



LUTHER SPEIGHT & COMPANY, LLC  
*Certified Public Accountants and Consultants*

NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION

(A Nonprofit Organization)

FINANCIAL STATEMENT AND  
INDEPENDENT AUDITOR'S REPORT

YEAR ENDED DECEMBER 31, 2017

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**LUTHER SPEIGHT & COMPANY, LLC**  
***Certified Public Accountants and Consultants***

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Neighborhood Development Foundation, Inc.

**Report on the Financial Statements**

We have audited the accompanying financial statements of Neighborhood Development Foundation, Inc. (NDF) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements.

***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 the 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.

***Auditor's 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 entity'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 entity'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 financial position of NDF as of December 31, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Continued,

***Other Matters***

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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 June 22, 2018, on our consideration of NDF's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NDF's internal control over financial reporting and compliance.

*Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The *Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer* is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 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.



Luther Speight & Company CPAs

New Orleans, Louisiana

June 22, 2018

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2017**

**Assets**

Cash and Cash Equivalents	\$	60,461
Accounts Receivable		132,941
Other Assets		2,648
Project Development Costs - VA		1,500,947
Fixed Assets (Net)		813,991
<b>Total Assets</b>		<b>2,510,988</b>

**Liabilities and Net Assets**

**Liabilities**

Accounts Payable		226,040
Note Payable		51,810
Lines of Credit		162,047
Project Advances - VA Project		125,000
Recoverable Grant Payable		132,000
Mortgage Payable		76,455
Deferred Liens - VA Project		188,855
<b>Total Liabilities</b>		<b>962,207</b>

**Net Assets**

Restricted - Fixed Assets		737,536
Restricted - Project Development Costs		1,312,092
Unrestricted		(500,847)
<b>Total Net Assets</b>		<b>1,548,781</b>

<b>Total Liabilities and Net Assets</b>	<b>\$</b>	<b>2,510,988</b>
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The accompanying notes are an integral part of these financial statements.

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>Public Support and Revenues</b>			
Grant Revenues	\$ -	\$ 1,061,468	\$ 1,061,468
Program Income	182,695	-	182,695
Program Service Fees	47,886	-	47,886
Contribution Income	4,591	-	4,591
Miscellaneous Income	1,868	-	1,868
Investment Income	334	-	334
Releases from Restrictions	1,061,468	(1,061,468)	-
<b>Total Public Support and Revenues</b>	1,298,842	-	1,298,842
<b>Expenditures</b>			
Program Service Expenditures	260,673	-	260,673
Salaries and Benefits	242,148	-	242,148
Developer's Fees	83,867	-	83,867
Insurance	54,092	-	54,092
Professional Services	54,044	-	54,044
Interest	33,313	-	33,313
Depreciation	28,411	-	28,411
Office Expenditures	27,630	-	27,630
Utilities	13,123	-	13,123
Janitorial	6,680	-	6,680
Repairs and Maintenance	3,148	-	3,148
Travel and Meetings	1,561	-	1,561
Other Expenditures	889	-	889
Dues and Subscriptions	240	-	240
<b>Total Expenditures</b>	809,819	-	809,819
<b>Change in Net Assets</b>	489,023	-	489,023
<b>Beginning Net Assets</b>	1,059,758	-	1,059,758
<b>Ending Net Assets</b>	\$ 1,548,781	\$ -	\$ 1,548,781

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

**NEW ORLEANS NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2016**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in Net Assets	489,023
Adjustments to reconcile net income to net cash:	
Depreciation Expense	28,411
Decrease in Receivables	159,629
Decrease in Other Current Assets	1,631
Decrease in Accounts Payable	(19,449)
Net Cash Provided by Operating Activities	659,245

**CASH FLOWS FROM INVESTING ACTIVITIES**

Development Costs - VA Project	(506,294)
Net Cash Used by Investing Activities	(506,294)

**CASH FLOWS FROM FINANCING ACTIVITIES**

Borrowings of Notes Payable (Net)	(19,380)
Payments on Mortgage Payable	(12,089)
Payments on Line of Credit (Net)	(87,703)
Deferred Liens - VA Project	(10,655)
Project Advances - VA Project	(25,000)
Net Cash Used by Financing Activities	(154,827)

Net Change in Cash and Cash Equivalents	(1,876)
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Cash and Cash Equivalents - Beginning of Period	62,337
Cash and Cash Equivalents - End of Period	\$ 60,461

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

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 1 – ORGANIZATION**

New Orleans Neighborhood Development Foundation (“the Foundation”) was incorporated under the laws of the State of Louisiana on April 15, 1986. Its mission is to help low and moderate income families become homeowners, with the specific aim of placing at least 100 low and moderate income families in their own homes each year. The operations of the Foundation focus on educating and assisting low and moderate-income families to build community assets through homeownership. The Foundation achieves this by providing knowledge, education, and advocacy to the New Orleans community that makes owning and maintaining a home affordable.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Principles of Accounting

The Foundation is a non-profit, community-based organization whose financial statements are prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) as set forth in FASB ASC 958, which established standards for external financial reporting by not-for-profit organizations, the Foundation classifies resources for accounting and reporting purposes into three net asset categories which are unrestricted, temporarily restricted, and permanently restricted net assets according to external (donor) imposed restrictions. A description of these three net asset categories is as follows:

- Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of The Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of The Foundation and therefore, The Foundation’s policy is to record those net assets as unrestricted.

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Continued,**

- Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions have not been met.
- Permanently restricted net assets are contributions, which are required by the donor-imposed restriction to be invested in perpetuity and only the income, be made available for program operations in accordance with donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At December 31, 2017, The Foundation did not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Foundation to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Furniture, Fixtures and Equipment

Furniture, fixtures and equipment of The Foundation are recorded as assets and are stated at historical cost, if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Long-lived assets over \$1,000 are capitalized.

Depreciation is provided using the straight-line method over the estimated useful lives of assets as follows:

Furniture and Equipment	3-7 Years
Building and Improvements	10 - 27.5 Years

Such assets and related accumulated depreciation consists of the following:

Land	\$ 45,000
Furniture, Fixtures and Equipment	90,823
Building and Improvements	1,034,683
Accumulated Depreciation	(356,515)
Net Fixed Assets	<u>\$ 813,991</u>

Depreciation expense for the year then ended December 31, 2017 was \$28,411.

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Continued,**

Support and Revenues

Grants and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Financial Activities as net assets released from restrictions. Grant revenue is recognized as it was earned in accordance with approved contracts.

Investments

Investments are presented in accordance with requirements established by FASB ASC 320. Under FASB ASC 320, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets.

Market Risk

Market risk is the risk of losses in positions arising from movements in market prices. Market risk include equity risk, interest rate risk, and currency risk.

Receivables

The corporation considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts due become uncollectible, they will be charged to operations when that determination is made.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the corporation that is, in substance, unconditional. Conditional promises to give are recognized when the conditions on which they depend are substantially met. All promises to give are recognized as assets less an allowance for uncollectible amounts, and revenues.

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**Continued,**

Fair Value of Financial Instruments

Cash, cash equivalents, and temporary investments carrying amounts reported in the Statement of Financial Position approximate fair values because of the short maturities of those instruments. The fair values of marketable securities are based on quoted market prices for those similar investments.

Cash Equivalents

The Foundation considers all cash in demand deposits and investments purchased with a maturity date of three months or less to be cash equivalents.

**NOTE 3– MORTGAGE PAYABLE- FOUNDATION FOR LOUISIANA, INC.**

The Foundation currently has an outstanding mortgage payable due to the Foundation for Louisiana. The outstanding balance of the mortgage payable as of the year ended December 31, 2017 totaled \$76,455.

The note dated October 15, 2010 bears an interest rate of 3% payable in quarterly installments. The note is secured by land and buildings recorded at \$1,079,863 in these financial statements. The amortizations of principal for the remaining periods are as follows:

<u>Year Ended</u>	<u>Principal Payments Due</u>
2018	25,100
2019	25,858
2020	25,497
	<u>\$ 76,455</u>

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 4 - FINANCING ACTIVITIES**

**Lines of Credit**

The Foundation has two unsecured lines of credit with a financial institution in the amount of \$100,000 and \$150,000. As of December 31, 2017, the Foundation had borrowings against the lines of \$101,008 and \$62,008, respectively. The interest rates as of December 31, 2017 were 5.5% and 5.25%, respectively.

**Note Payable**

The Foundation has a note payable with a financial institution with an outstanding balance of \$117,862 as of December 31, 2017. The note payable is collateralized by a multiple indebtedness mortgage and assignment of rents dated December 31, 2008 and a multiple indebtedness mortgage and assignment of all rents dated July 26, 2013. Payments are due monthly in the amount of \$1,897.15, which include interest payments at 5%.

Principal payments on the note payable are due as follows:

<u>Year Ended</u>	<u>Principal Payments Due</u>
2017	\$ 19,687
2018	20,709
2019	21,783
2020	9,011
	<u>\$ 71,190</u>

**NOTE 5 – UNRESTRICTED CONTRIBUTIONS**

Contributions consist of donations made to The Foundation to provide support to the operation of The Foundation as well as to fund specific projects as designated by the donor or the Board of Directors. During the year ended December 31, 2017, there were no contributions made to the Company.

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 6 – GOVERNMENT GRANTS**

The Foundation is the recipient of several federal awards. Included in grant revenue are funds disbursed from several funding sources to provide funds for the implementation of various community programs as well as to support the operations of the Foundation.

**NOTE 7 – INCOME TAXES**

The Foundation is exempt from federal income taxes through Section 501 (c)(3) of the Internal Revenue Code.

**NOTE 8 – CONTINGENCY**

The Foundation is a recipient of several grants and awards of federal funds. These grants and awards are governed by various federal guidelines, regulations, and contractual agreements. The administration of the programs and activities funded by these grants and awards is under the control and administration of the Foundation, and is subject to audit and /or review by the applicable funding sources. Any grant or award funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding sources may be subject to recapture.

**NOTE 9 – COMPENSATED ABSENCES**

The Foundation did not record a liability related to amounts due to employee compensated absences. Management determined that these balances are not material.

**NOTE 10 – ACCOUNTS PAYABLE**

The Foundation recorded accounts payable at December 31, 2017 totaling \$237,670. This balance includes two outstanding credit card balances, various accrued amounts related to general operations of the Foundation, and payables to a property management company totaling \$140,444. The payable balance to this one vendor represents 63% of trade accounts payable.

**New Orleans Neighborhood Development Foundation**  
**Notes to the Financial Statements**  
**December 31, 2017**

**NOTE 11 – VETERANS ADMINISTRATION (VA) PROJECT**

During the 2015 fiscal year, the Foundation executed a Cooperative Endeavor Agreement (CEA) with the City of New Orleans for the purpose of acquisition, renovation and sale of thirteen (13) homes in Orleans Parish. The CEA included a funding award of \$2 million from the City's Disaster Community Development Grant (DCDBG). In connection with the development, the Foundation engaged a Contractor to serve as general contractor. The Contractor executed a guaranteed minimum price (GMP) contract totaling \$1,788,810 to complete the project.

The agreement with the Contractor included a stipulation that the Contractor agreed to pay a developer fee to the Foundation totaling \$173,000. This fee is provided to assure that the Foundation has adequate resources to effectively oversee the project. This amount is repayable to the Contractor from project proceeds as the funds become available. As of December 31, 2017, the Contractor had advanced \$125,000 to the Foundation. This balance is recorded as project advances. In addition, as of December 31, 2017, there was \$188,855 in deferred liens on these properties.

Cumulative acquisition and construction related costs totaled \$1,500,947. These costs are recorded as Project Development Costs – VA at December 31, 2017 on the Statement of Financial Position. During the 2017 year, the Foundation sold one (1) house and generated net program income totaling \$ 132,816. These program income funds were retained by the Foundation.

**NOTE 12 – SUBSEQUENT EVENTS**

Management evaluated subsequent events as of June 26, 2018 and has noted that there are no additional disclosures or adjustments to these financial statements required. These financial statements were available to be issued on June 29, 2018.



LUTHER SPEIGHT & COMPANY, LLC  
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S 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*

To the Board of Directors of  
New Orleans Neighborhood Development Foundation, Inc.

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 New Orleans Neighborhood Development Foundation, Inc. (NDF) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of financial activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 22, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered NDF'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 NDF's internal control. Accordingly, we do not express an opinion on the effectiveness of NDF'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 entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control described in the accompanying schedule of findings and questioned costs at item 2017-04 to be a material weakness.

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. We consider the deficiencies in internal control described in the accompanying schedule of findings and questioned costs at items 2017-01, 2017-02, and 2017-03 to be significant deficiencies.

Continued,

Our consideration of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether NDF's financial statements are free from 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 instances of noncompliance as described in the accompanying schedule of findings and questioned costs at items 2017-04, 2017-05 and 2017-06.

### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "Luther Speight & Co". The signature is fluid and cursive, with a large initial "L" and "S".

Luther Speight & Company CPAs  
New Orleans, Louisiana  
June 22, 2018



**LUTHER SPEIGHT & COMPANY, LLC**  
**Certified Public Accountants and Consultants**

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

To the Board of Directors of  
New Orleans Neighborhood Development Foundation, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited New Orleans Neighborhood Development Foundation, Inc.'s (NDF) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of NDF's major federal programs for the year ended December 31, 2017. NDF's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of NDF's major federal programs 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* 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 NDF'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 each major federal program. However, our audit does not provide a legal determination of NDF's compliance.

Continued,

***Basis for Qualified Opinion on Disaster Recovery Program***

As described in the accompanying schedule of findings and questioned costs, NDF did not maintain adequate accountability for program income related to its federally funded construction *project CFDA 14.225 Disaster Recovery Program*. Compliance with such requirements is necessary, in our opinion, for NDF to comply with the requirements applicable to that program.

***Qualified Opinion on Disaster Recovery Program***

In our opinion, except for the noncompliance described in the “Basis for Qualified Opinion” paragraph, NDF Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Disaster Recovery Program for the year ended December 31, 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 items 2017-05 and 2017-06. Our opinion on each major federal program is not modified with respect to these matters.

NDF’s response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. NDF’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Management of NDF 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 NDF’s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 NDF’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Continued,

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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2017-04 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2017-01, 2017-02 and 2017-03 to be significant deficiencies.

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 that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Luther Speight & Company CPAs

New Orleans, Louisiana

June 22, 2018

**Neighborhood Development Foundation  
Schedule of Expenditures of Federal Awards  
December 31, 2017**

<u>Federal Grantor</u>	<u>Pass-through Grantor</u>	<u>CFDA Number</u>	<u>Program Title</u>	<u>Award Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
State of Louisiana and Louisiana Housing Corporation				
		14.169	Housing Counseling Assistance Program	\$ 47,075
State of Louisiana and City of New Orleans, Office of Facilities, Infrastructure and Community Development				
		14.225	Community Development Block Grants -Disaster Recovery Program	<u>859,603</u>
			<b>TOTAL FEDERAL EXPENDITURES</b>	<b><u><u>\$ 906,678</u></u></b>

**New Orleans Neighborhood Development Foundation**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**December 31, 2017**

NOTE A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes federal grant activity of the Foundation, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Section I – Summary of Auditor’s Results**

***Financial Statements***

An unqualified opinion was issued on the financial statements of the auditee.

Internal Control Over Financial Reporting:

Material weaknesses identified?              X   yes       no  
Significant deficiencies identified  
not considered to be material weaknesses?      X   yes       no

Noncompliance material to financial statements noted?      X   yes       no

**Federal Awards**

Internal control over major programs:

Material weaknesses identified?              X   yes       no  
Significant deficiencies identified  
not considered to be material weaknesses?      X   yes       no

An unqualified opinion was issued on compliance.

Other matters or instances on  
noncompliance required to be reported  
in accordance with the Uniform Guidance?      X   yes       no

The major programs for the year ended December 31, 2017 were as follows:

1. Community Development Block Grants – Disaster Recovery Program – CFDA 14.225

Dollar threshold used to distinguish between Type A and Type Be programs: \$750,000

Auditee did not qualify as a low-risk auditee.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**FINDING# 2017-01: Grant Fund Accounting Not Fully Implemented**

**Criteria:**

The financial management system of each non-Federal entity must provide for the following: (1) Identification in its accounts of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include as applicable, the CFDA title and number, Federal award identification number and year, name of the Federal agency, and name of the pass thru entity, if any. (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements set forth in 2 CFR 200.327 Financial Reporting and 2 CFR 200.328.

**Condition:**

The Foundation's financial records did not adequately segregate the accounting for grant funds for various programs. We noted that multiple grant funds were grouped in common general ledger accounts. During the course of our current year audit management was able to revise its general ledger to present separate accounting for each grant program activity.

**Cause:**

The Foundation had not updated its financial reporting system to accommodate the additional federal program awards received.

**Effect:**

The Foundation's financial records were not maintained on a basis required by generally accepted accounting principles.

**Recommendation:**

Management maintain and continue to update its financial accounting records based upon grant agreements and awards received.

**Management's Response:**

The Foundation's financial accounting practice has been and continues to be to evaluate against any changes in acceptable accounting practices along with any audit findings and make the required adjustments as recommended. The Foundation present accounting practices provides it with the ability to deliver all financial reporting as required by its funding agencies. The Foundation will continue the practice of end of the year review and make recommended adjustments.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Finding# 2017 – 02: Bank Reconciliations Not Properly Prepared**

**Criteria:**

Best practices for maintaining accountability for grant funds and maintaining adequate accounting records require monthly reconciling all bank account balances with the book balances (general ledger). This assures that (1) all receipts and disbursements are recorded; (2) all transactions clearing the bank are proper and recorded in the general ledger; (3) the reconciled cash balance agrees to the general ledger cash balance.

**Condition:**

Our examination of the Organization's bank reconciliations indicated that two (2) bank reconciliations did not agree to the general ledger at December 31, 2017. We also noted that the monthly bank reconciliations were not dated and signed by both the preparer and reviewer/approver. During fieldwork, the bank reconciliations were corrected and the general ledger adjusted to provide for accurate reconciliation.

**Cause:**

The Foundation's accounting procedures did not include adequate and timely review of bank reconciliations and follow-up of any differences noted.

**Effect:**

We were unable to determine if further adjustment to the financial statements were required.

**Recommendation:**

We recommend that all bank reconciliations be signed by the preparer, reviewed by management with approval signatures included. Any differences noted should be resolved on a timely basis.

**Management's Response:**

The Foundation's financial accounting practices has been and continues to evaluate any changes in acceptable accounting practices along with any audit findings and make the required adjustments as recommended. The Foundation present accounting practices provides it with the ability to deliver all financial reporting as required by its funding agencies. The Foundation will continue the practice of end of the year review and make recommended 2017 adjustment to have the reconciliation reports dated and signed.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Finding# 2017 – 03: Progress Invoice Approval Procedures Not Adequate for HUD VA Project**

**Criteria:**

The Cooperative Endeavor Agreement between the Foundation and the City of New Orleans provides that in regard to subrecipient's performance; the Developer's work shall be accurate and free from any material errors. Developer's duties as set forth in this Agreement shall at no time be in any way diminished by reason of any approval by City nor shall Developer be released from liability by reason of such approval by the City, it being understood that City, at all times is ultimately relying upon Developer's skill and knowledge in performing the Services.

**Condition:**

The Foundation engaged a construction contract manager to review all progress construction invoices from the general contractor on the HUD VA Project. We noted that those services were discontinued effective April 2017. Accordingly, progress invoices from April 2017 to December 2017 totaling \$591,052 were not independently reviewed and certified by a construction expert.

**Cause:**

We were advised by management that the construction manager resigned from continuing this contract role. The Foundation relied upon the City of New Orleans' housing inspector for certification of construction progress.

**Recommendation:**

We recommend that the Foundation engaged a construction professional to certify the accuracy of the progress construction invoices submitted for payment.

**Management's Response:**

The Foundation advised, reported, and provided subsequent documentation that the resignation contract for construction management was revised and that the construction manager continues to advise the Foundation on the progression of the construction of the VA-DCDBG properties project. (See attachment) Further evidence of the construction manager's involvement are the signed "Building Standard Compliance" forms required to be signed for each completed property where you will find the construction manager's certified signature.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Finding# 2017 – 04: Procedures and Controls Over Program Income Not Adequate**  
**Questioned Cost: \$131,812**

**Criteria:**

The Cooperative Endeavor Agreement between the Foundation and the City of New Orleans stipulates that any funds derived from CDBG grant funded activities carried out by the subrecipient shall be considered program income and shall be returned or retained by the subrecipient pending City of New Orleans approval for activities pursuant to and for the duration of this agreement and in a manner consistent with the requirements set forth at 24 CFR 570.504. The subrecipient agrees that any amounts to be refunded to the City of New Orleans or retained by the subrecipient shall be reported monthly in accordance with Exhibit H. All program income shall be maintained separately by the subrecipient before additional funds are requested from the City, except for an amount as determined by the City to be necessary to maintain the bank account.

**Condition:**

The Foundation's financial accounting records did not segregate the receipt and disbursement of Program Income received during the year. We noted that a house was sold during 2017 that generated net program income totaling \$131,812. Although the Organization's approved budget for the Project included program income, specific approvals for retention and subsequent disbursement of the program income was not obtained from the City of New Orleans in accordance with the Cooperative Endeavor Agreement. We also noted that the Foundation used the properties acquired with grant funds as collateral for short-term bank financings. The bank financing was repaid to the lender upon sale of the initial property.

**Cause:**

The Foundation did not have adequate administrative and accounting procedures in effect to comply with federal program income requirements.

**Effect:**

We were unable to determine if the Foundation properly expended program income in accordance with program guidelines and the Cooperative Endeavor Agreement.

**Recommendation:**

We recommend that the Foundation establish procedures for proper accounting and compliance with program income requirements. In addition, specific grantor approval should be obtained prior to collateralizing any grant funded property. The Foundation should request a determination from the grantor to determine the eligibility of the program income funds expended.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Finding# 2017 – 04: Procedures and Controls Over Program Income Not Adequate**  
**Continued**

**Questioned Cost:     \$131,812**

**Management's Response:**

The Foundation's 2017 CEA contained an approved budget and process for expending earned program income (PI). However, upon the actual earning of the PI and the submission of the plan for spending of the funds, the Foundation was advised that it would be provided with new guidelines, procedures, and processing. This change was not complete until 13-months later. All program income funds were expended on the line items approved in the CEA's 2017 PI approved budget.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Finding# 2017 – 05: Procurement Procedures Not Adequate**

**Criteria:**

The non-federal entity must use its own documented procurement procedures which reflect applicable State and local laws and regulations, provided that the procurements conform to applicable Federal law and the standards. The non-federal entity must maintain records sufficient to detail the history of the procurement. These records will include but are not necessarily limited to, rationale for the method of procurement, selection of the contract type, contractor selection or rejection, and the basis for the contract price. The sealed bid method is the preferred method for procuring construction.

**Condition:**

The Foundation procurement procedures for the general contractor for the HUD VA project did not include adequate documentation including, formal advertisement for bid, invitation for bid with specifications and pertinent attachments, the record of public bid opening, the evaluation results, a firm fixed price contract award in writing to the lowest responsive and responsible bidder.

**Cause:**

We were unable to determine the cause for the condition

**Effect:**

The Foundation did not appear to comply with federal procurement standards.

**Recommendation:**

We recommend that the Foundation implement procurement procedures that provide for compliance with federal, state and local procurement guidance.

**Management's Response:**

The Foundation's DCDBG-VA Project called for a co-developer and as such followed the local procurement bids submitted. While construction development has been the assignment of the Foundation's subsidiary and, going forward the Foundation will follow the recommendation to have procurement procedures guidelines in place.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

**Finding# 2017 – 06: No Monitoring of Federal Labor Standards Provisions/Davis Bacon and Related Act Requirements**

**Criteria:**

All laborers and mechanics employed or working upon the site of the work will be paid unconditionally and not less often than once a week, and without subsequent deduction or rebate on any account, the full amount of wages and bona fide fringe benefits (or cash equivalents thereof) due at time of payment computed at rates not less than those contained in wage determination of the Secretary of Labor which is attached hereto and made a part hereof, regardless of any contractual relationship which may be alleged to exist between the subrecipient and such laborers and mechanics.

**Condition:**

The Foundation did not monitor the general contractor compliance with federal Davis Bacon Act wage compliance related to the HUD VA project.

**Cause:**

We were unable to determine the cause for this condition.

**Effect:**

We were unable to determine if the wages paid under this project were in compliance with the Davis Bacon Act.

**Recommendation:**

We recommend that the Foundation implement monitoring procedures to assure compliance with the Davis Bacon Act.

**Management's Response:**

Since the Foundation's DCDBG-VA Project did not involve the hiring of laborers and/or mechanics employees by the Foundation or its co-developer, the Davis Bacon Act does not apply.

**New Orleans Neighborhood Development Foundation, Inc.**  
**Schedule of Findings and Questioned Costs**  
**December 31, 2017**

There were no findings noted during the prior year audit.

**New Orleans Neighborhood Development Foundation, Inc.  
 Schedule of Compensation, Benefits,  
 and Other Payments to Agency Head  
 December 31, 2017**

**Agency Head Name:** Fred J. Johnson, Jr.

<b>Purpose</b>	<b>Amount</b>
Salary	\$71,406.00
Benefits-insurance	\$584.04
Benefits-retirement	0.00
Benefits: Communication Service	0.00
Car allowance	N/A
Vehicle provided by government	N/A
Per diem	0.00
Reimbursements	0.00
Travel	0.00
Registration fees	0.00
Conference travel	0.00
Continuing professional education fees	0.00
Housing	N/A
Unvouchered expenses*	N/A
Special meals	N/A



**LUTHER SPEIGHT & COMPANY, LLC**  
***Certified Public Accountants and Consultants***

**NEIGHBORHOOD DEVELOPMENT FOUNDATION, INC.**

**AGREED UPON PROCEDURES REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2017**



**LUTHER SPEIGHT & COMPANY, LLC**  
**Certified Public Accountants and Consultants**

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors of Neighborhood Development Foundation, Inc.  
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below, which were agreed to by the Neighborhood Development Foundation, Inc. (NDF) 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 January 1, 2017 through December 31, 2017. NDF'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.

The procedures and associated findings are as follows:

***Written Policies and Procedures***

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- 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

**Observation:** Neighborhood Development Foundation Accounting and Administrative Policies and Procedures do address 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.

**Observation:** The Neighborhood Development Foundation Accounting & Administrative Policies and Procedures does not address how purchases are initiated; the Neighborhood Development Foundation Accounting and Administrative Policies and Procedures does not address how vendors are added to the vendor list; the Neighborhood Development Foundation does not use a purchasing requisition and purchase order system; the Neighborhood Development Foundation Accounting & Administrative Policies and Procedures do not address the development, implementation and monitoring of controls to ensure compliance with public bid law; the Neighborhood Development Foundation Accounting and Administrative Policies do not address maintaining documentation for all bids and price quotes.

**Client Response:**

*While the written policies may not fully address the purchasing outline in (b) above, the Neighborhood Development Foundation (NDF) always seeks more than one cost estimate for large jobs. With regard to public bid laws, the NDF is a small nonprofit established in 1986 with an average annual budget of less than 500,000.00 with a 4-member full time staff. We have only on two occasions has the need to consider putting work out for public bid. Going forward, NDF will revise its policies to include the suggested procedures.*

- c) **Disbursements**, including processing, reviewing, and approving

**Observation:** Neighborhood Development Foundation Accounting and Administrative Policies and Procedures address disbursements, including processing, reviewing, and approving; no exceptions noted.

- d) **Receipts**, including receiving, recording, and preparing deposits

**Observation:** The Neighborhood Development Foundation Accounting and Administrative Policies and Procedures address receiving, recording and preparing deposits; no exceptions noted.

- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked.

**Observation:** The Neighborhood Development Foundation Accounting and Administrative Policies and Procedures addresses payroll processing, the approval of time and attendance records; however, NDF's policies do not address how sick/annual leave is earned and approved or issues related to overtime worked.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit established in 1986 with an average annual budget of less than 500,000.00 and 4-member full time staff that has been with the organization no less than 8-years. While the Accounting and Administrative Policies and Procedures do not address how sick/annual leave is earned and approved or issues related to overtime worked the personnel manual does as well as the bi-weekly time sheets completed by each employee. If it is the best practice to have this information duplicated in the Accounting and Administrative Policies, going forward, NDF will revise its policies to include the suggested information.*

- 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

**Observation:** Neighborhood Development Foundation Accounting and Administrative Policies and Procedures do not address (1) the types of services requiring written contracts, (2) the standard terms and conditions, (3) the legal review, (4) the approval process, (5) and the monitoring process.

**Client Response:**

*The Neighborhood Development Foundation going forward, will revise its policies to include the suggested information.*

- 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

**Observation:** The Neighborhood Development Foundation Accounting and Administrative Policies and Procedures addresses (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements; (4) required approvers and (5) monitoring card usage.

**Client Response:**

*The Neighborhood Development Foundation going forward, will revise its policies to include the suggested information.*

- h) *Travel and expense reimbursement***, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers

**Observation:** The Neighborhood Development Foundation Accounting Policies and Procedures address allowable travel and expense reimbursement; however, the NDF Accounting and Administrative Policies and Procedures do not address the following: travel and expense reimbursement dollar thresholds by category of expense, travel and expense reimbursement documentation requirements, and travel and expense reimbursement required approvers.

**Client Response:**

*The Neighborhood Development Foundation going forward, will revise its policies to include the suggested information.*

- 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.

**Observation:** 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.

**Observation:** Debt service requirements are not applicable to nonprofits.

*Board (or Finance Committee, if applicable)*

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**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.

**Observation:** It appears that the board met on the following dates: March 15, 2017, May 10, 2017, August 23, 2017, October 25, 2017, January, 31, 2018. The board's meeting schedule is the 4<sup>th</sup> Wednesday of every 2 months from 4:00pm to 6:00pm.

- 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.

**Observation:** No monthly budget-to-actual reports or budget-to-actual comparisons referenced in the organization's 2017 calendar year board minutes. The January, 2018 NDF Board of Directors Meeting included the calendar year end 2017 financial report and a budget for calendar year 2018.

- 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.

**Observation:** Per observation of the May 10, 2017 board meeting, the minutes referenced pending receipts and payments from the State of Louisiana-\$102,485.92 and the City of New Orleans-\$73,262.91.

### ***Bank Reconciliations***

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3. Obtain a listing of client bank accounts from management and management's representation that the listing is complete.

**Observation:** Obtained a list of client bank accounts from management; also, we reviewed the general ledger for respective bank accounts; no exceptions noted.

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;

**Observation:** The following bank reconciliations were unavailable for review:

1. GL 1101-1, NDF Whitney Bank Acct No. 60016055 Account opened on May, 2017 (i.e., missing bank reconciliations: May, 2017, June, 2017, August, 2017 - October, 2017);
2. GL 1109, NDF First NBC Acct No. 110006230 (i.e., missing bank reconciliations: August, 2017; September, 2017, October, 2017 and November, 2017).

- 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

**Observation:** The observed bank reconciliations were prepared by the contract accountant; however, there is no documentation denoting that the bank reconciliations were reviewed by a member of management with no involvement in the transactions associated with the bank account.

**Client Response:**

*The Neighborhood Development Foundation going forward, will revise its policies to include the suggested procedure.*

- 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.

**Observation:**

1. NDF Whitney Account 60016055-no reconciling items noted as outstanding more than 6 months; however, a transaction described as a transfer with a calendar year 2018 transaction date is included in the December, 2017 reconciliation.
2. Whitney Bank Acct 110006230 had several transactions outstanding greater than 6 months (i.e., no reference #-\$1,050.93, ck# 1312-\$37,427.83, ck#1341-\$1,897.15); also, the December 2017 bank reconciliation appear to include significant transaction activity related to calendar year 2018.

**Collections**

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5. Obtain a listing of cash/check/money order (cash) collection locations and management's representation that the listing is complete.

**Observation:** Neighborhood Development Foundation's only cash/check/money order collection location is 1429 South Rampart, New Orleans, LA.

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.

**Observation:** Neighborhood Development Foundation was unable to provide an insurance policy noting fidelity bond coverage for any organizational employee responsible for collecting cash, depositing cash, recording the related transaction or reconciling the bank account.

**Client Response:**

*The Neighborhood Development Foundation going forward, will revise its policies to include the suggested information.*

- 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.

**Observation:** NDF uses a Daily Receipt of Cash Document; the Daily Receipt of Cash Document is prepared by intake coordinator and it's reviewed by the Executive Vice President; deposited by the CEO and recorded to the general ledger by the contract accountant.

- c) Select the highest (dollar) week of cash collections from the general ledger or other accounting records during the fiscal period and:
  - 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.

**Observation:** Per review of collection documentation, we selected the 1<sup>st</sup> week February, 2017, it appears that deposits were made within one day of collections.

- 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.

**Observation:** It appears that daily collections are supported by documentation; no exceptions noted.

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.

**Observation:** It appears that the organization has a process to determine completeness of collections and electronic transfers by a person who is not responsible for collections. However, we noted that all collections are not distinguished by revenue source.

**Client Response:**

*The Neighborhood Development Foundation going forward, will revise its policies/procedures to include the suggested information by creating additional classes for clear revenue source.*

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

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**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.**

**Observation:** Obtained a complete listing of the cumulative general ledger population.

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.

**Observation:** The organization does not use 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.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and 4-member full time staff, going forward we will adopt a process that separates requisition/purchase order.*

b) Purchase orders, or an electronic equivalent, were approved by a person who did not initiate the purchase.

**Observation:** The organization does not use 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.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and 4-member full time staff, going forward we will adopt a process that separates requisition/purchase order.*

- 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.

**Observation:** Payments for purchases were processed without requisition(s)/purchase order(s) and receiving reports; the above does not meet State of Louisiana, Office of the Legislative Auditors best practices policy and procedures.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and 4-member full time staff, going forward we will adopt a process that separates requisition/purchase order.*

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.

**Observation:** The organization does not have a written policy that documents who is authorized to add vendors to the entity's purchasing/disbursement system. However, it appears that two parties (i.e., Chief Executive Officer, Executive Vice President) with roles in processing payments may or could authorize vendors to the entity's purchasing/disbursement system.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and 4-member full time staff, going forward we will adopt a process for how vendors are added to the purchasing/disbursement system.*

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.

**Observation:** It appears that the CEO has signatory authority and final co-authorization for disbursements including initiating purchases.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and 4-member full time staff, going forward we will adopt a process to address this matter*

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.

**Observation:** Unused checks are maintained in a locked location with access restricted to the Executive Vice President who does not have signatory authority.

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.

**Observation:** Per discussion with the organization's management and per observation of cancelled checks, the organization does not use a signature stamp or signature machine; no exceptions noted.

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

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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.

**Observation:** We obtained a list of active organizational credit cards including the card numbers and names of persons (i.e., CEO, Executive Vice President) who maintained possession of the cards; and we received confirmation from the management that the list was 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.)]

**Observation:** There appear to be no prior review and approval, in writing, by someone other than the authorized card holder for purchases made on the credit card; purchases appear to be authorized by check co-signor when check is remitted to pay outstanding monthly credit card balance.

1. **New Orleans NDF Corporate Account, Whitney Visa Business (4802-XXXX-XXXX-1780)** reports the aggregate activity of Fred J. Johnson, Jr., New Orleans NDF Whitney Visa Business (4802-3920-0015-1806, 4802-3910-0016-2763, and the Rosalind Washington, New Orleans NDF Whitney Visa Business (4802-3920-0015-1814) on a monthly basis. The first use of these credit cards appears with a Closing Date-10/27/17, and Payment Due Date-11/21/17.
2. Liberty Bank and Trust Company, New Orleans Neighborhood Development Foundation, Rosalind Washington (4275-5500-1914-7366), Liberty Bank Business Card New Orleans Neighborhood Development Foundation, Fred J. Johnson 4275-5500-1914-7358. There was one missing statement for Liberty Bank Business Card New Orleans Neighborhood Development Foundation, Fred J. Johnson 4275-5500-1914-7358 for Billing Cycle 03/19/17. For Liberty Bank and Trust Company, New Orleans Neighborhood Development Foundation, Rosalind Washington (4275-5500-1914-7366), there appear to be a missing credit card statement for Billing Cycle 05/20/17.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and 4-member full time staff, going forward we will adopt a process to address this matter*

- b) Report whether finance charges and/or late fees were assessed on the selected statements.

**Observation:** For the New Orleans NDF Corporate Account, Whitney Visa Business (XXXX-XXXX-XXXX-1780) which reports the aggregate activity of CEO., New Orleans NDF Whitney Visa Business (XXXX-XXXX-XXXX-1806, XXXX-XXXX-XXXX-2763, and the Executive Vice President, New Orleans NDF Whitney Visa Business (XXXX-XXXX-XXXX-1814) on a monthly basis; there were no finance charges and/or late fees assessed. However, for Liberty Bank and Trust Company, New Orleans Neighborhood

Development Foundation, (XXXX-XXXX-XXXX-7358) credit card, there were finance charges and/or late fees assessed on 1/22/17-\$70.21, 2/19/17-\$27.12, 4/20/17-\$51.65; 5/21/17-\$36.89, 08/21/17-\$.21, and 09/20/17-35.00. For Liberty Bank and Trust Company, New Orleans Neighborhood Development Foundation, XXXX-XXXX-XXXX-7366 credit card, there were finance charges and/or late fees assessed on 01/22/17-76.30, 02/19/17-32.79, 3/21/17-36.12, 04/20/17-\$83.85, 6/20/17-\$81.72, 7/21/17-35.00, 8/21/17-9.97, 9/20/17-\$35.00, 12/21/17-49.18 and 12/31/17-\$35.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 all management funding sources are not always received in a timely manner which sometime creates a cash flow issue. NDF manages its payments with limited resources to the best of its ability.*

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)
- 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.)

**Observation:** The Whitney Visa Business Card 4802-XXXX-XXXX-1780 with a statement closing date of 12/27/17 with purchases of \$9,567.41 was selected for testing. For credit card charges related to vendor-Wright Flood Insurance-\$8,934.00, the original invoice was unavailable for review; however, the charges appear to represent a valid business/public purpose related to insuring 12 NDF dwelling units under construction with flood insurance. For vendor-Restech-\$547.50, an invoice existed; this invoice appear to relate to a contract agreement; however, the contract agreement was unavailable for review. For vendor-Staples-\$34.98, no original invoice was available for review; the cost appear to relate to supplies representing a valid business/public purpose. For vendor-DS Services Standard Coff-\$50.93, no invoice was available for review; without source documentation, we were unable to ascertain the business/public purpose.

**Client Response:**

*The Neighborhood Development Foundation with its limited staff attempts to attach all disbursements to invoicing documents, if an invoice was not attached as suggested, it is the acception not the rule. Going forward NDF will insure that all disbursements have an attached invoice.*

- 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.

**Observation:** Without the source documentation for the above items, we were unable to determine compliance with the entity's written purchasing/disbursement policies and the Louisiana Public Bid Laws.

**Client Response:**

*The Neighborhood Development Foundation with its limited staff attempts to attach all disbursements to invoicing documents, if an invoice was not attached as suggested, it is the acception not the rule. Going forward NDF will insure that all disbursements have an attached invoice.*

- 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.

**Observation:** 12 of 15 credit card transactions for the Whitney Visa Business Card 4802-XXXX-XXXX-1780 with a statement closing date of 12/27/17 appear to relate to vendor-Wright flood insurance coverage for properties owned by the organization; thus, a valid business/public purpose noted. 1 of 15 credit card transactions relates to an Information Technology Service Agreement; it appears to relate to a valid business/public purpose. Whereas, 1 of the 15 credit card transactions relate to supplies purchases; a valid business/public purpose. The final purchase item (DS Services Standard Coff-\$50.93), no invoice was available for review; and we were unable to determine the nature of the expense to ascertain the validity of business/public purpose.

**Client Response:**

*The Neighborhood Development Foundation with its limited staff attempts to attach all disbursements to invoicing documents, if an invoice was not attached as suggested, it is the acception not the rule. Going forward NDF will insure that all disbursements have an attached invoice.*

## ***Travel and Expense Reimbursement***

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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.

**Observation:** We obtained the general ledger that reflected all travel and related expense reimbursements for the fiscal period. Management asserted that the general ledger includes all travel and related expense reimbursements.

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](http://www.gsa.gov)) and report any amounts that exceed GSA rates.

**Observation:** We obtained the entity's written policies related to travel and expense reimbursements. The general ledger total for travel was \$1,561.39. The entity's accounting and administrative policies do not address per diem nor mileage rates reimbursement rates.

**Client Response:**

*The Neighborhood Development Foundation employee manual and travel request forms do address per diem and mileage; however, going forward NDF will duplicate this information in the accounting/administrative manual.*

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.

**Observation:** The entity does not have written policies for reimbursement rates or prepayment rates for meals, mileage and lodging. However, it appears the organization uses the GSA rates for meals and incidental expenses. The following was noted: a) Southwest Airlines-\$451.90 (i.e., 1 ticket for each-CEO & Director of Program Services dated for travel on Nov 7, 2017 & Nov 9, 2017) for the Capital One sponsored Credit Building as Asset Building, Considering Secured Cards as a Credit Building Strategy; the organization provided the Capital One itinerary and training materials for the Credit Building as Asset Training, Considering Secured Cards as a Credit Building Strategy Course dated for November 8, 2017 and November 9, 2017 to confirm the business purpose of this transaction; b) Comfort Suites Galleria-\$497.69 (2 Guest/Rooms-CEO & Staff

Member) reservations for November 7, 2017 thru November 10, 2017 for Capital One Training. The organization provided the Capital One itinerary and training materials for the Credit Building as Asset Training Course dated for November 8, 2017 and November 9, 2017 to confirm the business purpose of this transaction.

**Client Response:**

*The Neighborhood Development Foundation employee manual and travel request forms do address per diem and mileage; however, going forward NDF will duplicate this information in the accounting/administrative manual.*

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.]
- 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)

**Observation:** The itemized receipts existed for the travel cost (i.e., Southwest Airlines-\$451.90; Comfort Suites Galleria-\$497.69) noted above. The organization provided the Capital One sponsored itinerary and training materials for the Credit Building Asset, and Considering Secured Cards as a Credit Building Strategy Training Course dated for November 8, 2017 and November 9, 2017 to confirm the business purpose of this transaction. Other travel cost consisted primarily of travel by UBER/Taxi and airport parking.

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.

**Observation:** The entity's documentation appear to meet the business/public purpose requirements of Article 7, Section 14 of the Louisiana Constitution.

d) Report whether each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**Observation:** It appears all travel cost was paid directly to third parties except one disbursement to CEO-\$130.00 on 9/13/2017. Generally, it appears that expenses are reviewed and approved in writing by someone other than the person receiving the reimbursement; however, no prior purchase approval noted before disbursement to pay the obligation. Payment made via dual signature (i.e., CEO, & Board Member) of checks remitted for payment.

**Client Response:**

*The Neighborhood Development Foundation employee manual and travel request forms address per diem and mileage which we believe is sufficient for prior approval.*

**Contracts**

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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.

**Observation:** Per review of the general ledger the following appear to represent the contracts in effect during the fiscal period: AE Management Co.-\$35,998.60; BAT Management Services, LLC-\$742,363.50, Brown & Brown Insurance-\$16,983.65, Carriere & Dunn Tax and Accounting-\$13,350.00, IPFS Corporation-\$20,691.31, Restech-\$6,879.15, and Williams Grant Writing-\$5,922.00.

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.

**Observation:** Per review of the vendor files, no formal/written agreements exist for the five contract "vendors" that were paid the most money during the fiscal year: AE Management Co., Carriere & Dunn Tax & Accounting Services, and Restech.

**Client Response:**

*The vendors observed AE Management Co., Carriere & Dunn Tax & Accounting Services, and Restech; all had contracts prior to 2017 and provide ongoing services, going forward NDF will reinstate ongoing services on an annual basis.*

- 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.

**Observation:** Based on Louisiana Public Bid Law, the Veterans Administration Construction Project is subject to the Louisiana Public Bid Law. It appears that the organization performed an Invitation for Bid; however, the supporting contract documentation-bids, advertisement, method of selection of lowest responsible bidder, etc. was unavailable for review.

**Client's Response:**

*The Neighborhood Development Foundation DCDBG construction project began in 2015 and all supporting documentation related to the winning co-developer has been retained. Going forward should NDF engage in any additional invitations to bid processes, NDF will retain all correspondence outgoing and incoming.*

- 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.

**Observation:** It appears that change orders occurred throughout the life of the construction contract; also, it appears that the organization did not formally update the construction contract value for construction change orders. Also, we were unable to ascertain if independent cost analysis was performed for change orders.

**Client Response:**

*The Neighborhood Development Foundation DCDBG construction project began in 2015 and all supporting documentation related to change orders were reviewed, analyzed by the CNO construction department and revised in all documents submitted to the CNO. NDF will look at the documentation and revised as the CNO (funder) deems appropriate.*

- 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.

**Largest Payment(s)for Vendor:**

1. AE Management Co.-04/30/17-\$3,599.86
2. BAT Management Services LLC-10/11/17, ck# 1461-\$45,319.96
3. Brown & Brown-03/30/17, ck#1328-\$1,350.00
4. Carriere & Dunn-05/17/2017, Ck# 1346-\$1,800.00; 12/06/17, ck#1487-\$1800.00
5. IPFS Corporation-07/28/17, ck# 1410-\$943.08

**Observation:** We observed the contract and the related invoice for the following vendors: AE Management Co., BAT Management Services LLC, Brown & Brown and IPFS Corporation; the invoices aligned with the terms of the contract except for AE Management Co.. It appears for the AE Management Co.'s close-out invoice that all close out activities were not completed at April 30, 2017. Also, no written contracts were provided for Carriere & Dunn Tax & Accounting Services.

**Client Response:**

*The vendors observed Carriere & Dunn Tax & Accounting Services, had contracts prior to 2017 and provide ongoing services, going forward NDF will reinstate ongoing services on an annual basis. With regards to AE Management, the full close out payment has not been dispersed as of June 2018 because all properties have not been completed.*

- 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).

**Observation:** We noted no board approval for any contracts executed.

**Client Response:**

*No board approval needed*

**Payroll and Personnel**

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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 accordance with the terms and conditions of the employment contract or pay rate structure.

**Chief Executive Officer-\$2,746.40; \$2,844.00**

**Executive Vice President-\$2,275.20; \$2,372.80**

**Director of Programs-\$1,961.60; \$2,043.20**

**Intake Specialist-\$1,176.80; \$1,225.60**

**VA Specialist-\$100.00/\$197.50/202.50/324.96/379.93**

**Observation:** We obtained a list of employees from management. We randomly selected five employees and we requested their personnel files. We were unable to compare the compensation paid to each of the five employees to the terms and conditions of their employment contract(s) or pay rate structure(s) because the files lack authorized pay rates and/or employment contracts.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and only 4- fulltime staff members. Because of a lack of funding in February 2017, the part-time administrative assistant (noted above as VA Specialist) was let go. All other staff members have been employed with NDF prior to 2010. Going forward, NDF will update its employee files on an annual basis.*

- 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.

**Observation:** We reviewed the pay rates for the five employees selected for testing for entire calendar year 2017, we noticed changes to pay rates or salaried amounts for each of the 5 employees. However, there were no approval documents on file authorizing the changes in pay rates and/or salaries.

**Client Response:**

*The Neighborhood Development Foundation is a small nonprofit with an average annual budget of less than 500,000.00 and only 4- fulltime staff members. Because of a lack of funding in February 2017, the part-time administrative assistant (noted above as VA Specialist) was let go. All other staff members have been employed with NDF prior to 2010. Going forward, NDF will update its employee files on an annual basis.*

- 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.)

**Observation:** We obtained the attendance and leave records for all (5) employees. We selected one payroll period (e.g., check date 3/31/17) in which leave was taken by at least one employee. From that payroll period, we tested all 5 employees and ascertained if employees documented their daily attendance and leave. We noted no exceptions.

- b) Report whether there is written documentation that supervisors approved, electronically or in writing, the attendance and leave of the selected employees/officials.

**Observation:** Per review of payroll date 3/31/17, the supervisor(s) approved in writing the attendance and leave of each employee.

- c) Report whether there is written documentation that the entity maintained written leave record (e.g., hours earned, hours used, and balance available) on those selected employees/officials that earn leave.

**Observation:** Per discussion with management, after 8 years of full time service, each employee accrues 200 hours of leave per year. Presently, all active staff have been employed by NDF for greater than 8 years; thus, each employee accrues 200 hours of leave time available for use at the beginning of each year. Unused leave does not carry over to the next year. It appears that leave time is maintained concurrently by the Executive Vice President and the contract accountant. Leave hours used and leave hours available are documented for each payroll period.

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.

**Observation:** Per review of the payroll journal, it appears that one employee was terminated during the fiscal period. No termination payments (e.g., vacation, sick, compensatory time) were made during the fiscal period.

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.

**Observation:** Reviewed EFT documentation relating to payroll taxes during the fiscal period. It appears that the employee and employer portions of payroll taxes and retirement as well as the required payroll tax 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.

**Observation:** Not applicable to nonprofits.

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.

**Observation:** Not applicable to nonprofits.

### *Debt Service (excluding nonprofits)*

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28. If debt was issued during the fiscal period, obtain supporting documentation from the entity, and report whether State Bond Commission approval was obtained.

**Observation:** Not applicable to nonprofits.

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.

**Observation:** Not applicable to nonprofits.

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.

**Observation:** Not applicable to nonprofits.

### ***Other***

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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.

**Observation:** Per discussion with management, the organization had no misappropriations of public funds or assets.

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](http://www.la.gov/hotline)) concerns the reporting of misappropriation, fraud, waste, or abuse of public funds.

**Observation:** The organization did not have posted on its premises and website, the notice required by R.S. 24:523.1.

#### **Client Response:**

*The Fraud not has been posted in the lobby of our office and our webmaster and been provided with the above document and directed to add it to the NDF website.*

33. If the practitioner observes or otherwise identifies any exceptions regarding management's representations in the procedures above, report the nature of each exception.

**Observation:** No exceptions noted regarding management's representations in the procedures above.

#### **Client Response:**

*NDF as a small nonprofit with an annual average budget of 500,000.00 finds that a number of the procedures above pose an undue financial and personnel hardship.*

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.

A handwritten signature in black ink, appearing to read "Luther Speight & Co". The signature is fluid and cursive, with a large initial "L" and a stylized "S".

Luther Speight & Company CPAs  
New Orleans, Louisiana  
June 22, 2018