on the Disposition of Capital Assets	8,000
Total Non-Operating Rev/(Exp)	<u>8,448</u>
Increase (decrease) before Capital Contributions	<u>(190,510)</u>
Capital Contributions	<u>87,907</u>
Increase (Decrease) in Net Position	(102,603)
Net Position, Beginning	5,847,179
Net Position, Ending	<u>\$ 5,744,576</u>

See the accompanying notes to financial statements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017**

	Enterprise Fund
<u>Cash flows from operating activities:</u>	
Cash Received from Dwelling Rent	\$ 387,904
Cash Received from Operating Grants	11,426,645
Cash Received from Other Sources	204,395
Cash Payments for Salaries and Benefits	(746,607)
Cash Payments to Vendors and Landlords	<u>(11,007,193)</u>
Net cash provided (used) by operating activities	<u>265,144</u>
<u>Cash flows from capital and related financing activities:</u>	
Capital Grants Received	60,656
Capital Outlay	(305,646)
Proceeds Received on Dispositions	8,000
Net cash provided (used) by capital & related financing activities	<u>(236,990)</u>
<u>Cash flows from investing activities:</u>	
Interest earned from cash and cash equivalents	448
Net cash provided (used) by investing activities	<u>448</u>
Net increase in cash and cash equivalents	28,602
Total cash and cash equivalents, beginning of year	<u>2,583,480</u>
Total cash and cash equivalents, end of year	<u>\$ 2,612,082</u>
 <u>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</u>	
Operating Income (Loss)	\$ (198,958)
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	309,253
Bad Debt Expense (Tenants)	12,358
Change in Tenant Accounts Receivable	(12,475)
Change in Accounts Receivable/Payable - Grants	(10,975)
Change in Other Accounts Receivable	4,092
Change in Prepaid Costs	(83,419)
Change in Accounts Payable - Operating	(72,105)
Change in Accrued Expenses	11,059
Change in Unearned Revenue - Grants	151,307
Change in Unearned Revenue - Tenants	2,501
Change in Security Deposits Held	5,612
Change in Other Liabilities	146,894
Net cash provided (used) by operating activities	<u>\$ 265,144</u>

See the accompanying notes to financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER

KENNER, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Housing Authority have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority is a Special Purpose Government engaged only in business-type activities and therefore, presents only the financial statements required for the enterprise fund, in accordance with GASB Statement 34 paragraph 138 and GASB Statement 63.

The Authority has multiple programs which are accounted for in one enterprise fund, which is presented as the "Enterprise Fund" in the basic financial statements as follows:

Enterprise Fund – In accordance with the Enterprise Fund Method, activity is recorded using the accrual basis of accounting and the measurement focus is on the flow of economic resources. Under the accrual basis of accounting revenues are recorded when earned and expenses are recorded when are incurred. This required the Housing Authority to account for operations in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Governmental Accounting Standards – The Housing Authority has applied all applicable Governmental Accounting Standards Board pronouncements as well as applicable pronouncements issued by the Financial Accounting Standards Board.

Cash

The Housing Authority considers bank deposits in checking accounts to be cash and cash equivalents.

Accounts Receivable

Tenant accounts receivable is reported at the amount considered by management to be collectible in the amount of \$1,180, net of a \$6,239 allowance for doubtful accounts. Other receivables consist primarily of repayment agreements from current and former tenants in the gross amount of \$53,301, reported net of a \$14,470 allowance.

Prepaid Items

Prepaid Items consist of payments made to vendors for services that will benefit future periods.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE A - SIGNIFICANT ACCOUNTING POLICIES- CONTINUED

Revenue Accounting Policies

Dwelling rent income, HUD Grants received for operations, other operating fund grants and operating miscellaneous income are shown as operating income. HUD grants received for capital assets and all other revenue is shown as non-operating revenue.

These financial statements do not contain material inter-program revenues and expenses for internal activity. The policy is to eliminate any material inter-program revenues and expenses for these financial statements.

Capital Assets

Property and equipment are recorded at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs of maintenance and repairs are expensed, while significant renewals and betterments are capitalized. Small dollar value minor equipment items are expensed. Depreciation on assets has been expensed in the statement of income and expenses. Estimated useful lives are as follows:

Buildings and Improvements	15 - 33 years
Furniture, Fixtures and Equipment	3 - 7 years

Authority management has assessed the carrying values of capital asset balances as of June 30, 2017, and as of December 7, 2017. No significant capital asset value impairments exist as of the noted dates.

Unearned Revenue

The Authority recognizes revenues as earned. Funds received before the Authority is eligible to apply them are recorded as a liability under unearned revenue. As of June 30, 2017, unearned revenue consisted of \$151,307 of Public Housing Program operating subsidy received prior to year-end but applicable to fiscal year 2018, and \$6,166 of tenant prepaid rent.

Accounts Payable – Other Government

Accounts payable due to other governments consists of over-payments of housing assistance payments paid to the Authority from other housing authorities, for Section 8 Housing Choice Voucher Program participants ported-in to the Housing Authority of the City of Kenner.

Other Current and Non-Current Liabilities

Other current and non-current liabilities consist of estimated outlays due to a former employee under a law suit settlement in the amount of \$146,894, \$34,314 of which is current.

Deferred Outflows and Inflows of Resources

A Deferred Outflow of Resources is a consumption of assets by the Authority that is applicable to a future reporting period. Conversely, a Deferred Inflow of Resources is an acquisition of assets by the Authority that is applicable to a future reporting period.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Cost Allocation Plan

The Authority utilizes a Cost Allocation Plan. The Authority allocates indirect costs to programs on the basis of one of the following methods: direct salaries and wages, percentage of office square footage, number of vouchers and/or units, estimated/actual time spent, number of checks processed or the allotment stipulated in contractual agreements.

NOTE B - REPORTING ENTITY DEFINITION

The Housing Authority is a separate municipal corporation with a Board of Commissioners. The applicable jurisdictions appoint the Board of Commissioners. However, the Housing Authority has complete legislative and administrative authority and it recruits and employs personnel. The Authority adopts a budget that is approved by the Board of Commissioners. Subsidies for operations are received primarily from HUD. The Authority has substantial legal authority to control its affairs without local government approval; therefore, all operations of the Authority are a separate reporting entity as reflected in this report. The Authority is responsible for its debts and is entitled to surpluses. There are no component units.

NOTE C - CASH DEPOSITS

Custodial Credit Risk – The Housing Authority policy is to limit credit risk by adherence to the list of HUD-permitted investments, which are backed by the full faith and credit of or a guarantee of principal and interest by the U.S. Government.

Interest Rate Risk – The Housing Authority's formal investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from interest rate volatility.

The U.S. Department of HUD requires housing authorities to invest excess funds in obligations of the U.S., certificates of deposit or any other federally-insured investments.

The Authority's cash and cash equivalents consist of cash held in interest bearing checking accounts, with varying rates, totaling \$2,612,082.

Deposits with financial institutions are secured as follows:

	<u>Reconciled Book Balance</u>	<u>Deposits in Bank</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized with specific securities in the Authority name which are held by the financial institution	2,362,082	2,431,573
Uncollateralized	-	-
	<u>\$ 2,612,082</u>	<u>\$ 2,681,573</u>

All investments are carried at cost plus accrued interest, which approximates market. The Authority had no realized gains or losses on the sale of investments. The calculation of realized gains or losses is independent of a calculation of the net change in the fair value of investments.

NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE D - CONTRACTUAL COMMITMENTS

The Authority had Outstanding Contractual Commitments as of the Statement of Net Position Date as follows:

Type of Commitment:

Renovation and Modernization	\$ <u>169,280</u>
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NOTE E – SIGNIFICANT ESTIMATES

These financial statements are prepared in accordance with generally accepted accounting principles. The financial statements include some amounts that are based on management's best estimates and judgments. The most significant estimates relate to depreciation and useful lives, accounts receivable valuations and estimated outlays due to a former employee under a law suit settlement. These estimates may be adjusted as more current information becomes available, and any adjustment could be significant.

NOTE F – RISK MANAGEMENT

The Housing Authority is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Housing Authority carries commercial insurance for all risks of loss, including workman's compensation and employee health and accident insurance. The Housing Authority has not had any significant reductions in insurance coverage or any claims not reimbursed.

NOTE G – CONCENTRATION OF RISK

The Housing Authority receives most of its funding from HUD. These funds and grants are subject to modification by HUD depending on the availability of funding.

NOTE H - RETIREMENT PLAN

The Authority provides retirement benefits for all of its eligible full-time employees through the Housing Renewal and Local Agency Retirement Plan. The plan is a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Authority contributes 6.8% of the eligible employees' base salaries. Employees are required to contribute 5% of their annual covered salary to the plan. Contributions and allocated investment earnings are fully vested after 5 years of continuous service. During 2017, the Authority made the required contributions in the amount of \$31,299.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE I – HUD REPAYMENT LIABILITY AND OTHER LONG-TERM LIABILITIES

In August of 2014, HUD's Office of Inspector General (OIG) issued its report on an on-site review performed on the Authority's Public Housing Program. The review concluded that the Authority did not administer its Program within the terms of its Annual Contributions Contract, and all applicable statutes, regulations and guidelines. As a result of the review, HUD and the Authority executed a Repayment Agreement dated September 30, 2015, in which the Authority agreed to pay HUD \$177,427, in two equal installments. The Authority paid \$88,714 and \$88,713 during fiscal years 2016 and 2017, respectively. The outstanding balance payable as of fiscal year end was \$0.

NOTE J – CAPITAL LEASE OBLIGATION AND OTHER LONG-TERM LIABILITIES

In June of 2017, the Authority entered into a capital lease agreement for the lease and anticipated purchase of an office building in Kenner. The Authority made an initial payment of \$150,000 upon entering into the lease. Annual payments of \$110,000 are to be made in July of 2018 through July of 2020 with a final lease payment of \$150,000 due in June of 2022. Future minimum lease obligation payments, with an imputed interest rate of 5%, are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Balance Due</u>
July 1, 2018 Payment (Fiscal Year 2019)	\$ 89,132	\$ 20,868	\$ 328,221
July 1, 2019 Payment (Fiscal Year 2020)	93,589	16,411	234,632
July 1, 2020 Payment (Fiscal Year 2021)	98,268	11,732	136,364
June 30, 2022 Payment (Fiscal Year 2022)	136,364	13,636	-
	<u>\$ 417,353</u>	<u>\$ 62,647</u>	<u>\$ -</u>

Upon execution of the final lease payment in June of 2022, ownership of the land and building is to be transferred to the Authority.

Long-term liability activity for the year ended June 30, 2017, was as follows:

	<u>Balance at</u> <u>July 1, 2016</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance at</u> <u>June 30, 2017</u>	<u>Current</u> <u>Portion</u>
Accrued Compensated Absences	\$ 24,658	\$ 26,819	\$ 13,372	\$ 38,105	\$ 9,653
Capital Lease Obligation	-	567,353	150,000	417,353	-
Legal Suit Settlement Liability	-	146,894	-	146,894	34,314
Less: Current portion	(12,132)			(43,967)	
Long-Term Liabilities	<u>\$ 12,526</u>			<u>\$ 558,385</u>	<u>\$ 43,967</u>

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE K – CAPITAL ASSETS

Summaries of capital assets as of June 30, 2017, and activity for the fiscal year then ended are as follows:

	PUBLIC HOUSING and CFP	HOUSING CHOICE VOUCHER PROGRAM	<u>TOTAL</u>
Land	\$ 2,475,572	\$ 206,395	\$ 2,681,967
Building and Improvements	9,202,162	519,064	9,721,226
Furniture and Equipment	105,864	38,524	144,388
Construction in Progress	174,440	-	174,440
Less: Accumulated Depreciation	<u>(7,717,880)</u>	<u>(94,041)</u>	<u>(7,811,921)</u>
Total Capital Assets	<u>\$ 4,240,158</u>	<u>\$ 669,942</u>	<u>\$ 4,910,100</u>

	July 1, 2016 <u>Balance</u>	<u>Additions</u>	Transfers & <u>Deletions</u>	June 30, 2017 <u>Balance</u>
Land	\$ 2,486,487	\$ 195,480	\$ -	\$ 2,681,967
Construction in Process	<u>184,690</u>	<u>87,907</u>	<u>(98,157)</u>	<u>174,440</u>
Total Assets not being Depreciated	2,671,177	283,387	(98,157)	2,856,407
Buildings and Improvements	9,251,196	371,873	98,157	9,721,226
Furniture and Equipment	<u>67,801</u>	<u>95,145</u>	<u>(18,558)</u>	<u>144,388</u>
Total Capital Assets	11,990,174	750,405	(18,558)	12,722,021
Less: Accumulated Depreciation				
Buildings and Improvements	(7,469,464)	(283,808)	-	(7,753,272)
Furniture and Equipment	<u>(51,762)</u>	<u>(25,445)</u>	18,558	<u>(58,649)</u>
Total Accumulated Depreciation	<u>(7,521,226)</u>	<u>(309,253)</u>	<u>18,558</u>	<u>(7,811,921)</u>
Net Book Value	<u>\$ 4,468,948</u>	<u>\$ 441,152</u>	<u>\$ -</u>	<u>\$ 4,910,100</u>

In June of 2017, the Authority entered into a capital lease-purchase agreement for the lease and anticipated purchase of an office building in Kenner. Land in the amount of \$195,480 and a building in the amount of \$371,873 were capitalized under the lease. Management intends to report the lease amortization costs in depreciation expense in future reporting periods.

NOTES TO FINANCIAL STATEMENTS – CONTINUED

NOTE L – RESTRICTED CASH AND NET POSITION

The Authority's restricted cash and net position consisted of the following as of the end of the fiscal year:

Held for Housing Assistance Payments	<u>\$ 615,430</u>
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NOTE M – ACCOUNTS PAYABLE – HUD

HUD intends to recapture the remaining unexpended Disaster Housing Assistance Program grant funds in the amount of \$1,098,159. The entire balance is due and payable in fiscal year 2018.

NOTE N – OTHER COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from HUD are subject to audit and adjustment by grantor agencies. If expenses are disallowed as a result of these potential audits, the claims for reimbursement to the grantor agency would become a liability of the Authority. In the opinion of management, any such adjustments would not be significant.

NOTE O – SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through December 7, 2017, the date the financial statements were available to be issued. Management has determined that no significant subsequent events have occurred which require disclosure in the financial statements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
 STATEMENT AND CERTIFICATION OF PROGRAM COSTS - CAPITAL FUND PROGRAM
 FOR THE YEAR ENDED JUNE 30, 2017**

	LA48P01250113
Funds Approved	\$ 158,007
Funds Expended	158,007
Excess of Funds Approved	<u>\$ -</u>
Funds Advanced	\$ 158,007
Funds Expended	158,007
Excess of Funds Advanced	<u>\$ -</u>

1. The distribution of costs as shown on the Actual Modernization Cost Certificate submitted to HUD for approval is in agreement with the Housing Authority's records.
2. All Modernization costs have been paid and all related liabilities have been discharged through payment.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2017

EXPENDITURES

Public Housing Expenditures	
Total CFDA Number 14.850a	\$ 361,590
Section 8 Housing Choice Vouchers	
Total CFDA Number 14.871	<u>10,765,570</u>
Public Housing Capital Fund Program	
Total CFDA Number 14.872	<u>247,060</u>
Total HUD Expenditures	<u>11,374,220</u>
TOTAL FEDERAL EXPENDITURES	<u><u>\$ 11,374,220</u></u>

NOTE 1 – BASIS OF PRESENTATION

The above Schedule of Expenditures of Federal Awards includes the federal award activity of the Authority under programs of the federal government for the year ended June 30, 2017. The information on this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the Schedule presents only a selected portion of operations of the Authority, it is not intended to and does not present the financial net position, changes in net position, or cash flows of the Authority.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement.

NOTE 3 – INDIRECT COST RATE

The Authority has elected not to use the 10% *De Minimus Indirect Cost Rate* allowed under the Uniform Guidance.

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Balance Sheet Summary

Fiscal Year

End: 06/30/2017

	Project Total	14 871 Housing Choice Vouchers	97 109 Disaster Housing Assistance Grant	ELIM	Total Enterprise Fund
111 Cash - Unrestricted	\$ 646,729	\$ 212,042	\$ 1,098,159	\$ -	\$ 1,956,930
112 Cash - Restricted - Modernization and Development	-	-	-	-	-
113 Cash - Other Restricted	-	615,430	-	-	615,430
114 Cash - Tenant Security Deposits	39,722	-	-	-	39,722
115 Cash - Restricted for Payment of Current Liabilities	-	-	-	-	-
100 Total Cash	\$ 686,451	\$ 827,472	\$ 1,098,159	\$ -	\$ 2,612,082
121 Accounts Receivable - PHA Projects	-	-	-	-	-
122 Accounts Receivable - HUD Other Projects	38,411	-	-	-	38,411
124 Accounts Receivable - Other Government	-	-	-	-	-
125 Accounts Receivable - Miscellaneous	28,650	-	-	-	28,650
126 Accounts Receivable - Tenants	7,419	-	-	-	7,419
126 1 Allowance for Doubtful Accounts - Tenants	(6,239)	-	-	-	(6,239)
126 2 Allowance for Doubtful Accounts - Other	-	-	-	-	-
127 Notes, Loans, & Mortgages Receivable - Current	-	-	-	-	-
128 Fraud Recovery	3,735	20,916	-	-	24,651
128 1 Allowance for Doubtful Accounts - Fraud	-	(14,470)	-	-	(14,470)
129 Accrued Interest Receivable	-	-	-	-	-
120 Total Receivables, Net of Allowances for Doubtful Accounts	\$ 71,976	\$ 6,446	\$ -	\$ -	\$ 78,422
131 Investments - Unrestricted	-	-	-	-	-
132 Investments - Restricted	-	-	-	-	-
135 Investments - Restricted for Payment of Current Liability	-	-	-	-	-
142 Prepaid Expenses and Other Assets	118,651	22,055	-	-	140,706
143 Inventories	-	-	-	-	-
143 1 Allowance for Obsolete Inventories	-	-	-	-	-
144 Inter Program Due From	-	-	-	-	-
145 Assets Held for Sale	-	-	-	-	-
160 Total Current Assets	\$ 877,078	\$ 855,973	\$ 1,098,159	\$ -	\$ 2,831,210
161 Land	2,475,572	206,395	-	-	2,681,967
162 Buildings	8,423,693	519,064	-	-	8,942,757
163 Furniture, Equipment & Machinery - Dwellings	-	-	-	-	-
164 Furniture, Equipment & Machinery - Administration	105,864	38,524	-	-	144,388
165 Leasehold Improvements	778,469	-	-	-	778,469
166 Accumulated Depreciation	(7,717,880)	(94,041)	-	-	(7,811,921)
167 Construction in Progress	174,440	-	-	-	174,440
168 Infrastructure	-	-	-	-	-
160 Total Capital Assets, Net of Accumulated Depreciation	\$ 4,240,158	\$ 669,942	\$ -	\$ -	\$ 4,910,100
171 Notes, Loans and Mortgages Receivable - Non-Current	-	-	-	-	-
172 Notes, Loans, & Mortgages Receivable - Non Current - Past Due	-	-	-	-	-
173 Grants Receivable - Non Current	-	-	-	-	-
174 Other Assets	-	48,000	-	-	48,000
176 Investments in Joint Ventures	-	-	-	-	-
180 Total Non-Current Assets	\$ 4,240,158	\$ 717,942	\$ -	\$ -	\$ 4,958,100
200 Deferred Outflow of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
290 Total Assets and Deferred Outflow of Resources	\$ 5,117,236	\$ 1,573,915	\$ 1,098,159	\$ -	\$ 7,789,310

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Balance Sheet Summary

Fiscal Year

End: 06/30/2017

	Project Total	14 871 Housing Choice Vouchers	97 109 Disaster Housing Assistance Grant	ELIM	Total Enterprise Fund
311 Bank Overdraft	-	-	-	-	-
312 Accounts Payable <= 90 Days	45,025	32,074	-	-	77,099
313 Accounts Payable >90 Days Past Due	-	-	-	-	-
321 Accrued Wages/Payroll Taxes Payable	1,661	-	-	-	1,661
322 Accrued Compensated Absences - Current Portion	666	8,985	-	-	9,653
324 Accrued Contingency Liability	-	-	-	-	-
325 Accrued Interest Payable	-	-	-	-	-
331 Accounts Payable - HUD PHA Programs	-	30	1,098,159	-	1,098,189
332 Account Payable - PHA Projects	-	-	-	-	-
333 Accounts Payable - Other Government	-	62,577	-	-	62,577
341 Tenant Security Deposits	39,722	-	-	-	39,722
342 Unearned Revenue	157,473	-	-	-	157,473
343 Current Portion of Long-term Debt - Capital Projects/Mortgage Revenue	-	-	-	-	-
344 Current Portion of Long-term Debt - Operating Borrowings	-	-	-	-	-
345 Other Current Liabilities	34,314	-	-	-	34,314
346 Accrued Liabilities - Other	5,661	-	-	-	5,661
347 Inter Program - Due To	-	-	-	-	-
348 Loan Liability - Current	-	-	-	-	-
310 Total Current Liabilities	\$ 284,624	\$ 103,666	\$ 1,098,159	\$ -	\$ 1,486,349
351 Long-term Debt, Net of Current - Capital Projects/Mortgage Revenue	-	417,353	-	-	417,353
352 Long-term Debt, Net of Current - Operating Borrowings	-	-	-	-	-
353 Non-current Liabilities - Other	112,580	-	-	-	112,580
354 Accrued Compensated Absences - Non Current	3,490	24,953	-	-	28,452
355 Loan Liability - Non Current	-	-	-	-	-
356 FASB 5 Liabilities	-	-	-	-	-
357 Accrued Pension and OPEB Liabilities	-	-	-	-	-
350 Total Non-Current Liabilities	\$ 116,070	\$ 442,306	\$ -	\$ -	\$ 558,386
300 Total Liabilities	\$ 400,694	\$ 545,972	\$ 1,098,159	\$ -	\$ 2,044,734
400 Deferred Inflow of Resources	\$ -	\$ -	\$ -	\$ -	\$ -
508 4 Net Investment in Capital Assets	4,240,158	252,589	-	-	4,492,747
511 4 Restricted Net Position	-	615,430	-	-	615,430
512 4 Unrestricted Net Position	476,475	159,924	-	-	636,399
513 Total Equity - Net Assets / Position	\$ 4,716,633	\$ 1,027,943	\$ -	\$ -	\$ 5,744,576
600 Total Liabilities, Deferred Inflows of Resources and Equity - Net	\$ 5,117,238	\$ 1,573,915	\$ 1,098,159	\$ -	\$ 7,789,310

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 06/30/2017

	Project Total	14 871 Housing Choice Vouchers	97 109 Disaster Housing Assistance Grant	ELIM	Total Enterprise Fund
70300 Net Tenant Rental Revenue	\$ 379,693	\$ -	\$ -	\$ -	\$ 379,693
70400 Tenant Revenue - Other	18,185	-	-	-	18,185
70500 Total Tenant Revenue	\$ 397,878	\$ -	\$ -	\$ -	\$ 397,878
70600 HUD PHA Operating Grants	520,743	10,765,570	-	-	11,286,313
70610 Capital Grants	87,907	-	-	-	87,907
70710 Management Fee	-	-	-	-	-
70720 Asset Management Fee	-	-	-	-	-
70730 Book Keeping Fee	-	-	-	-	-
70740 Front Line Service Fee	-	-	-	-	-
70750 Other Fees	-	-	-	-	-
70700 Total Fee Revenue	\$ 608,650	\$ 10,765,570	\$ -	\$ -	\$ 11,374,220
70800 Other Government Grants	-	-	-	-	-
71100 Investment Income - Unrestricted	448	-	-	-	448
71200 Mortgage Interest Income	-	-	-	-	-
71300 Proceeds from Disposition of Assets Held for Sale	-	-	-	-	-
71310 Cost of Sale of Assets	-	-	-	-	-
71400 Fraud Recovery	-	-	-	-	-
71500 Other Revenue	13,285	181,406	-	-	194,691
71600 Gain or Loss on Sale of Capital Assets	8,000	-	-	-	8,000
72000 Investment Income - Restricted	-	-	-	-	-
70000 Total Revenue	\$ 1,028,261	\$ 10,946,976	\$ -	\$ -	\$ 11,975,237
91100 Administrative Salaries	80,032	326,589	-	-	406,621
91200 Auditing Fees	9,016	36,065	-	-	45,081
91300 Management Fee	-	-	-	-	-
91310 Book-keeping Fee	-	-	-	-	-
91400 Advertising and Marketing	375	5,296	-	-	5,671
91500 Employee Benefit contributions - Administrative	45,477	109,726	-	-	155,203
91600 Office Expenses	100,732	207,684	-	-	308,416
91700 Legal Expense	38,167	95,477	-	-	133,644
91800 Travel	10,164	12,432	-	-	22,596
91810 Allocated Overhead	-	-	-	-	-
91900 Other	25,105	187,225	-	-	212,330
91000 Total Operating - Administrative	\$ 309,128	\$ 980,494	\$ -	\$ -	\$ 1,289,622
92000 Asset Management Fee	\$ -	\$ -	\$ -	\$ -	\$ -
92100 Tenant Services - Salaries	-	-	-	-	-
92200 Relocation Costs	-	-	-	-	-
92300 Employee Benefit Contributions - Tenant Services	-	-	-	-	-
92400 Tenant Services - Other	5,034	-	-	-	5,034
92500 Total Tenant Services	\$ 5,034	\$ -	\$ -	\$ -	\$ 5,034
93100 Water	17,242	-	-	-	17,242
93200 Electricity	17,824	-	-	-	17,824
93300 Gas	18,772	-	-	-	18,772
93400 Fuel	-	-	-	-	-
93500 Labor	-	-	-	-	-
93600 Sewer	34,002	-	-	-	34,002
93700 Employee Benefit Contributions - Utilities	-	-	-	-	-
93800 Other Utilities Expense	-	-	-	-	-

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 06/30/2017

	Project Total	14 871 Housing Choice Vouchers	97 109 Disaster Housing Assistance Grant	ELIM	Total Enterprise Fund
93000 Total Utilities	\$ 87,840	\$ -	\$ -	\$ -	\$ 87,840
94100 Ordinary Maintenance and Operations - Labor	125,919	-	-	-	125,919
94200 Ordinary Maintenance and Operations - Materials and Other	52,162	2,018	-	-	54,180
94300 Ordinary Maintenance and Operations Contracts	160,388	867	-	-	161,255
94500 Employee Benefit Contributions - Ordinary Maintenance	43,104	-	-	-	43,104
94000 Total Maintenance	\$ 381,573	\$ 2,885	\$ -	\$ -	\$ 384,458
95100 Protective Services - Labor	-	-	-	-	-
95200 Protective Services - Other Contract Costs	-	-	-	-	-
95300 Protective Services - Other	-	-	-	-	-
95500 Employee Benefit Contributions - Protective Services	-	-	-	-	-
95000 Total Protective Services	\$ -	\$ -	\$ -	\$ -	\$ -
96110 Property Insurance	51,683	-	-	-	51,683
96120 Liability Insurance	15,221	-	-	-	15,221
96130 Workmen's Compensation	8,354	11,536	-	-	19,890
96140 All Other Insurance	73,405	12,215	-	-	85,620
96100 Total insurance Premiums	\$ 148,663	\$ 23,751	\$ -	\$ -	\$ 172,414
96200 Other General Expenses	-	18,981	-	-	18,981
96210 Compensated Absences	-	26,819	-	-	26,819
96300 Payments in Lieu of Taxes	-	-	-	-	-
96400 Bad debt - Tenant Rents	12,358	-	-	-	12,358
96500 Bad debt - Mortgages	-	-	-	-	-
96600 Bad debt - Other	-	-	-	-	-
96800 Severance Expense	162,894	-	-	-	162,894
96000 Total Other General Expenses	\$ 175,252	\$ 45,800	\$ -	\$ -	\$ 221,052
96710 Interest of Mortgage (or Bonds) Payable	-	-	-	-	-
96720 Interest on Notes Payable (Short and Long Term)	-	-	-	-	-
96730 Amortization of Bond Issue Costs	-	-	-	-	-
96700 Total Interest Expense and Amortization Cost	\$ -	\$ -	\$ -	\$ -	\$ -
96900 Total Operating Expenses	\$ 1,107,490	\$ 1,052,930	\$ -	\$ -	\$ 2,160,420
97000 Excess of Operating Revenue over Operating Expenses	\$ (79,229)	\$ 9,894,046	\$ -	\$ -	\$ 9,814,817
97100 Extraordinary Maintenance	-	-	-	-	-
97200 Casualty Losses - Non-capitalized	-	-	-	-	-
97300 Housing Assistance Payments	-	9,442,780	-	-	9,442,780
97350 HAP Portability-In	-	165,387	-	-	165,387
97400 Depreciation Expense	291,737	17,516	-	-	309,253
97500 Fraud Losses	-	-	-	-	-
97600 Capital Outlays - Governmental Funds	-	-	-	-	-
97700 Debt Principal Payment - Governmental Funds	-	-	-	-	-
97800 Dwelling Units Rent Expense	-	-	-	-	-
90000 Total Expenses	\$ 1,399,227	\$ 10,678,613	\$ -	\$ -	\$ 12,077,840
10010 Operating Transfer In	159,153	-	-	-	159,153
10020 Operating transfer Out	(159,153)	-	-	-	(159,153)
10030 Operating Transfers from/to Primary Government	-	-	-	-	-

Housing Authority of the City of Kenner (LA012)

KENNER, LA

Entity Wide Revenue and Expense Summary

Fiscal Year

End: 06/30/2017

	Project Total	14 871 Housing Choice Vouchers	97 109 Disaster Housing Assistance Grant	ELIM	Total Enterprise Fund
10040 Operating Transfers from/to Component Unit	-	-	-	-	-
10050 Proceeds from Notes, Loans and Bonds	-	-	-	-	-
10060 Proceeds from Property Sales	-	-	-	-	-
10070 Extraordinary Items, Net Gain/Loss	-	-	-	-	-
10080 Special Items (Net Gain/Loss)	-	-	-	-	-
10091 Inter Project Excess Cash Transfer In	-	-	-	-	-
10092 Inter Project Excess Cash Transfer Out	-	-	-	-	-
10093 Transfers between Program and Project - In	-	-	-	-	-
10094 Transfers between Project and Program - Out	-	-	-	-	-
10100 Total Other financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -	\$ -
10000 Excess (Deficiency) of Total Revenue Over (Under) Total Expenses	\$ (370,966)	\$ 268,363	\$ -	\$ -	\$ (102,603)
11020 Required Annual Debt Principal Payments	\$ -	\$ -	\$ -	\$ -	\$ -
11030 Beginning Equity	\$ 5,087,599	\$ 759,580	\$ -	\$ -	\$ 5,847,179
11040 Prior Period Adjustments, Equity Transfers and Correction of Errors	-	-	-	-	-
11050 Changes in Compensated Absence Balance	-	-	-	-	-
11060 Changes in Contingent Liability Balance	-	-	-	-	-
11070 Changes in Unrecognized Pension Transition Liability	-	-	-	-	-
11080 Changes in Special Term/Severance Benefits Liability	-	-	-	-	-
11090 Changes in Allowance for Doubtful Accounts - Dwelling Rents	-	-	-	-	-
11100 Changes in Allowance for Doubtful Accounts - Other	-	-	-	-	-
11170 Administrative Fee Equity	\$ -	\$ 412,513	-	-	\$ 412,513
11180 Housing Assistance Payments Equity	\$ -	\$ 615,430	-	-	\$ 615,430
11190 Unit Months Available	1,644	15,864	-	-	17,508
11210 Number of Unit Months Leased	1,581	14,775	-	-	16,356
11270 Excess Cash	\$ 382,901	-	-	-	\$ 382,901
11610 Land Purchases	\$ -	-	-	-	\$ -
11620 Building Purchases	51,044	-	-	-	51,044
11630 Furniture & Equipment - Dwelling Purchases	-	-	-	-	-
11640 Furniture & Equipment - Administrative Purchases	9,457	-	-	-	9,457
11650 Leasehold Improvements Purchases	27,406	-	-	-	27,406
11660 Infrastructure Purchases	-	-	-	-	-
13510 CFFP Debt Service Payments	-	-	-	-	-
13901 Replacement Housing Factor Funds	-	-	-	-	-

HOUSING AUTHORITY OF CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS
AND QUESTIONED COSTS

JUNE 30, 2017

Section I: Summary of Auditors' Results:

FINANCIAL STATEMENTS

Type of auditors' report issued: Unmodified

Internal Control over financial reporting:

Are material weaknesses identified? Yes No

Are significant deficiencies that are not considered to be material weaknesses identified? Yes None Reported

Is noncompliance that could have a material effect on the financial statements identified? Yes No

FEDERAL AWARDS

Internal control over major programs:

Are material weaknesses identified? Yes No

Are significant deficiencies that are not considered to be material weaknesses identified? Yes None Reported

Type of report issued on compliance with requirements applicable to each major program: Qualified

Are there any audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance? Yes No

Identification of major program:

Name of Federal Program CFDA No.
Section 8 Housing Choice Voucher Program 14.871

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Is the auditee identified as a low-risk auditee? Yes No

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section II: Financial Statement Findings:

Prior Year Findings:

None

Current Year Finding:

None

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section III: Federal Awards Findings & Questioned Costs:

Prior Year Findings:

None

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section III: Federal Awards Findings & Questioned Costs - Continued:

Current Year Findings:

Finding 2017-001 – Failure to Comply with Procurement Policy (One)

Section 8 Housing Choice Voucher Program – CFDA No. 14.871, Grant Period: Fiscal Year Ended June 30, 2017

Criteria

Uniform Guidance 2 CFR 200, Sub-Part 323 and the Authority's Procurement Policy require the Authority to perform a cost or price analysis for every procurement action in excess of the Simplified Acquisition Threshold of \$150,000. Additionally, the Authority must negotiate profit as a separate element of the price for each contract in which there is no price competition.

Condition, Cause and Questioned Costs (Material Weakness and Material Non-Compliance)

The Authority entered into a lease-purchase agreement for the lease and anticipated purchase of an office building. Minimum lease payment obligations from fiscal years 2017 through 2022 amount to \$630,000. No appraisal was obtained on the property prior to entering into the lease-purchase agreement. Further, no evidence was made available that any form of cost or price analysis was performed on the property.

Effect

Federal awards expended on costs which may have been unreasonable. Non-compliance with federal regulations and the Authority's Procurement Policy with respect to the Section 8 Housing Choice Voucher federal program.

Recommendation

We recommend that the Authority review its Procurement Policy and execute purchases in accordance with its Procurement Policy and federal regulations.

Reply

The Authority has reviewed its Procurement Policy and currently executes purchases in accordance with its Procurement Policy and federal regulations. The Authority's Interim Executive Director has assumed the responsibility of executing purchases in accordance with its Procurement Policy, and is operating in compliance with federal regulations as of the date of this Report.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section III: Federal Awards Findings & Questioned Costs - Continued:

Finding 2017-002 – Failure to Comply with Procurement Policy (Two)

Public Housing Program – CFDA No. 14.850a, Section 8 Housing Choice Voucher Program – CFDA No. 14.871; Grant Period: Fiscal Year Ended June 30, 2017

Criteria

Uniform Guidance 2 CFR 200, Sub-Part 320, and the Authority's Procurement Policy require the Authority to obtain price or rate quotations from an adequate number of qualified sources when procuring services through 'Small Purchase Procedures'. Small Purchase Procedures are those relatively simple and informal procurement methods for securing services, supplies, or other property that do not cost more than the Simplified Acquisition Threshold of \$150,000. Additionally, Section II, Part C of the Authority's Procurement Policy stipulates that any contract action involving amounts over \$25,000 shall be submitted to the Board of Commissioners for approval prior to awarding of the contract.

Condition, Cause and Questioned Costs (Material Weakness and Non-Compliance)

During the Authority's fiscal year under audit, the Authority paid its attorney \$102,588 prior to executing a contract with the attorney in May of 2017. The contract was for legal services not to exceed \$100,000 annually, with an option to renew for one year. Federal 'Small Purchase Procedures' applied to this contract. However, the Authority did not obtain price or rate quotations from any other qualified sources prior to executing the contract. The contract was signed by a Board member. However, the applicable Board member appeared to be executing the contract independently, instead of on behalf of the Board. Upon request, there was no evidence provided of a Board vote, resolution, or that the other Board members were aware of the Contract execution. In June of 2017, the Authority paid its attorney an additional \$31,056, for a total of \$133,644 during the fiscal year. \$102,588 of these payments were issued with no contract in place. \$31,056 of these payments were issued without a Board-approved contract, a contract that was executed in violation of federal procurement requirements and the Authority's Procurement Policy.

Perspective Information – Legal expenditures were \$4,141 for the year ended June 30, 2016; and \$5,687 for the fiscal year ended June 30, 2015. The Board-approved budget for fiscal year 2017 allowed for legal costs of \$3,000. No approval for a budget revision was requested or obtained.

Effect

Federal awards expended on costs which may have been unreasonable or excessive. Non-compliance with federal procurement regulations and the Authority's Procurement Policy.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section III: Federal Awards Findings & Questioned Costs - Continued:

Finding 2017-002 – Failure to Comply with Procurement Policy (Two) - Continued

Recommendation

We recommend that the Authority review its Procurement Policy and execute purchases and procurements in accordance with its Procurement Policy and federal regulations.

Reply

The Authority has reviewed its Procurement Policy and currently executes purchases in accordance with its Procurement Policy and federal regulations. The Authority's Interim Executive Director has assumed the responsibility of executing purchases in accordance with its Procurement Policy, and is operating in compliance with federal regulations as of the date of this Report.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section III: Federal Awards Findings & Questioned Costs - Continued:

Finding 2017-003 – Unallowable Cost Charges to Public Housing Federal Program

Public Housing Program – CFDA No. 14.850a, Grant Period: Fiscal Year Ended June 30, 2017

Criteria

Uniform Guidance 2 CFR 200, Sub-Part 441 prohibits the Authority from charging costs to federal award programs related to fines, penalties, damages and other settlements resulting from violations of, alleged violations of, or failure to comply with Federal, State and/or Local laws and regulations

Condition, Cause and Questioned Costs (Other Matter)

In May of 2017 the Authority settled a law suit filed by a former employee for wrongful termination. As part of the settlement, the Authority agreed to pay certain benefits to the plaintiff through fiscal year 2022. Management has estimated the present value of future settlement payments to amount to \$146,894. During fiscal year 2017, the Authority paid \$16,000 and accrued a liability in the amount of \$146,894 for future settlement payments, thereby charging \$162,894 of law suit settlement costs to the Public Housing federal program.

Effect

Non-compliance with Federal Allowable Cost regulations.

Recommendation

We recommend that the Authority review Federal Allowable Cost regulations and establish controls to ensure charges to federal programs are in accordance with federal regulations.

Reply

The Authority has reviewed Federal Allowable Cost regulations and established controls to ensure charges to federal programs are in accordance with federal regulations. The Authority's Interim Executive Director has assumed the responsibility of maintaining strengthened controls over charges to federal award programs, and is operating in compliance with federal regulations as of the date of this Report.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2017

Section III: Federal Awards Findings & Questioned Costs - Continued:

Finding 2017-004 – Section 8 Management Assessment Program (SEMAP) Report

Section 8 Housing Choice Voucher Program – CFDA No. 14.871, Grant Period: Fiscal Year Ended June 30, 2017

Criteria

The SEMAP Report measures the performance of Public Housing Authorities (PHA's) that administer the Section 8 Housing Choice Voucher Program using 14 Performance Indicators. The Report requires PHA's to monitor and report on its compliance with Program requirements through system and document reviews and sampling. The PHA's are assigned a score based on the results of the Report they submit annually. Further, PHA's are required to retain the records and samples utilized in the Report for potential reviews and audits, as follows.

Uniform Guidance 2 CFR 200, Sub-Part 333 requires PHA's to retain financial records, supporting documents, statistical records, and all other records pertinent to a federal award for three years from the date of submission of the annual report.

Condition, Cause and Questioned Costs (Material Weakness and Scope Limitation)

During audit fieldwork, auditors requested the SEMAP Report submission and supporting documentation in order to review the Report to ensure accurate self-reporting. The Authority was unable to provide the records and samples utilized to support the answers and scores reported. There are no questioned costs associated with this Finding.

Effect

Unable to determine whether the answers and scores reported accurately reflected the records and samples reviewed. Unable to determine compliance with Program requirements.

Recommendation

We recommend that the Authority retain the records and samples utilized and reported in its SEMAP Report for three years from the submission of the Report, in accordance with federal regulations.

Reply

The Authority will retain the records and samples utilized and reported in its SEMAP Report for three years from the submission of the Report. The Authority's Interim Executive Director has assumed the responsibility of retaining the applicable records and anticipates full compliance with record maintenance requirements by December 31, 2017.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

CORRECTIVE ACTION PLAN

JUNE 30, 2017

Finding 2017-001 – Failure to Comply with Procurement Policy (One)

Corrective Action Plan

The Authority has reviewed its Procurement Policy and currently executes purchases in accordance with its Procurement Policy and federal regulations. The Authority's Interim Executive Director has assumed the responsibility of executing purchases in accordance with its Procurement Policy, and is operating in compliance with federal regulations as of the date of this Report.

Finding 2017-002 – Failure to Comply with Procurement Policy (Two)

Corrective Action Plan

The Authority has reviewed its Procurement Policy and currently executes purchases in accordance with its Procurement Policy and federal regulations. The Authority's Interim Executive Director has assumed the responsibility of executing purchases in accordance with its Procurement Policy, and is operating in compliance with federal regulations as of the date of this Report.

Finding 2017-003 – Unallowable Cost Charges to Public Housing Federal Program

Corrective Action Plan

The Authority has reviewed Federal Allowable Cost regulations and established controls to ensure charges to federal programs are in accordance with federal regulations. The Authority's Interim Executive Director has assumed the responsibility of maintaining strengthened controls over charges to federal award programs, and is operating in compliance with federal regulations as of the date of this Report.

Finding 2017-004 – Section 8 Management Assessment Program (SEMAP) Report

Corrective Action Plan

The Authority will retain the records and samples utilized and reported in its SEMAP Report for three years from the submission of the Report. The Authority's Interim Executive Director has assumed the responsibility of retaining the applicable records and anticipates full compliance with record maintenance requirements by December 31, 2017.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER PAYMENTS TO THE EXECUTIVE
DIRECTOR

YEAR ENDED JUNE 30, 2017

EXPENDITURE PURPOSE

Salary	<u>\$ 99,683</u>
Benefits - Insurance	<u>9,293</u>
Travel	<u>2,802</u>
Relocation	<u>5,000</u>
Total Compensation, Benefits and Other Payments	<u><u>\$ 116,778</u></u>

Agency Head: Richard Murray, Interim Executive Director (July 1, 2016 – December 31, 2016)

Marc Starling, Executive Director (December 1, 2016 – July 31, 2017)

Basis of Presentation:

The above Schedule of Compensation, Benefits and Other Payments to the Executive Director is presented on the accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of the *Louisiana Revised Statute (R.S.) 24:513A.(3)*, as amended by *Act 706 of the 2014 Legislative Session*.

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

To the Board of Commissioners of the Housing Authority of the City of Kenner, Louisiana and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Housing Authority of the City of Kenner and the Louisiana Legislative Auditor (LLA) on the control and compliance (C/C) areas identified in the LLA's Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2016 through June 30, 2017. The Authority's management is responsible for those C/C areas identified in the SAUPs.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. The sufficiency of these procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

See Addendum A following this Report for a description of the SAUPs.

The associated results and conclusions are as follows:

Written Policies and Procedures

The Authority has complete written policies and procedures which address each of the required financial/business functions with the following exceptions: A) The ethics policy met all requirements except the requirement that all elected officials annually attest through signature verification. B) Policies over collections did not sufficiently address segregation of duties.

Board

Board meetings were held monthly. It does not appear that actual-to-budget financial activity was appropriately monitored during the meetings.

Bank Reconciliations

Bank reconciliations were complete and contained the required approvals.

Collections

The Authority appears to have implemented and executed sufficient controls over the collections process, despite the written procedures not addressing the necessary segregation of duties.

Disbursements

The Authority appears to have implemented and executed sufficient controls over the disbursements process.

Credit Cards

Statements contained appropriate approvals and charges on statements complied with the disbursement policies. Interest charges of \$23 and late fees of \$76 were noted.

Travel and Expense Reimbursement

Travel was for business purposes and was in compliance with the Authority's travel policy and GSA rate requirements.

Contracts

The Authority is not in compliance with its procurement policy. Two contracts reviewed lacked bids or evidence of price quotes/cost analysis. Three contracts lacked evidence of board approval.

Payroll and Personnel

The Authority appears to have implemented and executed sufficient controls over the payroll and personnel processes.

Ethics

The Authority was unable to provide evidence of 'compliance documentation' for one of five employees sampled. An ethics violation has been reported against the former Executive Director. The former Executive Director has been terminated.

Debt Service

Supporting documentation was available and sufficient. Payments were made as scheduled. The remainder of the Debt Service SAUP's do not apply.

Other

The Authority had misappropriated funds in which law suit settlement costs were charged to the Public Housing federal program. The Authority did not notify the legislative auditor or the district attorney. The notice required by R.S. 24:523.1 was appropriately posted on the premises.

See Addendum B following this Report for the Authority's Corrective Action Plan.

We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The purpose of this report is solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.



Birmingham, Alabama
December 7, 2017

ADDENDUM A

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

Introduction and General Comments

The Louisiana Legislative Auditor (LLA) has prescribed statewide agreed-upon procedures (AUPs) below, which are intended to represent a minimum level of additional work to be performed at those local entities (local governments and quasi-public organizations, including nonprofits) that meet the legal requirement to have an audit under the Audit Law. Those local entities that do not meet the legal requirement to have an audit under the Audit Law are exempt from performing these AUPs. State entities that are included in the Comprehensive Annual Financial Report of the State of Louisiana, or local entities subject to Act 774 of 2014 (St. Tammany Parish), are likewise exempt from the AUPs below. **These AUPs will be effective beginning with those entities that have a June 30, 2017, fiscal year end.**

The AUPs are to be performed under the AICPA attest standards, and the AUP report must be attached to the audit report that is submitted to the Legislative Auditor's office (i.e. one Adobe pdf file submitted to the LLA rather than two). The AUPs are required to be performed by the same firm that performs the annual audit; accordingly, a separate "engagement approval form" for the statewide AUP engagement is not required.

The practitioner should consider these AUPs to be "complementary" rather than "additive" as they may duplicate existing audit procedures. For example, if the AUP below indicates that 25 random transactions should be selected and the practitioner would otherwise plan to test 40 random transactions as part of the entity's audit, the practitioner may use 25 of the 40 transactions for both the audit and the AUP engagement. Also, the scope of the procedures applies to the primary reporting entity and is not required to be extended to discretely presented component units of the entity.

All exceptions are to be included in the AUP report with management's responses/corrective actions. Management may either prepare a single overall response to the AUP report or may respond after each procedure.

If the entity employs one or more internal auditors; the practitioner documents reliance upon the internal audit function as part of the entity's audit; and the internal auditor performs one or more of the specific procedures identified below (internal auditor is not required to perform procedures under the attest standards), the practitioner does not have to include those specific procedures as part of the scope of the AUP engagement or in the AUP report. In that situation, the practitioner should perform the remaining AUPs under the attest standards and document in the AUP report. The practitioner must also include a copy of the internal auditor's procedures performed and exceptions noted when submitting the audit report and AUP report to the LLA. In this situation,

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

all three reports should be submitted to the LLA as one Adobe pdf file, and all three reports will be issued by the LLA as public documents.

Please note that the results of the AUPs do not change the practitioner’s separate responsibility to report significant deficiencies, material weaknesses, material noncompliance, etc., as part of the regular audit engagement. However, the practitioner should not include the AUP exceptions or internal auditor’s exceptions (or a reference to the exceptions) in the audit report’s schedule of findings, unless an AUP or internal audit exception rises to the level of a significant deficiency or material weakness and is included as a finding for purposes of the audit.

To avoid creating an undue burden on practitioners, the AUPs may be performed for a 12-month “fiscal period” that does not coincide with the entity’s “fiscal year”, as long as the 12-month fiscal period is no more than 3 months prior to the end of the entity’s fiscal year. For example, the practitioner may perform AUPs for the fiscal period April 1, 2016 through March 31, 2017 for an entity with a fiscal year ending June 30, 2017. All AUPs below will reference fiscal period to mean the 12-months covered by the AUPs.

For nonprofit entities, only those AUPs relevant to public monies (and only to the extent that the AUPs are applicable) are required to be included in the scope of the AUP engagement. For example, if a nonprofit receives \$10 million in non-public funds and also receives \$600,000 in public funds, only the \$600,000 would be subject to these AUPs if the funds are not otherwise commingled. In this example, if the nonprofit did not use the \$600,000 in public funds for payroll or travel expenses, the portions of the AUPs relating to these areas are not required to be included in the scope of the AUP engagement or report.

Additional instructions concerning engagement approvals, report submission protocols, and the availability of forms, examples, and tools related to these procedures will be communicated as they are finalized.

Written Policies and Procedures

1. Obtain the entity’s written policies and procedures and report whether those written policies and procedures address each of the following financial/business functions (or report that the entity does not have any written policies and procedures), as applicable:
 - a) ***Budgeting***, including preparing, adopting, monitoring, and amending the budget
 - b) ***Purchasing***, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.

Louisiana Legislative Auditor – Statewide Agreed-Upon Procedures

- c) ***Disbursements***, including processing, reviewing, and approving
- d) ***Receipts***, including receiving, recording, and preparing deposits
- e) ***Payroll/Personnel***, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.
- f) ***Contracting***, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process
- g) ***Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)***, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers, and (5) monitoring card usage
- h) ***Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers
- i) ***Ethics***, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) requirement that all employees, including elected officials, annually attest through signature verification that they have read the entity's ethics policy. Note: Ethics requirements are not applicable to nonprofits.
- j) ***Debt Service***, including (1) debt issuance approval, (2) EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

Board (or Finance Committee, if applicable)

- 2. Obtain and review the board/committee minutes for the fiscal period, and:
 - a) Report whether the managing board met (with a quorum) at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, or other equivalent document.
 - b) Report whether the minutes referenced or included monthly budget-to-actual comparisons on the General Fund and any additional funds identified as major funds in the entity's prior audit (GAAP-basis).
 - If the budget-to-actual comparisons show that management was deficit spending during the fiscal period, report whether there is a formal/written plan to eliminate the deficit spending for those entities with a fund balance deficit. If there is a formal/written plan, report whether the meeting minutes for at least one board meeting during the fiscal period reflect that the board is monitoring the plan.
 - c) Report whether the minutes referenced or included non-budgetary financial information (e.g. approval of contracts and disbursements) for at least one meeting during the fiscal period.

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Bank Reconciliations

3. Obtain a listing of client bank accounts from management and management’s representation that the listing is complete.
4. Using the listing provided by management, select all of the entity’s bank accounts (if five accounts or less) or one-third of the bank accounts on a three year rotating basis (if more than 5 accounts). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity fund accounts may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* For each of the bank accounts selected, obtain bank statements and reconciliations for all months in the fiscal period and report whether:
 - a) Bank reconciliations have been prepared;
 - b) Bank reconciliations include evidence that a member of management or a board member (with no involvement in the transactions associated with the bank account) has reviewed each bank reconciliation; and
 - c) If applicable, management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 6 months as of the end of the fiscal period.

Collections

5. Obtain a listing of cash/check/money order (cash) collection locations and management’s representation that the listing is complete.
6. Using the listing provided by management, select all of the entity’s cash collection locations (if five locations or less) or one-third of the collection locations on a three year rotating basis (if more than 5 locations). If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner. *Note: School student activity funds may be excluded from selection if they are otherwise addressed in a separate audit or AUP engagement.* **For each cash collection location selected:**
 - a) Obtain existing written documentation (e.g. insurance policy, policy manual, job description) and report whether each person responsible for collecting cash is (1) bonded, (2) not responsible for depositing the cash in the bank, recording the related transaction, or reconciling the related bank account (report if there are compensating controls performed by an outside party), and (3) not required to share the same cash register or drawer with another employee.
 - b) Obtain existing written documentation (e.g. sequentially numbered receipts, system report, reconciliation worksheets, policy manual) and report whether the entity has a formal process to reconcile cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions, by a person who is not responsible for cash collections in the cash collection location selected.
 - c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:

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- Using entity collection documentation, deposit slips, and bank statements, trace daily collections to the deposit date on the corresponding bank statement and report whether the deposits were made within one day of collection. If deposits were not made within one day of collection, report the number of days from receipt to deposit for each day at each collection location.
 - Using sequentially numbered receipts, system reports, or other related collection documentation, verify that daily cash collections are completely supported by documentation and report any exceptions.
7. Obtain existing written documentation (e.g. policy manual, written procedure) and report whether the entity has a process specifically defined (identified as such by the entity) to determine completeness of all collections, including electronic transfers, for each revenue source and agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation) by a person who is not responsible for collections.

Disbursements – General (excluding credit card/debit card/fuel card/P-Card purchases or payments)

8. Obtain a listing of entity disbursements from management or, alternately, obtain the general ledger and sort/filter for entity disbursements. Obtain management's representation that the listing or general ledger population is complete.
9. Using the disbursement population from #8 above, randomly select 25 disbursements (or randomly select disbursements constituting at least one-third of the dollar disbursement population if the entity had less than 25 transactions during the fiscal period), excluding credit card/debit card/fuel card/P-card purchases or payments. Obtain supporting documentation (e.g. purchase requisitions, system screens/logs) for each transaction and report whether the supporting documentation for each transaction demonstrated that:
- a) Purchases were initiated using a requisition/purchase order system or an equivalent electronic system that separates initiation from approval functions in the same manner as a requisition/purchase order system.
 - b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.
 - c) Payments for purchases were not processed without (1) an approved requisition and/or purchase order, or electronic equivalent; a receiving report showing receipt of goods purchased, or electronic equivalent; and an approved invoice.
10. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the person responsible for processing payments is prohibited from adding vendors to the entity's purchasing/disbursement system.

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11. Using entity documentation (e.g. electronic system control documentation, policy manual, written procedure), report whether the persons with signatory authority or who make the final authorization for disbursements have no responsibility for initiating or recording purchases.
12. Inquire of management and observe whether the supply of unused checks is maintained in a locked location, with access restricted to those persons that do not have signatory authority, and report any exceptions. Alternately, if the checks are electronically printed on blank check stock, review entity documentation (electronic system control documentation) and report whether the persons with signatory authority have system access to print checks.
13. If a signature stamp or signature machine is used, inquire of the signer whether his or her signature is maintained under his or her control or is used only with the knowledge and consent of the signer. Inquire of the signer whether signed checks are likewise maintained under the control of the signer or authorized user until mailed. Report any exceptions.

Credit Cards/Debit Cards/Fuel Cards/P-Cards

14. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.
15. Using the listing prepared by management, randomly select 10 cards (or at least one-third of the cards if the entity has less than 10 cards) that were used during the fiscal period, rotating cards each year. If there is a change in practitioners, the new practitioner is not bound to follow the rotation established by the previous practitioner.

Obtain the monthly statements, or combined statements if multiple cards are on one statement, for the selected cards. Select the monthly statement or combined statement with the largest dollar activity for each card (for a debit card, select the monthly bank statement with the largest dollar amount of debit card purchases) and:
 - a) Report whether there is evidence that the monthly statement or combined statement and supporting documentation was reviewed and approved, in writing, by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.]
 - b) Report whether finance charges and/or late fees were assessed on the selected statements.
16. Using the monthly statements or combined statements selected under #15 above, obtain supporting documentation for all transactions for each of the 10 cards selected (i.e. each of the 10 cards should have one month of transactions subject to testing).
 - a) For each transaction, report whether the transaction is supported by:
 - An original itemized receipt (i.e., identifies precisely what was purchased)

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- Documentation of the business/public purpose. For meal charges, there should also be documentation of the individuals participating.
 - Other documentation that may be required by written policy (e.g., purchase order, written authorization.)
- b) For each transaction, compare the transaction’s detail (nature of purchase, dollar amount of purchase, supporting documentation) to the entity’s written purchasing/disbursement policies and the Louisiana Public Bid Law (i.e. transaction is a large or recurring purchase requiring the solicitation of bids or quotes) and report any exceptions.
- c) For each transaction, compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. cash advances or non-business purchases, regardless whether they are reimbursed). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.

Travel and Expense Reimbursement

17. Obtain from management a listing of all travel and related expense reimbursements, by person, during the fiscal period or, alternately, obtain the general ledger and sort/filter for travel reimbursements. Obtain management’s representation that the listing or general ledger is complete.
18. Obtain the entity’s written policies related to travel and expense reimbursements. Compare the amounts in the policies to the per diem and mileage rates established by the U.S. General Services Administration (www.gsa.gov) and report any amounts that exceed GSA rates.
19. Using the listing or general ledger from #17 above, select the three persons who incurred the most travel costs during the fiscal period. Obtain the expense reimbursement reports or prepaid expense documentation of each selected person, including the supporting documentation, and choose the largest travel expense for each person to review in detail. For each of the three travel expenses selected:
- a) Compare expense documentation to written policies and report whether each expense was reimbursed or prepaid in accordance with written policy (e.g., rates established for meals, mileage, lodging). If the entity does not have written policies, compare to the GSA rates (#18 above) and report each reimbursement that exceeded those rates.
 - b) Report whether each expense is supported by:
 - An original itemized receipt that identifies precisely what was purchased. [Note: An expense that is reimbursed based on an established per diem amount (e.g., meals) does not require a receipt.]

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- Documentation of the business/public purpose (Note: For meal charges, there should also be documentation of the individuals participating).
 - Other documentation as may be required by written policy (e.g., authorization for travel, conference brochure, certificate of attendance)
- c) Compare the entity’s documentation of the business/public purpose to the requirements of Article 7, Section 14 of the Louisiana Constitution, which prohibits the loan, pledge, or donation of funds, credit, property, or things of value, and report any exceptions (e.g. hotel stays that extend beyond conference periods or payment for the travel expenses of a spouse). If the nature of the transaction precludes or obscures a comparison to the requirements of Article 7, Section 14, the practitioner should report the transaction as an exception.
- d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

Contracts

20. Obtain a listing of all contracts in effect during the fiscal period or, alternately, obtain the general ledger and sort/filter for contract payments. Obtain management’s representation that the listing or general ledger is complete.
21. Using the listing above, select the five contract “vendors” that were paid the most money during the fiscal period (excluding purchases on state contract and excluding payments to the practitioner). Obtain the related contracts and paid invoices and:
- a) Report whether there is a formal/written contract that supports the services arrangement and the amount paid.
 - b) Compare each contract’s detail to the Louisiana Public Bid Law or Procurement Code. Report whether each contract is subject to the Louisiana Public Bid Law or Procurement Code and:
 - If yes, obtain/compare supporting contract documentation to legal requirements and report whether the entity complied with all legal requirements (e.g., solicited quotes or bids, advertisement, selected lowest bidder)
 - If no, obtain supporting contract documentation and report whether the entity solicited quotes as a best practice.
 - c) Report whether the contract was amended. If so, report the scope and dollar amount of the amendment and whether the original contract terms contemplated or provided for such an amendment.
 - d) Select the largest payment from each of the five contracts, obtain the supporting invoice, compare the invoice to the contract terms, and report whether the invoice and related payment complied with the terms and conditions of the contract.

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- e) Obtain/review contract documentation and board minutes and report whether there is documentation of board approval, if required by policy or law (e.g. Lawrason Act or Home Rule Charter).

Payroll and Personnel

- 22. Obtain a listing of employees (and elected officials, if applicable) with their related salaries, and obtain management’s representation that the listing is complete. Randomly select five employees/officials, obtain their personnel files, and:
 - a) Review compensation paid to each employee during the fiscal period and report whether payments were made in strict accordance with the terms and conditions of the employment contract or pay rate structure.
 - b) Review changes made to hourly pay rates/salaries during the fiscal period and report whether those changes were approved in writing and in accordance with written policy.
- 23. Obtain attendance and leave records and randomly select one pay period in which leave has been taken by at least one employee. Within that pay period, randomly select 25 employees/officials (or randomly select one-third of employees/officials if the entity had less than 25 employees during the fiscal period), and:
 - a) Report whether all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
 - b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.
 - c) Report whether there is written documentation that the entity maintained written leave records (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.
- 24. Obtain from management a list of those employees/officials that terminated during the fiscal period and management’s representation that the list is complete. If applicable, select the two largest termination payments (e.g., vacation, sick, compensatory time) made during the fiscal period and obtain the personnel files for the two employees/officials. Report whether the termination payments were made in strict accordance with policy and/or contract and approved by management.
- 25. Obtain supporting documentation (e.g. cancelled checks, EFT documentation) relating to payroll taxes and retirement contributions during the fiscal period. Report whether the employee and employer portions of payroll taxes and retirement contributions, as well as the required reporting forms, were submitted to the applicable agencies by the required deadlines.

Ethics (excluding nonprofits)

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26. Using the five randomly selected employees/officials from procedure #22 under “Payroll and Personnel” above, obtain ethics compliance documentation from management and report whether the entity maintained documentation to demonstrate that required ethics training was completed.
27. Inquire of management whether any alleged ethics violations were reported to the entity during the fiscal period. If applicable, review documentation that demonstrates whether management investigated alleged ethics violations, the corrective actions taken, and whether management’s actions complied with the entity’s ethics policy. Report whether management received allegations, whether management investigated allegations received, and whether the allegations were addressed in accordance with policy.

Debt Service (excluding nonprofits)

28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.
29. If the entity had outstanding debt during the fiscal period, obtain supporting documentation from the entity and report whether the entity made scheduled debt service payments and maintained debt reserves, as required by debt covenants.
30. If the entity had tax millages relating to debt service, obtain supporting documentation and report whether millage collections exceed debt service payments by more than 10% during the fiscal period. Also, report any millages that continue to be received for debt that has been paid off.

Other

31. Inquire of management whether the entity had any misappropriations of public funds or assets. If so, obtain/review supporting documentation and report whether the entity reported the misappropriation to the legislative auditor and the district attorney of the parish in which the entity is domiciled.
32. Observe and report whether the entity has posted on its premises and website, the notice required by R.S. 24:523.1. This notice (available for download or print at www.la.gov/hotline) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.
33. If the practitioner observes or otherwise identifies any exceptions regarding management’s representations in the procedures above, report the nature of each exception.

ADDENDUM B

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA

LOUISIANA LEGISLATIVE AUDITOR, STATE-WIDE AGREED-UPON PROCEDURES

CORRECTIVE ACTION PLAN

JUNE 30, 2017

Written Policies and Procedures

The Authority will update its written policies.

Board

Authority management will propose monthly financial reviews to the governing Board.

Credit Cards

The Authority will attempt to eliminate interest and late fee charges.

Contracts

The Authority has reviewed its Procurement Policy and currently executes purchases in accordance with its Procurement Policy and federal and state regulations.

Ethics

The Authority will require all applicable employees to complete the required compliance documentation.

Other

The Authority has reviewed Federal Allowable Cost regulations and established controls to ensure charges to federal programs are in accordance with federal regulations.