

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net position-enterprise fund of **Housing Authority of the City of Kenner (HACK)**, as of and for the year ended June 30, 2012, and the related statements of revenues, expenses and changes in fund net position and cashflows-enterprise fund for the year then ended. These financial statements are the responsibility of **HACK's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **HACK's** internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Commissioners
Housing Authority of the City of Kenner
Kenner, Louisiana
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HACK was unable to resolve on August 15, 2014, issues related to the completeness of its recorded capital assets, net position, receivables and expenses.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to examine evidence regarding the completeness in recorded capital assets, net position, receivables and expenses, the financial statements previously referred to present fairly, in all material respects, the financial position of **HACK** as of June 30, 2012, and the respective changes in net position and cash flows of its enterprise fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2014 on our consideration of **HACK's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained instances of non-compliance, significant deficiencies and material weaknesses.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Commissioners
Housing Authority of the City of Kenner
Kenner, Louisiana
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Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

August 15, 2014

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of **Housing Authority of the City of Kenner (HACK)**, we offer readers of **HACK's** financial statements this narrative overview and analysis of the financial activities of **HACK** for the years ended June 30, 2012 and 2011. We encourage readers to consider the information presented here in conjunction with **HACK's** audited financial statements.

FINANCIAL HIGHLIGHTS

The assets of **HACK** exceeded its liabilities by \$9,137,907 and \$12,315,118 at June 30, 2012 and 2011, respectively. Of these amounts, \$2,431,599 and \$2,608,026 (*unrestricted net position*) may be used to meet **HACK's** ongoing obligations to citizens and creditors.

Also, included in total net position is restricted net position of \$1,721,432 and \$4,391,027 for the years ended June 30, 2012 and 2011. The restricted net position of \$1,721,432 and \$4,391,027 for 2012 and 2011 respectively, are reserved for future housing assistance payments.

The remainder of \$4,984,876 and \$5,316,065 at June 30, 2012 and 2011, represent for each year, a restriction equal to the net amount of investment in land, building and building improvements, equipment and construction-in-progress.

Most of the current assets for **HACK** at June 30, 2012 and 2011 consisted of cash and investment.

HACK's significant operating expenses for the years ended June 30, 2012 and 2011, were salaries and related benefits, depreciation, contractual services, insurance, utilities and housing assistance payments to landlords participating in its Voucher Program.

For the years ended June 30, 2012 and 2011, capital grants from the United States Housing and Urban Development constitutes 0% and 1.5% respectively of its total revenues with dwelling income and operating grants accounting for 99% and 98% respectively of its operating revenues.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management Discussion and Analysis (MD&A) is intended to serve as an introduction to **HACK's** basic financial statements. **HACK's** basic financial statements consist of two components: 1) fund financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. **HACK** is a special-purpose entity engaged in one business-type activity. Accordingly, only fund financial statements are presented as the basic financial statements.

On July 1, 2003, **HACK** adopted *Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*.

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

REPORTING ON HACK AS A WHOLE

One of the most important questions asked about **HACK's** finances, "Is **HACK** as a whole better off, or worse off, as a result of the achievements of fiscal years 2012 and 2011?" The Statement of Net Position and the Statement of Revenues, Expenses, and Changes in Fund Net Position report information about **HACK** as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis* of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received and/or spent.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. **HACK**, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. **HACK** has the following federally funded programs that are consolidated into a single enterprise fund.

Low Rent Public Housing - **HACK's** Low Rent Public Housing Program, rents housing units to low-income families. The Low Rent Public Housing Program is operated under an Annual Contributions Contract with HUD. HUD provides operating subsidy to enable **HACK** to provide housing at a rent that is based upon 30% of adjusted gross household income of the participant.

Capital Fund Program (CFP) - The Low Rent Public Housing Program also includes the CFP as the primary funding source for **HACK's** physical and management improvements. CFP funding is provided by formula allocation and based upon size and age of **HACK's** units.

Housing Choice Vouchers - The Housing Choice Voucher Program, assists low income families with their rental payments in the private market. A housing assistance payment is paid directly to landlords on behalf of the families on the program. The families pay the difference between the rent charged by the landlord and the housing assistance payment provided by the program. **HACK** is paid by HUD to administer the program.

Disaster Housing Assistance Grants - This program is a component of the Housing Choice Voucher Program and provides temporary Voucher Assistance to previously HUD- assisted families impacted by Hurricanes Katrina or Rita.

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

USING THIS ANNUAL REPORT

HACK's annual report consists of financial statements that show information about **HACK's** enterprise fund.

Our auditor has provided assurance in his independent auditor's report located immediately preceding this MD&A, that is qualified with respect to the basic financial statements. Varying degrees of assurances are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

REPORTING ON HACK's MOST SIGNIFICANT FUND

HACK's financial statements provide detailed information about its most significant fund. Some funds are required to be established by HUD. However, **HACK** may establish other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using grants and other money. **HACK's** enterprise fund used the following accounting approach:

Proprietary Funds - All of **HACK's** services are reported in an enterprise fund. They are reported using the full accrual method of accounting in which all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The focus of proprietary funds is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

FINANCIAL ANALYSIS

HACK's net position were \$9,137,907 and \$12,315,118 at June 30, 2012 and 2011. Of these amounts, \$2,431,599 and \$2,608,026 were unrestricted at June 30, 2012 and 2011, with \$1,721,432 and \$4,391,027 for 2012 and 2011 in restricted net position. The restricted net position is reserved for future housing assistance payments and security deposits held on behalf of tenants. The unrestricted net position of **HACK**, are available for future use to provide program services.

Table 1
Condensed Statement of Net Position

The following table represents a condensed Statement of Net Position as of June 30, 2012 and 2011:

Condensed Statement of Net Position		
June 30		
Assets		
	<u>2012</u>	<u>2011</u>
Unrestricted current assets	\$ 3,801,451	\$ 2,767,344
Restricted assets	1,742,962	4,411,677
Capital assets, net	<u>4,984,876</u>	<u>5,316,065</u>
Total assets	<u>10,529,289</u>	<u>12,495,086</u>
Liabilities		
Current liabilities	1,339,901	166,513
Long-term liabilities	<u>21,791</u>	<u>13,455</u>
Total liabilities	<u>1,361,692</u>	<u>179,968</u>
Deferred inflow of resources	<u>29,690</u>	<u>-0-</u>
Net Position		
Net position:		
Net investment in capital assets	4,984,876	5,316,065
Restricted	1,721,432	4,391,027
Unrestricted	<u>2,431,599</u>	<u>2,608,026</u>
Total net position	<u>\$ 9,137,907</u>	<u>\$12,315,118</u>

**HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

FINANCIAL ANALYSIS, CONTINUED

**Table 2
Condensed Statement of Revenues, Expenses and Changes in Fund Net Position**

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Fund Net Position for the years ended June 30, 2012 and 2011:

**Condensed Statement of Revenues, Expenses, and Changes in Fund Net Position
For the years ended June 30**

	<u>2012</u>	<u>2011</u>
Revenues:		
Operating revenues	<u>8,546,873</u>	<u>\$11,881,035</u>
Total operating revenues	<u>8,546,873</u>	<u>11,881,035</u>
Expenses:		
Operating expenses	<u>10,643,531</u>	<u>9,542,636</u>
Total operating expenses	<u>10,643,531</u>	<u>9,542,636</u>
Non-operating revenues:		
Non-operating revenues	<u>88,255</u>	<u>83,159</u>
Total non-operating revenues	<u>88,255</u>	<u>83,159</u>
Capital Contributions:		
Capital grants	<u>-0-</u>	<u>182,884</u>
Total capital contributions	<u>-0-</u>	<u>182,884</u>
Change in net position	(2,008,403)	2,604,442
Net position, beginning of year, as restated	<u>11,146,310</u>	<u>9,710,676</u>
Net position, end of year	<u>\$ 9,137,907</u>	<u>\$12,315,118</u>

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

EXPLANATIONS OF FINANCIAL ANALYSIS

At June 30, 2012 and 2011 current assets reflected the impact of changes in net position resulting in a combination of a decrease in cash in 2012 compared to an increase in cash and investment in 2011.

Changes in capital assets of 6% in 2012 and 4% in 2011, were due primary to the net of additions, retirement and depreciation expense for the respective years. The additions in 2012 of approximately \$4,000 and \$182,884 in 2011, were funded through operating grants (2012) and capital funds (2011).

The only significant change in liabilities at June 30, 2012 and 2011, was due to the timing in the payment of outstanding obligations. At June 30, 2012 deferred inflows of resources for the Low Rent Public Housing Program was recognized in the amount of \$29,690. Also, an amounts payable to HUD for \$1,168,808 was recognized resulting from remaining funds advanced by FEMA for DHAP disaster assistance.

The change in net position at June 30, 2012 was primarily due to the level of funding from HUD and the associated costs of providing services by **HACK**.

Total net position at June 30, 2011 changed by 21% due to the level of funding afforded to the Voucher Program.

Compared with prior year, total operating and non-operating revenues decreased to \$8,635,128 in 2012 from \$11,964,194 in 2011, and increased from \$9,621,959 during 2010 to \$11,964,194 during 2011, from a combination of larger offsetting factors.

Capital grants was \$-0- for 2012 to \$182,884 in 2011.

Reasons for most of these changes are listed below:

- o Federal revenues from HUD for operations during 2012 due to the level of housing assistance payments funding provided by HUD.
- o For 2011, Federal revenues from HUD for operations increased from 2010 due to the level of housing assistance payments funding provided by HUD.

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

EXPLANATIONS OF FINANCIAL ANALYSIS, CONTINUED

Changes in rental revenues for both years correlate with the level of leased-up and income level of program participants.

- o Capital project grants funded based on the availability of funds from HUD, decreased during 2012 to \$-0- from \$182,844 in 2011.

Total operating expenses increased from \$9,542,636 during 2011 to \$10,643,531 during 2012.

For 2011, total operating expenses increased from \$9,023,677 during 2010 to \$9,542,636 during 2011.

Reasons for most of these changes are listed below:

- An increase in the number of leased-up units during 2012 and 2011 contributed to the significant increases in the amount of housing assistance payments disbursed to landlords.
- Other changes in operating expenses for 2012 and 2011, resulted from a combination of cost adjustments and other pressures. Categories of expenses with significant changes included salaries and related benefits, depreciation, utilities, contractual services and insurance.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2012 and 2011, **HACK** had \$11,693,923 and \$11,689,672 invested in a broad range of capital assets, including land, buildings and building improvements, furniture and equipment and construction in progress. This amount, net of depreciation for 2012, represents a net decrease in capital assets of \$331,189 or 6%.

HOUSING AUTHORITY OF THE CITY OF KENNER
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

CAPITAL ASSET AND DEBT ADMINISTRATION, CONTINUED

We present more detail of capital assets in the notes to the accompanying financial statements.

Capital Assets		
June 30		
	<u>2012</u>	<u>2011</u>
Capital assets	\$11,693,923	\$11,689,672
Less: accumulated depreciation	<u>(6,709,047)</u>	<u>(6,373,607)</u>
Capital assets, net	\$ <u>4,984,876</u>	\$ <u>5,316,065</u>

No debt was issued for these additions.

Debt

Our long-term debt consists of accrued annual leave of \$21,791 and \$13,455 at June 30, 2012 and 2011. We present more detail about our long-term liabilities in the notes to the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

HACK is primarily dependent upon HUD for the funding of operations; therefore **HACK** is affected more by the Federal budget than by local economic conditions. The Low Rent Program's operating subsidy and Housing Choice Voucher Program for the year ended June 30, 2013, have been approved by HUD.

CONTACTING HACK FOR ADDITIONAL INFORMATION

Our financial report is designed to provide our citizens, taxpayers, and creditors with a general overview of **HACK's** finances and to show **HACK's** accountability for the monies it receives. If you have questions about this report or wish to request additional financial information, contact the Executive Director, at the Housing Authority of the City of Kenner, Louisiana, 1013 31st Street , Kenner, LA 70065.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF NET POSITION--ENTERPRISE FUND
JUNE 30, 2012**

<u>ASSETS</u>	
Current Assets:	
Unrestricted:	
Cash (NOTE 2)	\$ 2,668,223
Amounts receivable (NOTE 12)	487,327
Prepaid item (NOTE 15)	107,674
Investment (NOTE 6)	<u>538,227</u>
Total unrestricted current assets	<u>3,801,451</u>
Restricted:	
Cash (NOTE 3)	<u>1,742,962</u>
Total restricted cash	<u>1,742,962</u>
Total current assets	<u>5,544,413</u>
Non-current Assets:	
Capital assets, net (NOTES 4 AND 11)	<u>4,984,876</u>
Total non-current assets	<u>4,984,876</u>
Total assets	<u>10,529,289</u>
 <u>LIABILITIES</u> 	
Current Liabilities:	
Amounts payable (NOTE 17)	1,296,242
Compensated absences payable (NOTE 13)	11,009
Payroll taxes and other withholding payable	11,120
Security deposits held for tenants (NOTE 3)	<u>21,530</u>
Total current liabilities	<u>1,339,901</u>
Non-current Liabilities:	
Compensated absences payable (NOTE 13)	<u>21,791</u>
Total non-current liabilities	<u>21,791</u>
Total liabilities	<u>1,361,692</u>
Deferred inflow of Resources:	
Deferred inflow of resources	<u>29,690</u>
Total deferred inflows	<u>29,690</u>
 <u>NET POSITION</u> 	
Net investment in capital assets	4,984,876
Restricted (NOTES 3 and 16)	1,721,432
Unrestricted	<u>2,431,599</u>
Total net position	<u>\$ 9,137,907</u>

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION--ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

Operating Revenues:	
Operating grants	\$8,284,666
Dwelling rental	240,825
Fees and charges	<u>21,382</u>
Total operating revenues	<u>8,546,873</u>
Operating Expenses:	
Salaries and employee benefits	565,097
Materials and other	22,785
Contractual services	367,604
Garbage and trash removal	22,594
Utilities	60,473
Depreciation	335,441
Insurance	109,278
Housing assistance payments	8,988,635
Convention and travel	9,914
Telephone	14,324
Bad debt expense	1,397
Portability fees	94,929
Supplies	10,410
Postage	12,471
Repairs and maintenance	9,675
Other	<u>18,504</u>
Total operating expenses	<u>10,643,531</u>
Operating loss	<u>(2,096,658)</u>

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION--ENTERPRISE FUND, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Non-operating Revenues:	
Interest income	\$ 1,279
Other income	<u>86,976</u>
Total non-operating revenues	<u>88,255</u>
Change in net position	(2,008,403)
Net position, beginning of year	12,315,118
Prior period adjustment (NOTE 18)	<u>(1,168,808)</u>
Net position, beginning of year, as restated	<u>11,146,310</u>
Net position, end of year	\$ <u>9,137,907</u>

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF CASH FLOWS--ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

Cash Flows from Operating Activities:	
Operating grants	\$ 9,358,261
Receipts from tenants	262,207
Other	87,088
Payments to vendors for goods and services	(961,664)
Payments to landlords	(8,988,635)
Payments to employees and benefits	<u>(565,097)</u>
Net cash used by operating activities	<u>(807,840)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	<u>(4,251)</u>
Cash used by capital and related financing activities	<u>(4,251)</u>
Cash Flows from Noncapital Financing Activities:	
Subsidy	<u>(1,143,272)</u>
Cash used by noncapital financing activities	<u>(1,143,272)</u>
Cash Flow from Investing Activities:	
Proceeds from investments	<u>233</u>
Cash provided by investing activities	<u>233</u>
Net decrease in cash	(1,955,130)
Cash, beginning of year	<u>6,366,315</u>
Cash, end of year	<u>\$ 4,411,185</u>
NOTE: Cash	\$ 2,668,223
Restricted	<u>1,742,962</u>
	<u>\$ 4,411,185</u>

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF CASH FLOWS--ENTERPRISE FUND, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$ (2,008,403)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	335,441
Bad debt	1,397
Changes in assets and liabilities:	
Increase in amounts receivable	(295,161)
Increase in prepaid item	(25,118)
Increase in amounts payable	1,172,404
Increase in security deposits held for tenants	880
Increase in payroll taxes and other withholding payable	9,580
Increase in compensated absences payable	<u>1,140</u>
Net cash used by operating activities	\$ <u>(807,840)</u>

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Background

The **Housing Authority of the City of Kenner (HACK)** is a public corporation, legally separate and fiscally independent and governed by a Board of Commissioners. Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering housing programs. **HACK** has been contracted by HUD to administer Low-Income and Housing Choice Voucher, Disaster Housing Assistance and Veterans Supportive Housing Programs and respectively, under Annual Contribution Contracts.

As of June 30, 2012, **HACK** was primarily engaged in the administration of Low-Income and Voucher Programs to Low-Income residents in the City of Kenner, Louisiana. Under the Low-Income Program, **HACK** provides eligible families housing under leasing arrangements. For the Housing Choice Voucher Program, **HACK** provides funds in the form of rental subsidies to owners on behalf of the tenants.

Financial Reporting Entity

HACK has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of Kenner.

Government Accounting Standards Board (GASB) Statement No. 14, "Financial Reporting Entity" established standards for defining and reporting on the financial entity. GASB 14 indicates that the focal point for identifying the financial reporting entity is the primary government which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued

Financial Reporting Entity, Continued

HACK was established as a separate, legal entity with a governing board which is separate and independent of any other governmental “reporting entity” as defined by GASB 14. Accordingly, management has concluded that **HACK** is a financial reporting entity within the meaning of the provisions of GASB 14. Accordingly, **HACK** is not a component unit of the financial reporting entity of the City of Kenner. Also, **HACK** has no component unit for financial reporting purposes as described within the provisions of GASB No’s 14 and 39.

Basis of Presentation

As required by Louisiana State Reporting Law (LSA-R.S. 24:514) and HUD regulations, financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

The accounts of **HACK** are accounted for under the proprietary fund. Accordingly, the accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America applied to governmental units.

Proprietary Fund Type - Proprietary fund is accounted for on the flow of economic resources measurement focus and uses the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. **HACK** applies all applicable FASB pronouncements issued before November 30, 1989 in accounting and reporting for its proprietary operations. **HACK**’s fund include the following type:

Enterprise Fund - Enterprise fund is used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and providing goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the **HACK's** fund are rent and maintenance charges to tenants. Operating expenses for **HACK's** proprietary funds include the costs of providing services to residents. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus and Basis of Accounting and Financial Statement Presentation

HACK has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, "*Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments*". Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a statement of net position, a statement of revenues, expenses and changes in fund net position, and a statement of cash flows. It requires the classification of net position into three components-investment in capital assets, net, restricted; and unrestricted.

The term measurement focus is used to denote what is being measured and reported in **HACK's** operating statement. **HACK's** financial statements are reported on using the flow of economic resources measurement focus and accrual basis of accounting. The fundamental objective of this focus is to measure whether **HACK** is better or worse off economically as a result of events and transactions of the period.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Measurement Focus and Basis of Accounting and Financial Statement Presentation, Continued

The term basis of accounting is used to determine when a transaction or event is recognized on **HACK's** operating statement. **HACK** uses the full accrual basis of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred, even though actual payment or receipt may not occur until after the period ends.

HACK follows the provisions of GASB 33 (*Accounting and Financing Reporting for Non-Exchange Transactions*) effective for fiscal years that began after June 15, 2000.

Under GASB 33 Standards, **HACK** recognizes assets, liabilities, revenues and expenses under its government-mandated and voluntary non-exchange transactions as follows:

- **HACK** recognizes assets and liabilities when all applicable eligibility requirements are met or resources received whichever is first;
- Revenues and expenses are recognized when all applicable, eligibility requirements are met;
- Transactions with time requirements received prior to the satisfaction of the time requirement(s) are recorded by **HACK** as revenue upon award; and
- Transactions with no time limit requirement(s) are recorded by **HACK** as revenue upon award.

Net Position

HACK has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective fiscal year 2012. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of **HACK's** net position that is applicable to a future reporting period. A deferred inflows represents the acquisition of net position that is applicable to future reporting period.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Net Position, Continued

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets, title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components: net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

Budgets

HACK prepares an annual budget for its proprietary fund. Prior to the beginning of the calendar year on July 1, the annual budget is approved by the Board of Commissioners. Budgetary amendments require approval by the Board.

HACK does not present its budget to actual comparison for the enterprise fund as part of its financial statement as accounting principles generally accepted in the United States of America does not require such, despite adoption of annual budget by the Board.

Estimates

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Statement of Cash Flows

For purposes of the statement of cash flows, **HACK** considers all highly liquid investments with an original maturity of ninety (90) days or less when purchased to be cash and temporary cash investments.

Capital Assets

Land, structures and equipment are recorded at cost or estimated cost. Donated assets are valued at estimated fair value on the date donated. When no historical records are available, capital assets are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period.

The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not capitalized in the enterprise fund.

Structures and equipment with cost of \$500 or more are capitalized and depreciated using the straight line method in the enterprise fund of **HACK** using the following estimated useful lives:

<u>Assets</u>	<u>Estimated Useful Lives in Years</u>
Land improvements	15
Building	33
Building improvements	15
Equipment	3-7

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Capital Assets, Continued

Using accounting principles generally accepted in the United States of America, capital assets are to be reviewed for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. At June 30, 2012, management has determined that the provisions of GASB No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" does not materially affect the accompanying financial statements.

Compensated Absences

HACK follows Louisiana Civil Service regulations for accumulated annual and sick leave. Under those regulations, employees may accumulate up to three hundred (300) hours of annual leave which may be received upon termination or retirement. Sick leave hours accumulate, but the employee is not paid for them if not used by his/her retirement or termination date.

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expense in the enterprise fund when leave is earned.

Interprogram Activities

All interprogram transactions, except quasi external transactions, advances and reimbursements are reported as transfers. Nonrecurring and permanent transfers of equity are reported as residual equity transfer. All other interprogram transfers are reported as operating transfers and recognized at the time the underlying event occurs.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies Continued

Interprogram Activities, Continued

Interprogram due from and to are netted at the combined financial statements level.

Amounts Receivable

Amounts receivable are stated at net realizable value as required by accounting principles generally accepted in the United States of America.

Reclassifications

Certain reclassifications have been made to prior year amounts to conform to the current year's presentation.

Total Memorandum Only

The total column on the combining financial statements listed under the supplementary information section, are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 - Cash:

At June 30, 2012, **HACK's** cash consisted of demand deposits as follows:

<u>Description</u>	<u>Interest Rate (%)</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Approximate Market Value</u>
Cash	.05	N/A	\$2,668,223	\$2,668,223
			<u>\$2,668,223</u>	<u>\$2,668,223</u>

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Cash, Continued:

At June 30, 2012, the carrying amount of **HACK's** cash deposits was \$2,668,223 and the cumulative bank balance was \$2,879,402. The bank balances are covered by federal depository insurance and collateral held by the pledging institution's agent in **HACK's** name.

Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent. These securities are held by the fiscal agent bank in the name of **HACK**.

Custodial credit is the risk that, in the event of a failure by the financial institution, **HACK's** deposits may not be returned to it. **HACK's** has no deposit policy for custodial credit risk; however, none of the **HACK's** bank balances were exposed to custodial credit risk, since the pledged securities were in the name of the **HACK's** and were held in safekeeping.

Louisiana state law allows for the investment of excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana, or any other federally insured investment.

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Restricted Cash:

At June 30, 2012, restricted cash consisted of \$21,530 in security deposits received and held on behalf of tenants. Also, included in restricted cash is \$1,721,432 in Housing Assistance Payments (HAP) restricted for future HAP payments. These deposits are stated at cost, which approximates market. At June 30, 2012 the cash deposit and cumulative bank balance were \$1,742,962, respectively.

NOTE 4 - Capital Assets, Net:

At June 30, 2012, capital assets, net consisted of the following:

	Balance July 1, 2011	<u>Additions</u>	<u>Other Changes</u>	Balance June 30, 2012
Land and land improvements	\$ 2,486,487	\$ -0-	\$ -0-	\$ 2,486,487
Buildings and building improvements	8,586,002	156,835	-0-	8,742,837
Equipment	434,299	30,300		464,599
Construction-in-progress	<u>182,884</u>	<u>-0-</u>	<u>(182,884)</u>	<u>-0-</u>
Total	11,689,672	187,135	(182,884)	11,693,923
Less accumulated depreciation	<u>(6,373,607)</u>	<u>(335,441)</u>	<u>1</u>	<u>(6,709,047)</u>
Total	<u>\$ 5,316,065</u>	<u>\$(148,306)</u>	<u>\$(182,883)</u>	<u>\$ 4,984,876</u>

NOTE 5 - Per Diem Paid to Board of Commissioners :

The Board of Commissioners in their capacity as board members received no per diem amounts for the year ended June 30, 2012.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

NOTE 6 - Investment:

At June 30, 2012, investment consisted of a certificate of deposit as follows:

<u>Description</u>	<u>Rate (%)</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Approximate Market Value</u>
Certificate of Deposit	.40	6/30/13	\$538,227	\$538,227
			<u>\$538,227</u>	<u>\$538,227</u>

NOTE 7 - Retirement System:

Plan Description

HACK participates in a single employer defined contribution plan. The Housing Authority of the City of Kenner Retirement Plan (the Plan) is authorized and may be amended by the Board of Commissioners.

Plan Funding

HACK participates in the Housing Renewal and Local Agency Retirement Plan, which is a defined contribution plan. The plan consists of employees of 7 various local and regional housing authorities, urban renewal agencies, and other similar organizations. Through this plan, **HACK** provides pension benefits for all of its full-time employees. All regular and full-time employees are eligible to participate in the plan on the first day of the month after completing six months of continuous and uninterrupted employment. Plan provisions and changes to the plan contributions are determined by the Board of **HACK**.

Under a defined contribution plan, benefits depend solely on amounts contributed under the plan plus investment earnings. The employer is required to make monthly contributions equal to 6.8 percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute 5 percent of their annual covered salary.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Retirement System:

Plan Funding, Continued

HACK's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. **HACK's** contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday or after ten years of participation in the plan.

HACK's total payroll for the year ended June 30, 2012 was \$407,386. **HACK's** contributions were calculated using the base salary amount for covered employees of \$225,711. **HACK** made the required contributions of \$17,038 for the year ended June 30, 2012.

NOTE 8 - Risk Management:

HACK is exposed to various risks of loss related to torts, theft, damage to and destruction of assets for which **HACK** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 9 - Concentration of Credit Risk:

HACK receives primarily all of its revenues from dwelling rentals and the Department of Housing and Urban Development (HUD). If the amount of revenues received from both dwelling rentals and HUD falls below contract levels, **HACK's** operating results could be adversely affected.

NOTE 10 - Contingencies:

HACK is subject to possible examinations by regulatory agencies who determine compliance with laws and regulations governing grants provided to **HACK**. These examinations may result in required refunds by **HACK** to the agencies and/or program beneficiaries.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Commitments:

At June 30, 2012, **HACK** has executed capital fund program awards with the U.S. Department of Housing and Urban Development totaling \$764,237. (See Schedule IV). Cumulative outstanding commitments at June 30, 2012, was \$550,885.

NOTE 12 - Amounts Receivable:

At June 30, 2012, amounts receivable consisted of the following:

Amounts receivable - HUD	\$141,555
Amounts receivable - others	344,274
Tenants	<u>1,498</u>
	<u>\$487,327</u>

NOTE 13 - Changes in Non-current Liabilities:

At June 30, 2012 analysis of changes in **HACK's** noncurrent liabilities consisting of compensated absences follows:

	<u>Current</u>	<u>Non- Current</u>	<u>Total</u>
Beginning of year	\$ 20,485	\$13,455	\$33,940
Net change	<u>1,306</u>	<u>(2,446)</u>	<u>(1,140)</u>
End of year	<u>\$ 21,791</u>	<u>\$11,009</u>	<u>\$32,800</u>

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Operating Loss:

During the year ended June 30, 2012, **HACK** incurred a net loss of \$2,008,403, primarily for expenses incurred in excess of its operating and non-operating income. HUD's new cash management system for the Voucher Program impacts the flow of funds and level of reserve required to be accumulated.

NOTE 15 - Prepaid Item:

At June 30, 2012, prepaid item consisted of prepaid insurance cost in the amount of \$107,674.

NOTE 16 - Restricted Net Position:

Restricted net position at June 30, 2012 of \$1,721,432 represents reserves for future housing assistance payments.

NOTE 17 - Amounts Payable:

At June 30, 2012 amounts payable consisted of the following:

Amounts payable - vendors	\$ 127,434
Amounts payable - HUD	<u>1,168,808</u>
	<u>\$1,296,242</u>

NOTE 18 - Prior Period Adjustment:

The prior period adjustment in the amount of \$1,168,808 is to recognize the residual funds resulting from the close-out of the DHAP-IKE program at June 20, 2012.

SUPPLEMENTARY INFORMATION



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

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

Our report on our audit of the financial statements of **Housing Authority of the City of Kenner (HACK)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards 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, except for the effects of adjustments, if any, as might have been determined to be necessary from resolution of the issues related to capital assets, net position, receivables and expenses, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION
(CONTINUED)

The supplementary information (Schedules II, III, and IV) required by HUD is prepared in accordance with accounting principles generally accepted in the United States of America, and is not a required part of the financial statements, has been subjected to auditing procedures applied in the audit 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, except for the effects of adjustments, if any, as might have been determined to be necessary from resolution of the issues related to capital assets, net position, receivables and expenses, Schedules II, III, and IV are fairly stated in all material respects in relation to the financial statements taken as a whole.

Also, the supplementary information (Exhibits I and II), which is prepared in accordance with accounting principles generally accepted in the United States of America, has been subjected to the 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, except for the effects of adjustments, if any, as might have been determined to be necessary from resolution of the issues related to capital assets, net position, receivables and expenses, Exhibits I and II are fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

August 15, 2014

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
COMBINING STATEMENT OF NET POSITION--ENTERPRISE FUND
JUNE 30, 2012**

	Operating Fund Program	Capital Fund Program	Sub-total	Voucher Programs	Totals (Memorandum Only)
<u>ASSETS</u>					
Cash	\$ 773,024	\$ -0-	\$ 773,024	\$1,895,199	\$ 2,668,223
Restricted cash	21,530	-0-	21,530	1,721,432	1,742,962
Amounts receivable	1,498	-0-	1,498	344,274	345,772
Amounts receivable-HUD	95,213	46,342	141,555	-0-	141,555
Prepaid item	98,324	-0-	98,324	9,350	107,674
Investment	538,227	-0-	538,227	-0-	538,227
Due from other funds	55,078	-0-	55,078	-0-	55,078
Capital assets, net	<u>4,931,363</u>	<u>-0-</u>	<u>4,931,363</u>	<u>53,513</u>	<u>4,984,876</u>
Total assets	<u>6,514,257</u>	<u>46,342</u>	<u>6,560,599</u>	<u>4,023,768</u>	<u>10,584,367</u>
<u>LIABILITIES</u>					
Liabilities:					
Amounts payable	18,993	20,042	39,035	1,257,207	1,296,242
Compensated absences payable	22,090	-0-	22,090	10,710	32,800
Payroll taxes and other withholdings payable	11,120	-0-	11,120	-0-	11,120
Security deposits held for tenants	21,530	-0-	21,530	-0-	21,530
Due to other funds	<u>-0-</u>	<u>26,300</u>	<u>26,300</u>	<u>28,778</u>	<u>55,078</u>
Total liabilities	<u>73,733</u>	<u>46,342</u>	<u>120,075</u>	<u>1,296,695</u>	<u>1,416,770</u>
Deferred Inflows of Resources:					
Deferred inflows of resources	<u>29,690</u>	<u>-0-</u>	<u>29,690</u>	<u>-0-</u>	<u>29,690</u>
<u>NET POSITION</u>					
Net investment in capital assets	4,931,363	-0-	4,931,363	53,513	4,984,876
Restricted	-0-	-0-	-0-	1,721,432	1,721,432
Unrestricted	<u>1,479,471</u>	<u>-0-</u>	<u>1,479,471</u>	<u>952,128</u>	<u>2,431,599</u>
Total net position	<u>\$6,410,834</u>	<u>\$ -0-</u>	<u>\$6,410,834</u>	<u>\$2,727,073</u>	<u>\$ 9,137,907</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION--ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Operating Fund Program</u>	<u>Capital Fund Program</u>	<u>Sub-total</u>	<u>Voucher Programs</u>	<u>Totals (Memorandum Only)</u>
Operating Revenues:					
Operating grants	\$ 219,207	\$ -0-	\$ 219,207	\$ 8,065,459	\$ 8,284,666
Dwelling rental	240,825	-0-	240,825	-0-	240,825
Fees and charges	<u>21,382</u>	<u>-0-</u>	<u>21,382</u>	<u>-0-</u>	<u>21,382</u>
Total operating revenues	<u>481,414</u>	<u>-0-</u>	<u>481,414</u>	<u>8,065,459</u>	<u>8,546,873</u>
Operating Expenses:					
Salaries and employee benefits	330,498	-0-	330,498	234,599	565,097
Materials and other	22,785	-0-	22,785	-0-	22,785
Contractual services	231,174	-0-	231,174	136,430	367,604
Garbage and trash removal	22,594	-0-	22,594	-0-	22,594
Utilities	60,473	-0-	60,473	-0-	60,473
Depreciation	330,553	-0-	330,553	4,888	335,441
Insurance	96,286	-0-	96,286	12,992	109,278
Housing assistance payments	-0-	-0-	-0-	8,988,635	8,988,635
Convention and travel	6,378	-0-	6,378	3,536	9,914
Telephone	7,266	-0-	7,266	7,058	14,324
Bad debt expense	1,397	-0-	1,397	-0-	1,397
Portability fees	-0-	-0-	-0-	94,929	94,929
Supplies	3,957	-0-	3,957	6,453	10,410
Postage	6,827	-0-	6,827	5,644	12,471
Repairs and maintenance	9,675	-0-	9,675	-0-	9,675
Other	<u>17,008</u>	<u>-0-</u>	<u>17,008</u>	<u>1,496</u>	<u>18,504</u>
Total operating expenses	<u>1,146,871</u>	<u>-0-</u>	<u>1,146,871</u>	<u>9,496,660</u>	<u>10,643,531</u>
Operating income (loss)	<u>(665,457)</u>	<u>-0-</u>	<u>(665,457)</u>	<u>(1,431,201)</u>	<u>(2,096,658)</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 FUND NET POSITION—ENTERPRISE FUND, CONTINUED
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Operating Program</u>	<u>Capital Fund Program</u>	<u>Sub-total</u>	<u>Voucher Programs</u>	<u>Totals (Memorandum Only)</u>
Non-operating revenues:					
Interest income	\$ 1,279	\$ -0-	\$ 1,274	\$ -0-	\$ 1,279
Other revenue	<u>1,167</u>	<u>-0-</u>	<u>1,167</u>	<u>85,809</u>	<u>86,976</u>
Total non-operating revenues	<u>2,446</u>	<u>-0-</u>	<u>2,446</u>	<u>85,809</u>	<u>88,255</u>
Change in net position	(663,011)	-0-	(663,011)	(1,345,392)	(2,008,403)
Net position, beginning of year, as restated	6,890,961	182,884	7,073,845	4,072,465	11,146,310
Equity transfers in (out)	<u>182,884</u>	<u>(182,884)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net position, end of year	<u>\$6,410,834</u>	<u>\$ -0-</u>	<u>\$6,410,834</u>	<u>\$ 2,727,073</u>	<u>\$ 9,137,907</u>

See Independent Auditors' Report on Supplementary Information.

SCHEDULE I

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Program funded by the U.S. Department of Housing and Urban Development:		
<u>Subject to Annual Contributions Contracts</u>		
Low Rent Public Housing Program	14.850a	\$ 219,207
Housing Choice Voucher Program	14.871	<u>8,065,459</u>
Total Department of Housing and Urban Development		<u>\$8,284,666</u>

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of **HACK** and is presented on an accrual basis of accounting. The information on this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET
JUNE 30, 2012**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
111	Cash - unrestricted	\$773,024	\$ 1,895,199	\$2,668,223
113	Cash - other restricted	-0-	1,721,432	1,721,432
114	Cash - tenant security deposits	<u>21,530</u>	<u>-0-</u>	<u>21,530</u>
100	Total cash	<u>794,554</u>	<u>3,616,631</u>	<u>4,411,185</u>
121	Accounts receivable - PHA projects	<u>1,498</u>	<u>344,274</u>	<u>345,772</u>
122	Accounts receivable - HUD other projects	<u>141,555</u>	<u>-0-</u>	<u>141,555</u>
120	Total receivables, net of allowance for doubtful accounts	<u>143,053</u>	<u>344,274</u>	<u>487,327</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET, CONTINUED
JUNE 30, 2012**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
131	Investments - unrestricted	\$ 538,227	\$ -0-	\$ 538,227
142	Prepaid expenses and other assets	98,324	9,350	107,674
144	Interprogram due from	<u>55,078</u>	<u>-0-</u>	<u>55,078</u>
150	Total current assets	<u>1,629,236</u>	<u>3,970,255</u>	<u>5,599,491</u>
161	Land	2,475,572	10,915	2,486,487
162	Buildings	8,663,267	79,570	8,742,837
163	Furniture, equipment and machinery-dwellings	240,007	-0-	240,007
164	Furniture, equipment and machinery-administration	201,597	22,995	224,592
166	Accumulated depreciation	<u>(6,649,080)</u>	<u>(59,967)</u>	<u>(6,709,047)</u>
160	Total capital assets, net of accumulated depreciation	<u>4,931,363</u>	<u>53,513</u>	<u>4,984,876</u>
180	Total non-current assets	<u>4,931,363</u>	<u>53,513</u>	<u>4,984,876</u>
190	Total assets	<u>\$6,560,599</u>	<u>\$4,023,768</u>	<u>\$10,584,367</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET, CONTINUED
JUNE 30, 2012

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
312	Accounts payable ≤90 days	\$ 39,035	\$ 88,399	\$ 127,434
321	Accrued wage/payroll taxes payable	11,120	-0-	11,120
322	Accrued compensated absences-current portion	7,270	3,739	11,009
331	Accounts payable -HUD	-0-	1,168,808	1,168,808
341	Tenant security deposits	21,530	-0-	21,530
342	Deferred revenues	29,690	-0-	29,690
347	Interprogram due to	<u>26,300</u>	<u>28,778</u>	<u>55,078</u>
310	Total current liabilities	<u>134,945</u>	<u>1,289,724</u>	<u>1,424,669</u>
354	Accrued compensated absences non-current	<u>14,820</u>	<u>6,971</u>	<u>21,791</u>
350	Total non-current liabilities	<u>14,820</u>	<u>6,971</u>	<u>21,791</u>
300	Total liabilities	<u>149,765</u>	<u>1,296,695</u>	<u>1,446,460</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE--COMBINING BALANCE SHEET, CONTINUED
JUNE 30, 2012

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
508.1	Invested in capital assets, net of related debt	\$4,931,363	\$ 53,513	\$ 4,984,876
511.1	Restricted net position	-0-	1,721,432	1,721,432
512.1	Unrestricted net position	<u>1,479,471</u>	<u>952,128</u>	<u>2,431,599</u>
513	Total equity/net position	<u>6,410,834</u>	<u>2,727,073</u>	<u>9,137,907</u>
600	Total liabilities and equity/net position	<u>\$6,560,599</u>	<u>\$4,023,768</u>	<u>\$10,584,367</u>

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE-COMBINING INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>OPERATING FUND PROGRAM</u>	<u>CAPITAL FUND PROGRAM</u>	<u>TOTAL PROJECTS</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>DISASTER HOUSING ASSISTANCE GRANT</u>	<u>TOTAL PROGRAM</u>
70300	Net tenant rental revenue	\$240,825	\$ -0-	\$240,825	\$ -0-	\$ -0-	\$ -0-
70400	Tenant revenue - other	<u>21,382</u>	<u>-0-</u>	<u>21,382</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
70500	Total tenant revenue	<u>262,207</u>	<u>-0-</u>	<u>262,207</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
70600	HUD PHA operating grants	219,207	-0-	219,207	-0-	-0-	-0-
70600-010	Housing assistance payments	-0-	-0-	-0-	7,489,678	-0-	7,489,678
70600-020	Ongoing administrative fees earned	-0-	-0-	-0-	575,781	-0-	575,781
70610	Capital grants	-0-	-0-	-0-	-0-	-0-	-0-
71100	Investment income - unrestricted	1,279	-0-	1,279	-0-	-0-	-0-
71500	Other revenue	1,167	-0-	1,167	-0-	-0-	-0-
71500-050	Portability fees	-0-	-0-	-0-	85,809	-0-	85,809
72000	Investment income - restricted	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
70000	Total revenue	<u>483,860</u>	<u>-0-</u>	<u>483,860</u>	<u>8,151,268</u>	<u>-0-</u>	<u>8,151,268</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE-COMBINING INCOME STATEMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>OPERATING FUND PROGRAM</u>	<u>CAPITAL FUND PROGRAM</u>	<u>TOTAL PROJECTS</u>	<u>HOUSING CHOICE VOUCHER PROGRAM</u>	<u>DISASTER HOUSING ASSISTANCE GRANT</u>	<u>TOTAL PROGRAM</u>
91100	Administrative salaries	\$ 79,916	\$ -0-	\$ 79,916	\$207,824	\$-0-	\$207,824
91500	Employee benefit contributions-administrative	49,984	-0-	49,984	26,775	-0-	26,775
91600	Office expense	119,173	-0-	119,173	23,925	-0-	23,925
91700	Legal expense	21,015	-0-	21,015	12,121	-0-	12,121
91800	Travel	6,378	-0-	6,378	3,536	-0-	3,536
91900	Other	<u>16,708</u>	-0-	<u>16,708</u>	<u>114,327</u>	-0-	<u>114,327</u>
91000	Total operating - administrative	<u>293,174</u>	<u>-0-</u>	<u>293,174</u>	<u>388,508</u>	<u>-0-</u>	<u>388,508</u>
92400	Tenant services - other	<u>200</u>	<u>-0-</u>	<u>200</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
92500	Total tenant services	<u>200</u>	<u>-0-</u>	<u>200</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
93100	Water	9,786	-0-	9,786	-0-	-0-	-0-
93200	Electricity	17,007	-0-	17,007	-0-	-0-	-0-
93300	Gas	18,389	-0-	18,389	-0-	-0-	-0-
93800	Other utilities	<u>15,291</u>	<u>-0-</u>	<u>15,291</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
93000	Total utilities	<u>60,473</u>	<u>-0-</u>	<u>60,473</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE--COMBINING INCOME STATEMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAM
94100	Ordinary maintenance and operations - labor	\$121,646	\$ -0-	\$121,646	\$ -0-	\$-0-	\$ -0-
94200	Ordinary maintenance and operations - materials and other	22,785	-0-	22,785	-0-	-0-	-0-
94300-010	Ordinary maintenance and operations contracts-garbage and trash removal contracts	22,594	-0-	22,594	-0-	-0-	-0-
94300-020	Ordinary maintenance and operations contracts heating and cooling contracts	55,798	-0-	55,798	-0-	-0-	-0-
94300-050	Ordinary maintenance and operations contracts-landscape and grounds contracts	-0-	-0-	-0-	-0-	-0-	-0-
94300-060	Ordinary maintenance and operations contracts-unity turnaround contracts	24,614	-0-	24,614	-0-	-0-	-0-
94300-070	Ordinary maintenance and operations contracts-electrical contracts	1,995	-0-	1,995	-0-	-0-	-0-
94300-090	Ordinary maintenance and operations contracts-extermination contracts	9,080	-0-	9,080	-0-	-0-	-0-
94300-100	Ordinary maintenance and operations contracts-janitorial contracts	-0-	-0-	-0-	-0-	-0-	-0-
94300-080	Ordinary maintenance and operations contracts-plumbing	11,158	-0-	11,158	-0-	-0-	-0-
94300-120	Ordinary maintenance and operations contracts-miscellaneous contracts	16,166	-0-	16,166	6,708	-0-	6,708
94300	Ordinary maintenance and operations contracts	141,405	-0-	141,405	6,708	-0-	6,708

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE-COMBINING INCOME STATEMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAM
94500	Employee benefit contributions-ordinary maintenance	\$ 78,952	\$ -0-	\$ 78,952	\$ -0-	\$ -0-	\$ -0-
94000	Total maintenance	364,788	-0-	364,788	-0-	-0-	-0-
96110	Property insurance	49,811	-0-	49,811	-0-	-0-	-0-
96120	Liability insurance	984	-0-	984	-0-	-0-	-0-
96130	Workmen's compensation	15,004	-0-	15,004	10,125	-0-	10,125
96140	All other insurance	30,487	-0-	30,487	2,867	-0-	2,867
96100	Total insurance premiums	96,286	-0-	96,286	12,992	-0-	12,992
96200	Other general expenses	-0-	-0-	-0-	94,929	-0-	94,929
96400	Bad debt - tenant rents	1,397	-0-	1,397	-0-	-0-	-0-
96000	Total other general expenses	1,397	-0-	1,397	94,929	-0-	94,929
96900	Total operating expenses	816,318	-0-	816,318	503,137	-0-	503,137
97000	Excess (deficiency) of revenue over operating expenses	(333,625)	-0-	(333,625)	7,648,131	-0-	7,648,131

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE-COMBINING INCOME STATEMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAM
97300	Housing assistance payments	\$ -0-	\$ -0-	\$ -0-	\$ 8,600,800	\$ -0-	\$ 8,600,800
97350	Housing assistance payments - portability in	-0-	-0-	-0-	387,835	-0-	387,835
97400	Depreciation expense	<u>330,553</u>	<u>-0-</u>	<u>330,553</u>	<u>4,888</u>	<u>-0-</u>	<u>4,888</u>
90000	Total expenses	<u>1,146,871</u>	<u>-0-</u>	<u>1,146,871</u>	<u>9,496,660</u>	<u>-0-</u>	<u>9,496,660</u>
10010	Operating transfer in	-0-	-0-	-0-	-0-	-0-	-0-
10020	Operating transfer out	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
10100	Total other financing sources (uses)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (663,011)</u>	<u>\$ -0-</u>	<u>\$ (663,011)</u>	<u>\$ (1,345,392)</u>	<u>\$ -0-</u>	<u>\$ (1,345,392)</u>
11030	Beginning equity/net assets	\$6,890,961	\$182,884	\$7,073,845	\$4,072,465	\$ 1,168,808	\$ 5,241,273
11040-010	Prior period adjustments, equity transfers, and correction of errors	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,168,808)</u>	<u>(1,168,808)</u>
	Beginning equity/net assets, as adjusted	<u>\$6,890,961</u>	<u>\$182,884</u>	<u>\$7,073,845</u>	<u>\$4,072,465</u>	<u>\$ -0-</u>	<u>\$4,072,465</u>
11270	Excess cash	<u>\$1,395,967</u>	<u>N/A</u>	<u>N/A</u>			
11170	Administrative fee equity	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 952,128</u>	<u>\$ -0-</u>	<u>\$ 952,128</u>
1118	Housing assistance payments equity	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$1,721,432</u>	<u>\$</u>	<u>\$1,721,432</u>
11190	Unit months available	<u>1,644</u>	<u>N/A</u>	<u>1,644</u>	<u>6,864</u>	<u>N/A</u>	<u>6,864</u>
11210	Number of unit months leased	<u>1,404</u>	<u>N/A</u>	<u>1,404</u>	<u>5,652</u>	<u>N/A</u>	<u>5,652</u>
11620	Building Purchases	N/A	N/A	N/A			
11630	Furniture and equipment - Dwelling	4,000	N/A	4,000			
11640	Furniture and equipment - Administrative	N/A	N/A	N/A			

See Independent Auditors' Report on Supplementary Information.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF CAPITAL FUND PROGRAM COST (INCOMPLETE)
FROM INCEPTION THROUGH JUNE 30, 2012**

	<u>LA48PO12-501-09</u>	<u>LA48PO12-501-10</u>	<u>LA48PO12-501-11</u>	<u>LA48PO12-501-12</u>	<u>TOTAL</u>
Funds approved	\$ 213,403	\$ 212,686	\$175,600	\$162,548	\$ 764,237
Funds expended	<u>(213,352)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(213,352)</u>
Excess (deficiency) of funds approved	\$ <u>51</u>	<u>\$212,686</u>	<u>\$175,600</u>	<u>\$162,548</u>	<u>\$ 550,885</u>
Funds Advanced: Grant funding	\$ <u>167,010</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>167,010</u>
Total funds advanced	<u>167,010</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>167,010</u>
Funds expended	<u>(213,352)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(213,352)</u>
Excess (deficiency) of funds advanced	\$ <u>(46,342)</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>(46,342)</u>

See Independent Auditors' Report on Supplementary Information.



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

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

We have audited the financial statements of **Housing Authority of the City of Kenner (HACK)** as of and for the year ended June 30, 2012, and have issued our report thereon dated August 15, 2014. Except for **HACK's** inability on August 15, 2014, to resolve issues related to capital assets, net position, receivables and expenses, 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 of America.

Internal Control Over Financial Reporting

Management of **HACK** is responsible for establishing and maintaining an internal control over financial reporting. In planning and performing our audit, we considered **HACK's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of **HACK's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **HACK's** internal control over financial reporting.

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

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed in the subsequent paragraphs, we identified deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting and other deficiencies that we consider to be material weaknesses.

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 significant deficiency is a deficiency, or 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.

As previously discussed, we have described in the accompanying Summary Schedule of Findings and Questioned Costs items 2012-04, 2012-05 and 2012-07 as deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of HACK's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Further, as previously discussed, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses as previously defined. We considered the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2012-01, 2012-03 and 2013-06 to be material weaknesses. Also, we noted other matters involving the internal control over financial reporting that we have reported to management of **HACK** in a separate letter dated August 15, 2014.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **HACK's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2012-02.

HACK's responses to the findings identified in our audit are described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response and Planned Corrective Action" or "Current Status". We did not audit **HACK's** responses and, accordingly, we express no opinion on them.

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

This report is intended solely for the information and use of HACK's Board, management, the Legislative Auditor for the State of Louisiana and the U.S. Department of Housing and Urban Development and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

August 15, 2014



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of **Housing Authority of the City of Kenner (HACK)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of **HACK's** major federal programs for the year ended June 30, 2012. **HACK's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **HACK's** management. Our responsibility is to express an opinion on **HACK's** compliance based on our audit.

Except for **HACK's** inability on August 15, 2014, to resolve issues related to capital assets, net position, receivables, and expenses, 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 of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Compliance, Continued

to that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **HACK'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. Our audit does not provide a legal determination on **HACK's** compliance with those requirements.

Because of the nature of certain records and system design and operation as further described in our findings reference numbers 2012-18, 2012-19, 2012-21 and 2012-22 for certain transactions, we were unable to obtain sufficient documentation to support **HACK's** compliance with the requirements of eligibility reporting and allowable costs.

Compliance with such requirements is necessary in our opinion, for **HACK** to comply with the requirements applicable to its programs.

In our opinion, except for the effects of such noncompliance, if any, as might have been determined had we been able to examine evidence regarding **HACK's** compliance with eligibility, reporting, and allowable costs, **HACK** complied in all material respects, with the compliance requirements previously referred to that could have a direct and material effect on its major federal programs for the year ended August 15, 2014. Also, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2012- 08 through 2012-17 and 2012-20.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for a limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in **HACK's** internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed in the following paragraph, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies in internal control over financial reporting and other deficiencies that we consider to be material weaknesses.

A deficiency in **HACK's** 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 significant deficiency in internal control over compliance is a deficiency, or 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.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Internal Control Over Compliance, Continued

As previously discussed, we consider the deficiencies in internal control over compliance described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2012-19 and 2012-21 to be significant deficiencies.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, by **HACK** on a timely basis. As previously discussed, we consider the deficiencies in internal control over compliance described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2012-18 and 2012-22 to be material weaknesses, as defined above.

HACK's responses to the findings in our audit are described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response and Planned Corrective Action" or "Current Status". We did not audit **HACK's** responses and accordingly, we express no opinion on them.

This report is intended solely for the information and use of **HACK's** Board, management, the Legislative Auditor for the State of Louisiana and the U.S. Department of Housing and Urban Development and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

August 15, 2014

HOUSING AUTHORITY OF CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes
- Significant deficiency(ies) identified? Yes

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program
14.850a	Low Rent Public Housing Program
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2012-01

Federal Award Program

All Programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

Our review of the current design and operation of **HACK's** internal control over financial reporting revealed the following significant conditions:

- o Inadequate design of controls over significant general ledger accounts.
- o Inadequate documentation of the components of internal control.
- o Employees lack adequate training to fulfill their assigned functions.
- o Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Inadequate oversight of the various financial reporting processes.
- o Incomplete accounting for all financial transactions, and accounting treatment afforded in some instances not in accordance with accounting principles generally accepted in the United States of America.

Currently, **HACK** has hired a fee accountant to perform compilation services.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-01

Questioned Costs

None.

Context

Total amount of federal awards expended for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.
- o Potential for misappropriation of assets.

Cause

Size of personnel, level of supervisory oversight coupled with capacity within the Accounting Department.

Recommendation

HACK should undertake a complete risk assessment of its operations aimed at the re-design, documentation and determination of the level of resources needed to include the appropriate training to ensure the implementation of an effective and efficient design and operation of its internal control over financial reporting.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-01

Management's Response and Planned Corrective Action

In January 2013, **HACK** hired an Accounting Technician to manage the Finance Department of **HACK** on a day to day basis under the direct supervision of the Executive Director of the Kenner Housing Authority. The Accounting Technician has received the proper training under the accounting software provider (Tenmast Systems) in order for him to process the financial records. The Accounting Technician has also received Financial Management and Accounting and Budgeting training pertaining to the HUD requirements for management of the finances.

In July 2013, the Kenner Housing Authority procured the services of a Fee Accountant to assist **HACK** with completing the financial records for years ended 2012, 2013, and 2014, and all subsequent financial records for year ended 2015 and following. The Fee Accountant works under the direct supervision of the Executive Director.

The Accounting Technician and the Fee Accounting are working together with the Executive Director in an effort to bring the accounting records up to date by no later than December 31, 2014. The unaudited financial records for years 2012 and 2013 have been submitted to HUD REAC. Submission of the unaudited year 2014 financial records is scheduled on or before September 15, 2014.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-02

Federal Award Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Louisiana Revised Statute 24:513 requires the submission of audited financial statements within six (6) months of year end or within an approved extension request.

Condition

The audited financial statements as of and for the year ended June 30, 2012 were not published by December 31, 2012 (statutory due date). This condition was the result of transitional challenges encountered by HACK.

Questioned Costs

None.

Context

Federal awards expended for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

Noncompliance with the statutory due date requirement of Louisiana Audit Law.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-02

Cause

During the year ended June 30, 2012, **HACK** was impacted by several transitional challenges that ultimately resulted in an on-site HUD review and resignation and/or termination of key employees.

Recommendation

As **HACK** continues to restructure the financial section of its operations, greater emphasis should be placed on the key financial operating cycles to ensure complete and accurate financial information reporting.

Furthermore, an enhanced level of oversight is necessary to ensure the timely, accurate preparation and delivery of financial information.

Management's Response and Planned Corrective Action

HACK expects to complete the year ended 2012 audit in September 2014 and the year ended 2013 audit within 90 days of the completion of the year 2012 audit. **HACK** is expected to submit the unaudited financial records to HUD REAC no later than September 15, 2014. **HACK** has already engaged the services of an accounting firm to perform the audit for the year ended 2014. The Executive Director provides the direct oversight of these activities to ensure proper submission of the financial records to HUD and the State of Louisiana.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2012-03

Federal Award Programs

Low Rent Public Housing Program (see Schedule of Expenditures of Federal Awards).

Criteria

Management of HACK is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to safeguard the assets of HACK.

Condition

The June 30, 2012 bank account reconciliation for the operating account reflected on the reconciliation, approximately \$3,000 and an associated description titled "deposit in transit". Our review of the associated bank statement reflected this amount as a "cleared" transaction. This error results in an unreconciled difference between the general ledger and the bank balance at June 30, 2012.

Questioned Costs

None.

Context

Total cash at June 30, 2012 was \$4,411,185.

**HOUSING AUTHORITY OF THE CITY OF KENNER
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-03

Effect or Potential Effect

Potential risk of misappropriation in assets.

Cause

Timely preparation and absence of complete supervisory review of monthly bank account reconciliations.

Recommendation

We recommend that the bank account reconciliations should be reviewed and the necessary correction undertaken to address the referenced unreconciled difference. In the future all such reviews should be evidenced via an initialing and dating.

Management's Response and Planned Corrective Action

HACK's Executive Director shall work with the Accounting Technician and the Fee Accountant to reconcile the difference and make the appropriate adjustment entry to correct the finding. Expected date of correction is December 31, 2014.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-04

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **HACK** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to safeguard the assets of **HACK**.

Condition

Considering the size of **HACK**, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of **HACK's** assets. Currently, internal financial transactions processing of **HACK** is performed primarily by an in-house accountant with some level of oversight and compilation reports performed by a fee accountant.

HACK uses the TENMAST software to prepare its internal financial and program transactions to include the generation of program reports for submission to its funding source. The current system is not fully functional to facilitate the completeness in information generated.

Questioned Costs

None.

**HOUSING AUTHORITY OF THE CITY OF KENNER
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-04

Context

Total federal awards expended for the year ended June 2012 were \$8,284,666.

Effect or Potential Effect

Control deficiencies in **HACK's** internal control system provide for an environment that is conducive to the misappropriation of assets.

Cause

Size of personnel assigned to the accounting and program functions and **HACK** as a whole. Also, the untimely receipt of prepared financial statements, impacts management's review for completeness in its reported financial statements on a monthly basis.

Recommendation

We recommend that management re-evaluate its internal control design, develop and implement procedures and processes to minimize, if not, eliminate the potential risk associated with the described condition. Management should undertake a review of its accounting and program processing system to ensure its completeness.

Management's Response and Planned Corrective Action

HACK has hired an in-house Accounting Technician to oversee the Finance Department on a day-to-day basis and **HACK** has procured the services of a Fee Accountant to assist with the financial management of **HACK's** finances.

HOUSING AUTHORITY OF THE CITY OF KENNER
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012- 05

Federal Award Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

Our testing of cash receipts and disbursement transactions for the month of December 2011 (month judgementally selected for testing) revealed the following conditions:

- o In an instance, we noted a security deposit collected on December 8, 2011 for a move-in tenant but not deposited until December 20, 2011.
- o In two (2) of eighteen (18) disbursement transactions tested, supporting invoices were unavailable for our review.
- o In eleven (11) of eighteen (18) disbursement transactions tested, **HACK** had no documents available to support compliance with its procurement policy.
- o Our comparison of the recorded Low Rent Public Housing Program rent collected for the month of December 2011 to the bank statement and general ledger revealed an unreconciled difference of \$93 for which management could not resolve.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012- 05

Condition, Continued

- o Noted based on our review of sampled validated deposit tickets for rent deposits made on December 20, 2011, collections dating to December 7, 2011.
- o Two (2) of three (3) outstanding checks selected for review were not available.
- o Noted a variance between the control general ledger account balance, the "VMS" and detail "HAP" register for the month of December 2011.
- o The "port in" amount reported per HUD Form 52681B did not agree to the amount reflected in the HAP register for the portability program.

Questioned Costs

None.

Context

Total expenditures of federal awards for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

Noncompliance with board policy and regulatory requirements.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012- 05

Cause

Lack of an established system to facilitate the completeness in all financial transactions.

Recommendation

We recommend that management revisit with its monthly transaction processing to ensure completeness and compliance with board policy and HUD regulations.

Management's Response and Planned Corrective Action

HACK has put measures into place whereas all deposits are made within 24 hours after the date of receipt.

Invoices or statements and purchase orders, where necessary, are required for all expenditures before payments are made to the vendors, contractors, etc. The staff is required to follow the procurement policy in order to procure goods and services for **HACK**. The Executive Director approves all purchases. These records are maintained in accordance with the board adopted record retention policy.

The reconciliation of the bank statements, VMS, and portables are being reconciled with the monthly general ledgers between the Accounting Technician and the Fee Accountant to ensure accuracy of financial records and data.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-06

Federal Award Program

Low Rent Public Housing, Housing Choice Voucher and Capital Fund Programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

The June 30, 2012 Low Rent Public Housing, Housing Choice Voucher and Capital Fund Programs' general ledger did not reflect a complete presentation of capital assets to include the associated calculation of depreciation expense and classification. It is our understanding that a detail listing of capital assets was not available to assist in the determination. An estimated depreciation expense amount was recorded by the fee accountant equal to an amount similar to 2011 for Low Rent Public Housing Program only.

Further, we were unable to review the detail of certain accounts due in part to the nature of HACK's records to ensure the proper capitalization of costs incurred pursuant to policy and accounting standards.

Questioned Costs

None.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-06

Context

Total capital assets, net at June 30, 2012 was \$4,984,876.

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.
- o Potential for misappropriation.

Cause

Lack of a designed internal control process to ensure completeness in its financial reporting.

Recommendation

HACK should ensure completeness of all detail information needed to support its financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-06

Management's Response and Planned Corrective Action

In January 2013, **HACK** hired an Accounting Technician to manage the Finance Department of **HACK** on a day to day basis under the direct supervision of the Executive Director of the Kenner Housing Authority. The Accounting Technician has received the proper training under the accounting software provider (Tenmast Systems) in order for him to process the financial records. The Accounting Technician has also received Financial Management and Accounting and Budgeting training pertaining to the HUD requirements for management of the finances.

In July 2013, the Kenner Housing Authority procured the services of a Fee Accountant to assist **HACK** with completing the financial records for years ended 2012, 2013, and 2014, and all subsequent financial records for year ended 2015 and following. The Fee Accountant works under the direct supervision of the Executive Director.

The Accounting Technician and the Fee Accounting are working together with the Executive Director in an effort to bring the accounting records up to date no later than December 31, 2014. The unaudited financial records for years 2012 and 2013 have been submitted to HUD REAC. Submission of the unaudited year 2014 financial records is scheduled on or before September 15, 2014.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-07

Federal Award Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

We were unable to perform detail testing to include review of subsequent transactions to support the validity in recorded portability receivables of \$344,274 at June 30, 2012.

Portability receivables charged at June 30, 2012 represent a 136% growth from \$145,824 at June 30, 2011.

Questioned Costs

None.

Context

Total amount of federal awards expended for the year ended June 30, 2012 were \$8,284,666.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-07

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.

- o Potential for misappropriation of assets.

Cause

Size of personnel, level of supervisory oversight coupled with capacity within the Accounting Department.

Recommendation

HACK should review its portability receivable for completeness and collectibility in recorded amount.

Management's Response and Planned Corrective Action

The Accounting Technician and the Fee Accountant are reconciling the portability receivables on a monthly basis with the Housing Choice Voucher Program staff to make sure the portability receivables charged are properly recorded and documented. Staff is maintaining individual records for each port-in families on a monthly basis to provide accurate portability data for inclusion on the monthly financial records.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs

Reference Number

2012- 08

Federal Award Program

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

HACK is required to submit in electronic format, Form HUD 50058 each time it completes an admission, annual, interim re-examination, portability move-in or other change of a unit for a family.

Condition

Our testing of nine (9) tenant files revealed in seven (7) instances, where no documented evidence was available to support that the Form HUD 50058's were submitted in a timely manner.

Further, we were unable for all nine (9) files to review documented corrections, if any, in submitted HUD Forms 50058.

Questioned Costs

None.

Context

Total federal award expended for the Housing Choice Voucher Program were \$8,065,459 or 97.4% of the total federal awards for the year ended June 30, 2012.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012- 08

Effect or Potential Effect

Noncompliance with the requirements of 24 CFR.

Cause

Lack of a monitoring system and established guidelines for submission of reports.

Recommendation

We recommend that management provide staff with the necessary training and guidelines to ensure the timely submission of all required external reports.

Management's Response and Planned Corrective Action

HACK supervisor of the Housing Choice Voucher Program staff is submitting the Form HUD 50058's on a monthly basis. If errors are noted on the submission of the 50058's, the HCV Program supervisor makes the corrections to the 50058" and re-submit the 50058 to HUD timely. **HACK's** PIC System report runs around 98% for its PIC submission of the 50058's for the past year. Staff has received training on the submission of the 50058's.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012- 09

Federal Award Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the requirements of OMB Circular A-87:

- (1) "Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payroll documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unit.
- (2) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-09

Criteria, Continued

- (3) Where employees work on multiple activities cost objectives, a distribution of their salaries or wages will be supported by personnel activity or equivalent documentation which meets the standards listed under item 4 below. Such documentary support will be required where employees work on:
- a) More than one (1) federal award;
 - b) A federal award and a non-Federal activity;
 - c) An indirect cost activity and a direct cost activity;
 - d) Two or more indirect activities which are allocated using different allocations basis, or
 - e) An unallowable activity and a direct or indirect cost activity.
- (4) Personnel activity reports or equivalent documentation must meet the following standards:
- a) They must reflect after the fact distribution of the actual activity of each employee;
 - b) They must account for the total activity for which each employee is compensated;
 - c) They must be prepared at least monthly and must coincide with one or more pay periods; and
 - d) They must be signed by the employee.

**HOUSING AUTHORITY OF THE CITY OF KENNER
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-09

Condition

HACK's current payroll practice requires the submission of timesheets by all employees. However, we noted no documented certification in accordance with the requirements of OMB Circular A-87.

Questioned Cost

None.

Context

Total federal awards expended for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

Potential noncompliance with the requirements of OMB Circular A-87.

Cause

Lack of an established procedure to ensure compliance with the requirements of OMB Circular A-87.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-09

Recommendation

Management should revisit with its current practice to facilitate compliance with the requirements regarding payroll certification. Further, the timesheets submitted and approved should provide adequate documentation of program charged.

Management's Response and Corrective Action

During the annual budget development cycle by **HACK** staff and approval by the Board of Commissioners of **HACK**, the employee salaries are cost allocated, where necessary, over two or more program on a percentage basis.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-10

Federal Award Programs

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

As a condition of occupancy, **HACK** should determine family eligibility, verify income and assets, calculate tenant's rent, etc., pursuant to 24 CFR sections 5.230, 5.609, and 982.516.

Condition

For two (2) of the total original tenant files of eleven (11) selected, we were unable to perform any test work as the files were unavailable.

Questioned Costs

None.

Context

Total federal award expended for the Housing Choice Voucher Program for the year ended June 30, 2012 was \$8,065,459.

Effect or Potential Effect

Noncompliance with the requirements of 24 CFR 5.230, 5.609, 982.576, and 982.516.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-10

Cause

Lack of effective records retention procedure.

Recommendation

We recommend that management revisit with its current record retention policy.

Management's Response and Planned Corrective Action

HACK maintains its files and records in accordance to its records retention and disposition policies. On occasion, **HACK** may split tenant files after a three year period. These files are properly labeled and stored in storage for future review and use. All necessary documents are maintained in the existing as noted by **HACK** and HUD policies.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-11

Federal Award Programs

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

24 CFR Section 982.516 requires that HACK obtain and document third-party verification of reported family annual income.

Condition

In five (5) of nine (9) files tested, we noted no documented evidence of independent third party verification of income.

Questioned Costs

None.

Context

Total Housing Choice Voucher Program expenditures for the year ended June 30, 2012 were \$8,065,459.

Effect or Potential Effect

Noncompliance with HUD regulation.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-11

Cause

Lack of an effective system in place to monitor compliance with board and HUD regulations.

Recommendation

We recommend that management sample files for review of completeness on a periodic basis.

Management's Response and Planned Corrective Action

Staff has been trained on the proper methods to obtain third party verification of reported family income in accordance with the HCV Program requirements by the Administrative Plan and HUD rules and regulations. The HCV Supervisor performs monthly quality control functions to measure the success of staff following the proper procedures for collecting third party verification of income. Staff from the EBRPHA is performing tenant file checks for each tenant file under the HCV Program administered by HACK.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-12

Federal Award Programs

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR Sections 982.4, 982.54(d)(I), 982.158(f)(7) et al, **HACK** is required to document the basis for the determination of rent reasonableness.

Condition

In six (6) of nine (9) tenant's file tested, we noted no documented evidence of rent reasonableness certification.

Questioned Costs

None.

Context

Total expenditures of Housing Voucher Program for the year ended June 30, 2012 were \$8,065,459.

Effect or Potential Effect

Noncompliance with the requirements of 24CFR 982.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-12

Cause

Lack of an effective monitoring system in place.

Recommendation

Management should revisit with its current monitoring process to include the use of sampling to verify compliance with HUD guidelines.

Management's Response and Planned Corrective Action

HACK has developed a rent reasonableness system to properly document the rents for units on an annual basis. The HCV inspection department maintains the records for this requirement. The HCV Program supervisor performs a limited quality control review on rent reasonableness each month.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-13

Federal Award Programs

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR 985, **HACK** is required to submit an annual certification of Form HUD 52648 (SEMAP) concerning compliance with program requirements under 14 indicators.

Condition

We were unable to verify the completeness of the certifications submitted on Form HUD 52648 by management of **HACK**.

Questioned Costs

None.

Context

Total expenditures of Housing Choice Voucher Program for the year ended June 30, 2012 were \$8,065,459.

Effect or Potential Effect

Noncompliance with 24 CFR Sections 982.258(d) 15 and 982.405(b).

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-13

Cause

Lack of an effective record retention procedure.

Recommendation

We recommend that all supporting documents for all file reports should be retained as required by board policy and HUD regulation.

Management's Response and Planned Corrective Action

HACK maintains the proper documentation to certify that the SEMAP indicators submitted to HUD are true and correct. The HCV Program supervisor maintains the necessary SEMAP files for review by the auditor for compliance review.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-14

Federal Award Programs

Housing Choice Voucher Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR Sections 982.158 and 982.450(b), **HACK** must prepare a unit inspection report. Further for units failing inspections the owner has 24-hours to 30-days or as specified by **HACK** to resolve the condition(s).

Condition

HACK did not have on file, a complete listing of all failed inspection reports for the year ended June 30, 2012. Based on a sample of June 2012 failed reports available, we noted instances where re-inspections were outside of the thirty (30) day requirement with no documented reason(s).

Questioned Costs

None.

Context

Total federal award for the Housing Choice Voucher Program for the year ended June 30, 2012 were \$8,065,459.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-14

Effect or Potential Effect

Noncompliance with 24 CFR Sections 982.158(d)15 and 982.405(b).

Cause

Lack of an established procedure to ensure the retention of records and timely re-inspections to include documentation of all waivers.

Recommendation

Management should revisit with its current procedure with an aim towards ensuring its completeness to facilitate records retention and effective monitoring of compliance with HUD regulations and Board Policy.

Management's Response and Planned Corrective Action

HACK inspection staff completes the HQS inspections and completes the follow-up inspections as required under **HACK** HCV Program and HUD requirement. The HCV Program supervisor performs quality control on sample inspection files to ensure program compliance with inspections and re-inspections. Inspections files are properly filed in accordance with agency policies and procedures.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-15

Federal Award Programs

Low Rent Public Housing Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR sections 982.201, 982.515 and 982.516, **HACK** is required to obtain, document and verify reported family annual income.

Condition

In one (1) instance of nine (9) files tested, we noted that the annual income used in the calculation of a tenant's rent was incorrect based on information in the tenant's file.

Questioned Costs

None.

Context

Total award of federal award expenditures incurred for the Housing Choice Voucher Program for the year ended June 30, 2012 were \$8,065,459.

Effect or Potential Effect

Noncompliance with the requirements of 24 CFR 982.158(d) and 982.405(b).

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-15

Cause

Lack of effective monitoring of completed files by staff.

Recommendation

We recommend that staff be trained to ensure complete documentation to facilitate in the completeness of all processed files.

Management's Response and Planned Corrective Action

The HCV staff has received training on proper rent calculation procedures through a private training firm and the EBRPHA staff continues to work with **HACK** staff on all HCV Program requirements. **HACK** Supervisor performs monthly quality control on the staff files that are completed each month. The quality control measures are reported to the Executive Director for review and proper corrections and training implemented.

HOUSING AUTHORITY OF THE CITY OF KENNER

KENNER, LOUISIANA

**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-16

Federal Award Program

Low Rent Public Housing Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR part 941, subpart F, a current Declaration of Trust (DOT) in an acceptable form to HUD must be recorded.

Condition

At June 30, 2012 **HACK** has not executed a DOT against all public housing property owned by **HACK** acquired, developed, maintained, or assisted with funds from the U.S. Housing Act of 1937.

Questioned Costs

None.

Context

Total federal awards expended for the Low Rent Public Housing Program were \$8,065,459 or 97.4% of the total federal awards for the year ended June 30, 2012.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-16

Effect or Potential Effect

Noncompliance with the requirements of 24 CFR.

Cause

No knowledge of filing requirements.

Recommendation

We recommend that management file the necessary documents in accordance with 24CFR part 941 Subpart F.

Management's Response and Planned Corrective Action

HACK will document the Declaration of Trust (DOT) for the entire real estate owned property portfolio during the year ended 2015.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-17

Federal Award Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

24 CFR section 5.801 requires that **HACK** submit timely GAAP based unaudited and audited financial information electronically to HUD.

Condition

For the year ended June 30, 2012 the unaudited and audited electronic financial information were not submitted to HUD on a timely basis.

Questioned Costs

None.

Context

Total federal awards expended for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

Noncompliance with the requirement of 24 CFR 5.801.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-17

Cause

Lack of an effective monitoring process in place to ensure compliance with all reporting requirements as dictated by HUD regulation.

Recommendation

Management should ensure that all reports are filed on a timely basis.

Management's Response and Planned Corrective Action

The unaudited financial records for year ended 2012 and 2013 have been submitted to HUD REAC. Submission of the unaudited year ended 2014 financial records is scheduled on or before September 15, 2014. **HACK** expects to complete the year ended 2012 audit in September 2014 and 2013 audit within 90 days of the completion of the year 2012 audit. **HACK** expected to submit the unaudited financial records to HUD REAC no later than September 15, 2014. **HACK** has already engaged the services of an accounting firm to perform the audit for the year ended 2014. The Executive Director provides the direct oversight of these activities to ensure proper submission of the financial records to HUD and the State of Louisiana.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-18

Federal Award Program

All Programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

Our review of the current design and operation of **HACK**'s internal control over financial reporting revealed the following significant conditions:

- o Inadequate design of controls over significant general ledger accounts.
- o Inadequate documentation of the components of internal control.
- o Employees lack adequate training to fulfill their assigned functions.
- o Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Inadequate oversight of the various financial reporting processes.
- o Incomplete accounting for all financial transactions, and accounting treatment afforded in some instances not in accordance with accounting principles generally accepted in the United States of America.

Currently, **HACK** has hired a fee accountant to perform compilation services.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-18

Questioned Costs

None.

Context

Total amount of federal awards expended for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.
- o Potential for misappropriation of assets.

Cause

Size of personnel, level of supervisory oversight coupled with capacity within the Accounting Department.

Recommendation

HACK should undertake a complete risk assessment of its operations aimed at the re-design, documentation and determination of the level of resources needed to include the appropriate training to ensure the implementation of an effective and efficient design and operation of its internal control over financial reporting.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-18

Management's Response and Planned Corrective Action

In January 2013, **HACK** hired an Accounting Technician to manage the Finance Department of **HACK** on a day to day basis under the direct supervision of the Executive Director of the Kenner Housing Authority. The Accounting Technician has received the proper training under the accounting software provider (Tenmast Systems) in order for him to process the financial records. The Accounting Technician has also received Financial Management and Accounting and Budgeting training pertaining to the HUD requirements for management of the finances.

In July 2013, the Kenner Housing Authority procured the services of a Fee Accountant to assist **HACK** with completing the financial records for years ended 2012, 2013, and 2014, and all subsequent financial records for year ended 2015 and following. The Fee Accountant works under the direct supervision of the Executive Director.

The Accounting Technician and the Fee Accounting are working together with the Executive Director in an effort to bring the accounting records up to date no later than December 31, 2014. The unaudited financial records for years 2012 and 2013 have been submitted to HUD REAC. Submission of the unaudited year 2014 financial records is scheduled on or before September 15, 2014.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-19

Federal Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management of **HACK** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to safeguard the assets of **HACK**.

Condition

Considering the size of **HACK**, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of **HACK's** assets. Currently, internal financial transactions processing of **HACK** is performed primarily by an in-house accountant with some level of oversight and compilation reports performed by a fee accountant.

HACK uses the TENMAST software to prepare its internal financial and program transactions to include the generation of program reports for submission to its funding source. The current system is not fully functional to facilitate the completeness in information generated.

Questioned Costs

None.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-19

Context

Total federal awards expended for the year ended June 2012 were \$8,284,666.

Effect or Potential Effect

Control deficiencies in **HACK's** internal control system provide for an environment that is conducive to the misappropriation of assets.

Cause

Size of personnel assigned to the accounting and program functions and **HACK** as a whole. Also, the untimely receipt of prepared financial statements, impacts management's review for completeness in its reported financial statements on a monthly basis.

Recommendation

We recommend that management re-evaluate its internal control design, develop and implement procedures and processes to minimize, if not, eliminate the potential risk associated with the described condition. Management should undertake a review of its accounting and program processing system to ensure its completeness.

Management's Response and Planned Corrective Action

HACK has hired an in-house Accounting Technician to oversee the Finance Department on a day-to-day basis and **HACK** has procured the services of a Fee Accountant to assist with the financial management of **HACK's** finances.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-20

Federal Award Program

Low Rent Public Housing Program (see Schedule of Expenditures of Federal Awards).

Criteria

HACK's Community Services Self-Sufficiency Program (CSSP) requires that each eligible family member between the ages of eighteen (18) and sixty-two (62), living in a household to certify to an eligible or exempt status for participation in CSSP.

Condition

We were unable to verify documented evidence on tenant's eligible or exempt status for participation in the CSSP.

Questioned Costs

None.

Context

Total federal award expended for the Low Rent Public Housing Program for the year ended June 30, 2012 was \$219,207.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-20

Effect or Potential Effect

Noncompliance with the requirement of the CSSP.

Cause

Ineffective monitoring procedures in place to ensure the completeness in tenant files.

Recommendation

We recommend that management revisit with its existing quality control procedures to ensure its completeness in the documentation of information that impacts tenant eligibility.

Management's Response and Planned Corrective Action

Unresolved. See finding reference number 2012-20.

PHA supervisor will implement quality control procedures for proper documentation of CSSP activities for tenants.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-21

Federal Award Program

All programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

Our testing of cash receipts and disbursement transactions for the month of December 2011 (month judgementally selected for testing) revealed the following conditions:

- o In an instance, we noted a security deposit collected on December 8, 2011 for a move-in tenant but not deposited until December 20, 2011.
- o In two (2) of eighteen (18) disbursement transactions tested, supporting invoices were unavailable for our review.
- o In eleven (11) of eighteen (18) disbursement transactions tested, **HACK** had no documents available to support compliance with its procurement policy.
- o Our comparison of the recorded Low Rent Public Housing Program rent collected for the month of December 2011 to the bank statement and general ledger revealed an unreconciled difference of \$93 for which management could not resolve.

HOUSING AUTHORITY OF THE CITY OF KENNER
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-21

Condition, Continued

- o Noted based on our review of sampled validated deposit tickets for rent deposits made on December 20, 2011, collections dating to December 7, 2011.
- o Two (2) of three (3) outstanding checks selected for review were not available.
- o Noted a variance between the control general ledger account balance, the "VMS" and detail "HAP" register for the month of December 2011.
- o The "port in" amount reported per HUD Form 52681B did not agree to the amount reflected in the HAP register for the portability program.

Questioned Costs

None.

Context

Total expenditures of federal awards for the year ended June 30, 2012 were \$8,284,666.

Effect or Potential Effect

Noncompliance with board policy and regulatory requirements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-21

Cause

Lack of an established system to facilitate the completeness in all financial transactions.

Recommendation

We recommend that management revisit with its monthly transaction processing to ensure completeness and compliance with board policy and HUD regulations.

Management's Response and Planned Corrective Action

HACK has put measures into place whereas all deposits are made within 24 hours after the date of receipt.

Invoices or statements and purchase, where necessary, are required for all expenditures before payments are made to the vendors, contractors, etc. The staff is required to follow the procurement policy in order to procure goods and services for **HACK**. The Executive Director approves all purchases. These records are maintained in accordance with the board adopted record retention policy.

The reconciliation of the bank statements, VMS, and portables are being reconciled with the monthly general ledgers between the Accounting Technician and the Fee Accountant to ensure accuracy of financial records and data.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-22

Federal Award Program

Low Rent Public Housing, Housing Choice Voucher and Capital Fund Programs (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

The June 30, 2012 Low Rent Public Housing, Housing Choice Voucher and Capital Fund Programs' general ledger did not reflect a complete presentation of capital assets to include the associated calculation of depreciation expense and classification. It is our understanding that a detail listing of capital assets was not available to assist in the determination. An estimated depreciation expense amount was recorded by the fee accountant equal to an amount similar to 2011 for Low Rent Public Housing Program only.

Further, we were unable to review the detail of certain accounts due in part to the nature of HACK's records to ensure the proper capitalization of costs incurred pursuant to policy and accounting standards.

Questioned Costs

None.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-22

Context

Total capital assets, net at June 30, 2012 was \$4,984,876.

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.
- o Potential for misappropriation.

Cause

Lack of a designed internal control processes to ensure completeness in its financial reporting.

Recommendation

HACK should ensure completeness of all detail information needed to support its financial statements.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-22

Management's Response and Planned Corrective Action

In January 2013, **HACK** hired an Accounting Technician to manage the Finance Department of **HACK** on a day to day basis under the direct supervision of the Executive Director of the Kenner Housing Authority. The Accounting Technician has received the proper training under the accounting software provider (Tennast Systems) in order for him to process the financial records. The Accounting Technician has also received Financial Management and Accounting and Budgeting training pertaining to the HUD requirements for management of the finances.

In July 2013, the Kenner Housing Authority procured the services of a Fee Accountant to assist **HACK** with completing the financial records for years ended 2012, 2013, and 2014, and all subsequent financial records for year ended 2015 and following. The Fee Accountant works under the direct supervision of the Executive Director.

The Accounting Technician and the Fee Accounting are working together with the Executive Director in an effort to bring the accounting records up to date no later than December 31, 2014. The unaudited financial records for years 2012 and 2013 have been submitted to HUD REAC. Submission of the unaudited year 2014 financial records is scheduled on or before September 15, 2014.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Numbers

2011-01 and 2011-08

Condition

Considering the size of **HACK**, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of **HACK's** assets. During the year ended June 30, 2011, the internal financial transactions processing of **HACK** was performed primarily by its Executive Director with the assistance of a staff.

This finding is similar to a previous finding reference numbers 2010-01, 2010-05, 2009-01, 2009-08, 2008-01, 2008-07, 2007-01, 2007-09, 2006-01 and 2005-02.

The Low Rent Public and Housing Choice Voucher Programs processes were performed by the respective managers for the programs.

While the Board adopted on September 22, 2010 an internal control policy, we noted an inadequate design and/or documentation of internal control processes over significant general ledger accounts, programs and financial reporting.

Further, we noted that the Executive Director provides the Board with monthly financial statements to include budgeted to actual reports, vendor payables and payments for review at its monthly meetings.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012**

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Numbers, Continued

2011-01 and 2011-08

Recommendation

Management should continue to re-evaluate its internal control design and where necessary, develop and implement procedures and processes to minimize, if not eliminate, the potential risk associated with the described condition.

Current Status

Unresolved. See current year's finding reference number 2012-04.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2011-02

Condition

The audited financial statements for June 30, 2011, was not submitted within the six months timeline.

This finding is similar to a previous finding reference numbers 2010-02 and 2009-02.

Recommendation

Management should resolve all factors impacting its ability to submit timely financial statements as required by State audit law.

Current Status

Unresolved. See current year's finding reference number 2012-02.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs

Reference Number

2011-03

Condition

In two (2) instances of ten (10) files reviewed, we noted the lack of an executed HUD Form 9886 (Authorization for the Release of Information) on file.

Recommendation

Revisit with its current quality control system over the completeness of tenant files.

Current Status

Resolved.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2011-04

Condition

In one (1) instance, we were unable to verify documented evidence on tenant's eligible or exempt status for participation in the CSSP.

Recommendation

We recommended that management revisit with its existing quality control procedures to ensure its completeness in the documentation of information that impacts tenant eligibility.

Current Status

Unresolved. See finding reference number 2012-20.

PH supervisor will implement quality control procedures for proper documentation of CSSP activities for tenants.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2011-05

Condition

In one (1) instance of ten (10) files reviewed, we noted the absence of documentation to support tenant income reported of \$600 (\$50 per month).

Recommendation

We recommended that management revisit with its existing quality control procedures over its tenant file completeness.

Current Status

Unresolved. See current year's finding reference number 2012-10.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2011-06

Condition

In one (1) instance of eighteen (18) files reviewed we noted an instance where the tenants file lacked documented evidence of a social security card to facilitate verification of information on HUD Form 50058. Further, we noted no lease agreement on file for a September 10, 2010 admission date.

Recommendation

Management should revisit with its quality control procedures over the completeness of its tenant files.

Current Status

Unresolved. See current year's finding reference number 2012-10.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2011-07

Condition

In one (1) instance , we were unable to locate a tenant file which according to management has been misfiled.

Recommendation

We recommended that management evaluate the feasibility of an electronic filing system.

Current Status

Unresolved. See current year's finding reference number 2012-10.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number

2011-08

Condition

- During fiscal year 2004, upon retirement, the executive director was compensated for approximately 4,032 hours of accrued leave in the amount of \$143,553. **HACK** compensated him for leave hours in excess of the hours reflected in **HACK's** policy of 300 maximum hours. **HACK** consulted an attorney concerning the propriety of this payment who issued a written opinion that it was appropriate since the board of commissioners approved of this exception for **HACK's** executive director.
- No liability was accrued in prior years for the hours in excess of 300.
- The summary of payment showed 611.27 days or 4,890 hours accrued. **HACK** staff calculated the liability using a method based on the number of days accrued as \$143,553. A recalculation of the liability using the number of hours method results in a potential additional liability of \$30,537. **HACK** was unable to provide proper leave records to support the 611.27 days indicated in the summary. Upon our request for leave records to support the hours, we were told that the total hours were calculated as hours earned based on the number of years the executive director has worked for **HACK** and on the assumption that he had actually not taken leave during his employment. The reasoning was that any time actually taken was offset by hours that the executive director worked in excess of regular hours. However, no record of leave taken and/or offset by additional work was provided.
- The amount withheld for social security and medicare from the former executive director's payment appears to be incorrect because **HACK** staff did not take into account the maximum wages taxed per year of \$87,900.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section IV - Status of Prior Year's Findings and Questioned Costs, Continued

Reference Number, Continued

2011-08

Condition, Continued

- The summary of leave balances supporting the amount of accrued leave as of June 30, 2007 indicated a balance in excess of 300 hours for the interim executive director. No liability was accrued for the excess hours. **HACK's** position is that the board approved paying accrued leave in excess of 300 hours for anyone filling the executive director position, not just the former executive director.
- Leave records provided for the interim executive director do not reflect that she has taken leave off.

This condition is similar to a previous finding reference number 2004-03.

Recommendation

HACK should:

- Reconstruct leave records for the former executive director, the interim executive director and all personnel currently employed by **HACK**.
- Depending on the outcome of the reconstruction, collect any overpayment or remit any underpayment from/to the former executive director.
- File an amended return to the IRS to correct the FICA withheld paid on the former executive director's payment, if necessary.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters

On September 24, 2013 and August 13, 2014, the U.S. Department of Housing and Urban Development Office of Inspector General released its review of **HACK**.

The following are the recommendations and current status.

Report 2013- FW -1805

Reference Number

1A

Recommendation

Require **HACK** to repay its program \$13,449 from non-Federal funds for ineligible housing assistance paid on behalf of one family.

Current Status

HACK does not have any non-Federal funds to repay HUD for the overpayment of Housing Assistance Payments (HAP) of \$13,449 made on behalf of the families assisted under the Housing Choice Voucher Program. **HACK** seeks an alternative corrective action (fund forgiveness) or the KHA is willing to enter into a repayment agreement with HUD so that the funds are repaid when, if any, non-Federal funds are earned by the KHA.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Report 2013- FW -1805

Reference Number

1B

Recommendation

Require **HACK** to support or repay its program \$171,572 from non-Federal funds for unsupported housing assistance paid on behalf of four program families.

Current Status

HACK does not have any non-Federal funds to repay HUD for the overpayment of Housing Assistance Payments (HAP) of \$171,572 made on behalf of the families assisted under the Housing Choice Voucher Program. **HACK** seeks an alternative corrective action (fund forgiveness) or the **HACK** is willing to enter into a repayment agreement with HUD so that the funds are repaid when, if any, non-Federal funds are earned by the **HACK**.

Reference Number

1C

Recommendation

Require **HACK** to implement adequate controls over its program, including adequate segregation of duties and staff program training.

Current Status

HACK has implemented the requested controls.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Report 2013- FW -1805

Reference Number

1D

Recommendation

Recommendations 1D, 1E, 1F and 1G are directed to the HUD local office.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Report 2014- FW -1805

Reference Number

1A

Recommendation

Reconcile its accounting records to identify the appropriate funding source that should have been charged for each expenditure incurred from January 1, 2009 to October 31, 2013. After doing so, address recommendations in the HUD memorandum.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

Reference Number

1B

Recommendation

Provide support for the \$1,917,646 in interfund transactions and demonstrate that the funds were not loaned between the low-rent public housing and Housing Choice Voucher programs or repay the appropriate programs from non-Federal funds.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Report 2014- FW -1805

Reference Number

1C

Recommendation

Repay the appropriate program the \$849 in ineligible payments to its architect from non-Federal funds.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

Reference Number

1D

Recommendation

Support \$121,195 in payments to its architect or repay the appropriate program from non-Federal funds.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Report 2014- FW -1805

Reference Number

1E

Recommendation

Support \$40,458 in payments to its general contractor or repay the appropriate program fund non-Federal funds.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

Reference Number

1F

Recommendation

Support \$616,576 in payments to its general contractor or repay the appropriate program from non-Federal funds. Should **HACK** provide procurement and contract documentation for the payments, **HACK** should also provide invoice documentation to support \$34,508.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Report 2014- FW -1805

Reference Number

1G

Recommendation

Support \$64,160 in payments to its independent auditor, or repay the appropriate program from non-Federal funds. Should **HACK** provide procurement and contract documentation for the payments, **HACK** should also provide invoice documentation to support \$24,200.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

Reference Number

1H

Recommendation

Support \$34,871 in payments to its plumbing contractor or repay the appropriate program from non-Federal Funds.

Current Status

Management is waiting on a directive from HUD in order to provide a response on the OIG audit findings.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-08

Observation

HACK's CSSR Program is lacking a central control system. **HACK** does not have a procedure in place to track or record work performance. There is evidence that **HACK** has implemented the program in the past.

Recommendation

HACK should consider developing/implementing a Community Service Tracking Log, to track each eligible member on a monthly basis with the number of hours completed. Also, consideration should be given to maintaining a current list of organizations or tasks of services for residents to perform community service. This list should include each organization's contact person and phone number. The Community Service forms used by **HACK** need to include a signature line for the contact person to verify the number of community service hours performed. Lastly, **HACK** Board should revisit with their CSSR policy and define the number of hours of Community Service that should be performed per month by part-time working residents. **HACK** needs to send out letters and flyers to all of its residents informing them of the CSSR requirements as of July 28, 2003. **HACK** should amend its resident's lease to contain twelve (12) month termination clause and provision for curing deficiencies.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-14

Observation

Existing policies are not current and do not address all of the essential areas of financial operations. Additionally, policies that were provided did not contain effective dates, did not include evidence of Board of Commissioner approval and were not disseminated to staff. The current staffing and work load present potential barriers to the timely development of policies and procedures.

Recommendation

All existing policies approved by the Board of Commissioners should be collected, cataloged and reviewed and updated as required. Additionally, where policies do not exist they must be developed and should include at a minimum: Statement of Purpose, Governing Authority (rules and regulations), Statement of Objective, Policy Statement and/or Strategy. All policies developed or revised must be presented to the Board of Commissioners for approval.

Technical assistance should be provided to staff to ensure the timely production of quality policies and procedures. Templates and best practices examples should be secured to assist in the development of the policies and procedures needed.

At a minimum individual policies and procedures should be developed to address the following areas:

- Investment Register
- Cell Phone
- Procurement
- Vehicle
- Payroll Register
- Collection Losses Write Off
- Computer usage
- Credit Card

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number, Continued

HUD 06-14

Recommendation, Continued

- Check Signing
- Disposition of Assets
- Acquisition of Assets
- Capitalization of Assets
- Collateralization of Funds
- Insurance
- Inventory
- Cash Management
- Petty Cash
- Travel
- Internal Control
- Rent Collection with Overages and Shortages

All policies and procedures must be disseminated with evidence to all affected employees.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-17

Condition

No funds of any project may be used to pay compensation for the services of members of **HACK's** Board of Commissioners. Also, payment to Board members is a violation of State Law.

Recommendation

To clear this finding, **HACK** must determine the amount of compensation paid to each board member and have the funds refunded to **HACK**. A copy of the board resolution identifying the total amount of the refund and that the action has been completed must be submitted to our office.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-18

Observation

HACK does not employ a requisition form to provide written documentation of the administrative and budget approvals of purchases. There is no evidence of expenditure or budget approvals at any level.

Recommendation

HACK should develop a formal requisition form. The requisition form should include at a minimum:

- The item requested including quantity
- A brief description of the item/service needed
- The estimated cost
- The area making the request
- A space for administrative and budget approval (signatures and dates)
- A date and tracking number for the requisition

HACK should consider obtaining templates of requisitions from other authorities for modification and use.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-19

Observation

The records evidencing the procurement process for construction contract solicitation were not available. Evidence of cost estimates prior to solicitation was not found.

Recommendation

HACK must re-organize its procurement files. The file structure must ensure that all evidence of the procurement process is maintained. The evidence required is dictated by the federal and state rules and regulations and the procurement policy of **HACK**.

HACK must develop appropriate procedures to ensure that all required phases of the procurement are accomplished. Special consideration must be given to ensuring that cost estimates are completed for each purchase to ensure that the proper method of procurement is employed.

Current Status

Resolved and subject to a formal resolution of clearance by HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-21

Observation

HACK has not properly documented the procurement files with supporting documents as it related to construction contracts.

Recommendation

1. Provide the missing documentation for HUD review.
2. Correctly resolve the repeat 2003-3 Finding in the 2004 Audit Report.
3. Update the procurement policy, have the Board of Commissioners approve it and provide a copy of both to HUD.
4. Improve **HACK's** procurement practices. [Reference 24 CFR 85.36; HUD Guidebook 7460.8]
 - A. Develop/update, adopt and implement Agency-wide Procurement Policy and Contract Administration Procedures to include **HACK**, HUD, OMB and State requirements.
 - B. Evaluate the use of annual indefinite delivery/blanket purchase agreements to promote cost savings.
 - C. Conduct cost analysis and estimate for all procurement actions.
 - D. Identify and define types of contracts for construction, supplies, professional services and non profit entities.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number, Continued

HUD 06-21

Recommendation, Continued

- E. Identify and define competitive and non-competitive methods and requirements including small purchases, petty cash, sealed bids RFP/RFQ, MBE/WBE, Section 3..
- F. Establish a policy to respond to protest and disputes.
- G. Develop consolidated supply lists, inter-agency agreements, and similar sources.
- H. Develop contract administration procedures to include identification of Contracting Officer and Contracting Officer Representative, initial meeting, progress reports and monitoring. Default notices, payment schedules and approvals, final audit and/or close out.
- I. Establish contracting file system.
- J. Develop an annual procurement plan.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-29

Observation

No records of an energy audit being performed.

Recommendation

Comply with energy audit requirements. [Reference: 24 CFR 965.302] and incorporate results of the Energy Audit in **HACK's** five year Plan.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-33

Observation

HACK does not have a maintenance plan or specific system in place.

Recommendation

Develop an effective maintenance plan and use it.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2012

Section V - Other Matters, Continued

Reference Number

HUD 06-34

Observation

The stored supplies are not itemized nor accounted for. **HACK** needs to maintain an inventory supply list in order to make a better use of bulk purchases and effective management control.

Recommendation

- A. Standardize types of items, parts, supplies and equipment to the maximum extent possible. Perform an annual physical inventory on all parts, supplies and equipment.
- B. Establish a link between Work Order parts usage, tenant charges, cost controls, and accountability with Inventory Control System.
- C. Evaluate the use of annual indefinite delivery/blanket purchase agreements, which promotes cost savings. (Performance Target 3-18)
- D. Evaluate feasibility if automated inventory control system.

Current Status

Unresolved and subject to a formal resolution of clearance by HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**

EXIT CONFERENCE

JUNE 30, 2012

The financial statements and related reports were discussed at various meetings with management of **Housing Authority of the City of Kenner** noting their agreement in all material respects.

Those that participated in the discussions are as follows:

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**

Mr. Richard Murray	-- Interim Executive Director
Mr. Madhura Namayakkara	-- Accounting Technician

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Paul K. Andoh, Sr., CPA, CGFM, MBA	-- Partner
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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

(Retired)
Michael B. Bruno, CPA (2011)

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

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

Management of **Housing Authority of the City of Kenner (HACK)** is responsible for establishing and maintaining effective internal control. In planning and performing our audit of the financial statements of **HACK**, as of and for the year ended June 30, 2012, we considered **HACK's** internal control over financial reporting as a basis for designing auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **HACK's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **HACK's** internal control over financial reporting.

During our audit, we noted certain other matters that are opportunities for strengthening internal control and improving operating efficiency. Also, we reviewed with management the status of prior year's other matters. We previously reported on **HACK's** internal control in our report dated August 15, 2014. This letter does not affect our report dated August 15, 2014 on **HACK's** internal control over financial reporting or its financial statements.

We will review the status of these matters during our next audit engagement. We have already discussed these other matters with management, and we will be pleased to discuss them in further detail at your convenience, and to perform any additional study of these other matters.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters

2012

The following is our report on current year's other matters related to internal control:

Reference Number

OM 2012-01

Condition

Minutes of the Board of Commissioners for meetings held during 2011 and selected months during 2012 were unavailable for our review.

Recommendation

Minutes of the Board of Commissioners should be retained to support all financial, program and policy matters authorized by the Board.

Management's Response and Planned Corrective Action

Minutes of the meetings of the Board of Commissioners of the **HACK** are maintained in a three ring binder by fiscal year, starting with year ended 2013. The minutes are signed by the Chairman and the Executive Director/Secretary.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

Current Year's Other Matters, Continued

2012

Reference Number

OM 2012-02

Condition

HACK could not provide upon our request, Board authorization for a closed Housing Choice Voucher Program operating bank account.

Recommendation

Management should retain records of all board action that include the opening and closing of bank accounts.

Management's Response and Planned Corrective Action

The Board of Commissioners of HACK will authorized the opening and closing of all bank accounts in the future.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued

2012

Reference Number

OM 2012-03

Condition

HACK's allocation of shared common costs appears to be inconsistent between years.

Recommendation

Management should review its shared common cost allocation policy to ensure its completeness in the periodic allocation of shared common cost pursuant to Board policy and/or budget approval.

Management's Response and Planned Corrective Action

HACK provides for the shared common cost allocation during the budgetary cycle and the Board of Commissioners approves the annual operating budgets that identify the cost allocation.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued

2012

Reference Number

OM 2012-04

Condition

HACK has no deposit policy for custodial risk on its deposits held by others.

Recommendation

Management should develop and implement a deposit policy for custodial risk.

Management's Response and Planned Corrective Action

HACK shall develop deposit policy for custodial risk in accordance with HUD rules and regulations relative to Form HUD 51999, General Depository Agreement with Financial Institutions.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

Current Year's Other Matters, Continued

2012

Reference Number

OM 2012-05

Condition

Currently, **HACK** uses various software to accumulate accounting and program information on a regular basis. However, we noted no plan to require the offsite storage of all pertinent accounting and program data.

This condition is similar to a previous condition reference number 2010-05.

It is our understanding that management of **HACK** has an informal procedure and also follows the plan for the City of Kenner in the event of a threat of disaster.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- o Definition of threats and risks (including likely effects on **HACK**).
- o Operating security.
- o Processing priorities.
- o Disaster recovery planning (as appropriate).
- o Insurance coverage available or desirable.

Management's Response and Planned Corrective Action

HACK follows the City of Kenner, Louisiana Disaster Recovery Plan; however, **HACK** will develop more comprehensive in house plan for disaster recovery during the year ended 2015.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Current Year's Other Matters, Continued

2012

Reference Number

OM 2012-06

Condition

HACK is required to file with the Clearing House within nine months of year end, its Data Collection Form.

For the year ended December 31, 2012, the Data Collection Form has not been filed due to the late submission of its audit report.

Recommendation

Management's work through its transitional issues should include the establishment of a system to ensure the timely submission of all required reports.

Management's Response and Planned Corrective Action

Management has hired an Accounting Technician and fee accountant to facilitate the timely preparation and submission of all required reports.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters

2011

The following is a status of prior year's other matters related to internal control:

Reference Numbers

OM 2011-01 and OM 2011-03

Condition

The U.S. Department of Housing and Urban Development (HUD) requires housing authorities to include as supplementary information with the basic financial statements, as well as submit in electronic format, Financial Data Schedules (FDS).

HACK has experienced transitional challenges that have impacted its ability to complete and submit its FDS reports on a timely basis.

This condition is similar to a previous condition reference numbers OM 2010-12, OM 2009-02 and OM 2008-11.

Recommendation

Management should assess its current capacity to meet its reporting responsibilities.

Current Status

Unresolved. See current year's finding reference number 2012-17.

In January 2013, **HACK** hired an Accounting Technician to manage the Finance Department of **HACK** on a day to day basis under the direct supervision of the Executive Director of **HACK**. The Accounting Technician has received the proper training under the accounting software provider (Tenmast Systems) in order for him to process the financial records. The Accounting Technician has also received financial Management and Accounting and Budgeting training pertaining to the HUD requirements for management of the finances.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued

2011

Reference Number

OM 2011-02

Condition

Currently, **HACK** has an inadequate system coupled with an inadequate number of personnel in place to ensure the timely development and implementation of updates to various policies and procedures (such as internal control, housing program administrative plan and occupancy standards, etc. (affecting its financial reporting and program compliance requirements.

This condition is similar to a previous condition referenced as OM 2010-03 and OM 2005-01.

Recommendation

We recommend the continued training of staff with financial and program responsibilities to include access to various program compliance changes or updates in order to assist in the timely development and implementation of regulatory changes.

Current Status

Resolved.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued

2011

Reference Number

OM 2011-04

Condition

Currently, **HACK** uses various software to accumulate accounting and program information on a regular basis. However, we noted no plan to require the offsite storage of all pertinent accounting and program data.

This condition is similar to a previous condition reference number 2010-05.

It is our understanding that management of **HACK** has an informal procedure and also follows the plan for the City of Kenner in the event of a threat of disaster.

Recommendation

We recommend that management address the need for a disaster recovery plan. Areas that should be addressed in a disaster recovery plan include the following:

- Definition of threats and risks (including likely effects on **HACK**).
- Operating security.
- Processing priorities.
- Disaster recovery planning (as appropriate).
- Insurance coverage available or desirable.

Current Status

Unresolved. See current year's other matter reference number OM 2012-05.

HACK follows the City of Kenner, Louisiana Disaster Recovery Plan; however, **HACK** will develop more comprehensive in house plan for disaster recovery during the year ended 2015.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued

2011

Reference Number

OM 2011-05

Condition

The results of our testing of cash disbursement transactions for the month of September 2010 (month judgementally selected for testing), revealed the following conditions:

- o Fifteen (15) of the twenty-five (25) transactions tested were not canceled to avoid the potential for duplicate use.
- o We were unable in fifteen (15) of twenty-five (25) cash disbursement transactions tested observe any evidence of mathematical accuracy performed (of the detail composition of the invoice) prior to payment on the referenced invoice.
- o In three (3) of the twenty-five (25) cash disbursement transactions tested management was unable to located invoices that appear to have been misfiled. The disbursements were to the Parish, utilities company and insurance renewal.

This condition is similar to a previous condition referenced numbers OM 2010-01 and 2009-01.

Recommendation

Management should initiate, develop and implement procedures and processes with approval from the Board of Commissioners, which attempt to minimize, if not eliminate, the potential risks associated with the discussed condition. Management should then continue its review of the accounting processing system to ascertain its completeness.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued

2011

Reference Number, Continued

OM 2011-05

Current Status

Unresolved. See current year's finding reference numbers 2012-05 and 2012-21.

HACK developed a payables policy that addresses the proper processing of payments using the invoices, purchase orders, and check vouchers. Check shall be voided and marked as reconciled monthly.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued

2011

Reference Number

OM 2011-06

Condition

Our testing of two (2) employee files for payroll transactions executed during the month of September 2010 (month judgementally selected for testing), revealed the following conditions:

- o Lack of a formal payroll procedure to include an updated personnel Handbook.
- o In one (1) instance, we noted no evidence on file of current L-4 and I-9 forms executed by employees.

Recommendation

Management should review and implement formalized written changes to **HACK's** personnel administration process aimed at the establishment of a system that will ensure the accurate and complete capture and recordation of all personnel cost, and to provide for the maintenance of all required documents (such as W-4, L-4, I-9, etc.) to include the necessary supervisory approvals.

Current Status

Resolved.

HACK has developed checklist for the personnel files to ensure the proper documents are captures for each employee at the time of hire and when other personnel actions are conducted. The proper W-4, L-4, and I-9 documents are in each employee file.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL**
(CONTINUED)

Status of Prior Year's Other Matters, Continued

2011

Reference Number

OM 2011-07

Condition

HACK lacks a formal cost allocation policy and procedure for all programs relative to shared costs and interest earned on funds held for the Voucher Program for restricted cash.

This condition is similar to a previous condition referenced as OM 2010-06.

Recommendation

We recommend that management develop a formal cost allocation policy and procedure to ensure the timely and accurate allocation of costs, as applicable. Such a policy should ensure compliance with OMB Circular 87.

Current Status

Unresolved. See current year's other matters report for reference number 2012-03.

HACK provides for the shared common cost allocation during the budgetary cycle and the Board of Commissioners approves the annual operating budgets that identify the cost allocation.

**INDEPENDENT AUDITORS' REPORT ON OTHER
MATTERS RELATED TO INTERNAL CONTROL
(CONTINUED)**

HACK's response to other matters identified in our audit is described in the accompanying report under the caption "Management's Response and Planned Corrective Action" or "Current Status". We did not audit HACK's response and, accordingly, we express no opinion on it.

As always, we appreciate the courtesies extended to us by your staff during our audit. Should you have any questions and/or require further detail, please do not hesitate to call.

This report is intended solely for the information and use of the Board of Commissioners, management, United States Department of Housing and Urban Development, Legislative Auditor, State of Louisiana, and is not intended to be, and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

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August 15, 2014