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NEW ORLEANS REDEVELOPMENT AUTHORITY
INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
FOR THE THREE MONTHS ENDED JUNE 30, 2008

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/22/09



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

To the Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, LA

We have performed the procedures enumerated below in accordance with our engagement letter dated September 18, 2008.

The procedures were agreed to by management of **New Orleans Redevelopment Authority (NORA)** and the Legislative Auditor for the State of Louisiana, solely to assist users in evaluating compliance with selected aspects of **NORA's** internal control system over financial and programmatic reporting.

Management of **NORA** is responsible for compliance with those requirements.

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

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

Our procedures performed and findings including management's response follow:

PROCEDURE

- o Review all bank account reconciliations for completeness to include the timely preparation and supervisory review;

(2008-06-01)

Finding

We reviewed all bank account reconciliations prepared for the months of April, May and June 2008, noting the following:

- o All bank account reconciliations except in one (1) instance (May 2008 bank account reconciliation) were prepared in a timely manner (within thirty days of month-end);
- o In one (1) instance of thirteen (13) bank account reconciliations reviewed, we noted no written evidence of supervisory review;
- o Noted evidence of supervisory review above the preparers level. However, the initials of the reviewer did not include the date the review was performed; and
- o The Revolving Fund bank account reconciliation for the month of April 2008, and the payroll bank account reconciliation for the month of June 2008, reflected beginning balances per the reconciliations that did not agree to the respective general ledger balances. It is our understanding based on discussion with management that the differences in the reconciled balances resulted from the posting of void checks subsequent to the reconciliations. Also, for the months of May and June 2008, the beginning and ending balances as reflected on the reconciliations for the Revolving Fund bank account did not agree to the respective general ledger balances.

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

(2008-06-01), Continued

Management's Response

It is management's goal to have all bank accounts reconciled on a timely basis. The one account noted above as not being reconciled timely, related to an account where the statement was lost in the mail. A duplicate statement was requested and the account promptly reconciled upon receipt.

Currently, the review process includes dating the reviewed reconciliation. All out of balance conditions noted for the Revolving Fund cash account have been corrected.

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

PROCEDURE

- o Review completeness of financial statements prepared as of and for the quarter ended June 30, 2008.

(2008-06-02)

Finding

For five (5) selected cash receipts deposited into NORA's designated program bank accounts, we noted agreement between the source documents and the general ledger without exception.

Noted the timely deposit of funds received via comparison of the date evidenced on the validated deposit coupon to the bank statement without exception.

We reviewed four (4) manual cash receipts issued for the month of April 2008, noting inclusion in the population of manual cash receipts issued for the month of April 2008. Furthermore, we noted evidence to support the deposit of funds collected in the respective bank accounts.

Based on information provided, we were unable to verify evidence of supervisory review and/or approval beyond the level of the preparer and executioner for thirteen (13) intra bank transfer transactions reviewed. However, it is our understanding through discussion with management that NORA has a procedure in place to require supervisory approval for all intra bank transfers.

For twenty-five (25) transactions randomly selected and reviewed for completeness, we noted the following conditions:

- o In eighteen (18) instances evidence of approval to process payment was not apparent. However, we noted that the approving authority was also the authorized check signer;

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

(2008-06-02)

Finding, Continued

- o In ten (10) instances, we noted the lack of documentation in the form of a cooperative agreement and/or other documentation to support the basis and type of procurement method utilized. It is our understanding through discussion with management that **NORA** uses the City of New Orleans' vendor listing in the procurement of selected materials and supplies; and
- o One (1) instance where the invoice had no evidence to support verification of its mathematical accuracy prior to payment.

For journal entries prepared and posted for the months of April through June 2008, we noted no evidence of supervisory review and/or approval prior to input into the general ledger. However, we noted supervisory approval subsequent to the posting of the journal entries based on our review of attached supporting documents.

Noted no evidence to support the timely and periodic review of the adequacy and continuous collateralization of funds held by **NORA's** bankers in excess of the Federal Deposit Insurance Corporation's limit.

While **NORA** continues to ensure the timely and complete reconciliation of all general ledger accounts, we noted that certain significant subsidiary general ledger accounts such as payroll, prepaid acquisition, acquisition payable, land inventory, etc. were not reconciled or properly reconciled to their respective general ledger control accounts and differences, if any, resolved. In addition, we noted that certain capital assets purchased during 2008 in connection with **NORA's** land acquisition contract with the City, were not properly capitalized at June 30, 2008.

Management was unable to provide us with a policy to evidence procurement of bonding coverage.

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

(2008-06-02), Continued

Management's Response

A process is in place to ensure timely reconciliation of the numerical sequence of manual cash receipts.

Currently, all bank transfers require the review and/or approval beyond the level of preparer.

Evidence of bank balance collateralization beyond the FDIC limit is e-mailed and mailed to the Director of Finance and Administration on a monthly basis. Current procedures include signing-off information received as evidence of review.

All checks requested for payment must include the staff person requesting the check, the appropriate manager or department director and the Director of Finance and Administration.

In keeping with the State of Louisiana procurement guidelines, NORA utilizes vendors from the City of New Orleans vendor listing for selected materials and supplies. Management is currently working with the City of New Orleans procurement department to ensure that the vendors selected afford NORA the same pricing that the City of New Orleans receives from vendors it has selected through a procurement process.

Staff processing payments are required to check the mathematical accuracy of invoice to be paid. Although the auditor noted that one payment selected did not have evidence supporting this control procedure, the expense was paid for the appropriate amount.

The City of New Orleans utilized standard contract when preparing subrecipient agreements. Surety coverage related to construction contract. Management is working with City Housing officials to determine if this contract provision applies to NORA.

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

PROCEDURE

- o Review budgeted to actual variance reports for all programs ended June 30, 2008.

(2008-06-03)

Finding

Noted no material variances between budgeted to actual cost reports prepared for management.

PROCEDURE

Review completeness of cost reports prepared and/or submitted to the City of New Orleans.

(2008-06-04)

Finding

Noted no material variances between the amounts reported on cost reports prepared and submitted to the City of New Orleans for the months of April through June 2008 to the respective general ledger amounts.

For programmatic reports submitted to the City of New Orleans for the months of April through June 2008, we noted no material variances between the reports and the related supporting documents.

Management's Response

A resource acquisition and compliance manager has been hired to oversee NORA's compliance with laws, regulations and contracts.

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

PROCEDURE

- o Review all quarterly tax filings for completeness and timeliness in submission.

(2008-06-05)

Finding

Reviewed the quarterly Internal Revenue Service (IRS) Form 941 (Employer's Quarterly Federal Tax Return) and State of Louisiana Employer's Quarterly Wage and Tax report noting agreement of the amounts reflected on the filed State and Federal returns to the payroll register and general ledger for the quarter ended June 30, 2008. Also noted the timely filing of the returns.

As a result of our request for information to ascertain the completeness of the filed IRS Form 941, we were advised by management of **NORA** that the filed tax returns did not reflect the complete dollar amount impact of **NORA's** Internal Revenue Code Section 457(b) deferred compensation plan implemented in 2008 for the federal, social security and medicare wages reported, as applicable.

Management's Response

Management prepared and submitted appropriate Form 941X to the IRS to correct the noted errors.

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

PROCEDURE

- o Review all land banking and other land acquisitions and/or donation activities to ensure accurate and timely identification and recordation of all real property transactions.

(2008-06-06)

Finding

Noted no material land banking and acquisition activity for the quarter ended June 30, 2008.

PROCEDURE

- o Review the current status of the March 31, 2008 agreed-upon procedures findings.

(2008-06-07)

The following is a current status of the agreed-upon procedures findings for the quarter ended March 31, 2008.

In conjunction with our review of the status of prior year's audit findings and other matters related to internal control, we reviewed all outstanding findings resulting from previous audits, to include agreed-upon procedures performed.

The following is a current status by type of report (agreed-upon procedures, audit and other matters related to internal control) by reference number.

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

(2008-06-07), Continued

Reference Number

(2008-03-01)

Finding

We reviewed all bank account reconciliations prepared for the months of January, February and March 2008, noting the following:

- o All bank account reconciliations except in one (1) instance were prepared in a timely manner (within thirty days of month-end);
- o Noted evidence of supervisory review above the preparers level. However, the initials of the reviewer did not include the date the review was performed; and
- o The Revolving Fund bank account reconciliations for the months of January through March 2008, reflected beginning balances per the reconciliation that did not agree to the general ledger balances for the referenced months.

Current Status

Unresolved. Out of balance will be resolved before the issuance of the 2008 audit.

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

(2008-06-07), Continued

Reference Number

(2008-03-02)

Finding

For three (3) selected cash receipts deposited into NORA's designated program bank accounts, we noted agreement between the source documents and the general ledger. Noted in one (1) instance where a cash receipt was not available for our review to support the funds received.

Noted the timely deposit of funds received via comparison of the date evidenced on the validated deposit coupon to the bank statement without exception.

Furthermore, we noted the lack of an established procedure to ensure the continued reconciliation of the numerical sequence of all manual receipts issued for funds received as a part of the monthly financial transactions closing process on a consistent basis.

Our review of NORA's intra bank transfer process revealed the lack of evidence to support supervisory review and/or approval beyond the level of the preparer and executioner of the intra bank transfer transactions.

For twenty-five (25) transactions randomly selected and reviewed for completeness, we noted the following conditions:

- o One (1) instance where the invoice and supporting documents were not cancelled as per the requirements of NORA's contract with the City of New Orleans;
- o Three (3) instances where evidence of approval to process payment was not apparent;

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

(2008-06-07), Continued

Reference Number, Continued

(2008-03-02)

Finding

- o Four (4) instances where the procurement documents were not available for our review to support the basis and type of procurement method utilized;
- o Three (3) instances where the supporting documents were not available for our review; and
- o One (1) instance where cost charged was for expenses incurred in 2007 and not accrued in the December 2007 cost report submitted to the City of New Orleans.

For journal entries prepared and posted for the months of January through March 2008, we noted no evidence of supervisory review and/or approval prior to input into the general ledger. However, we noted supervisory approval subsequent to the posting of the journal entries based on our review of attached supporting documents.

Noted no evidence to support the timely and periodic review of the adequacy and continuous collateralization of funds held by NORA's bankers in excess of the Federal Deposit Insurance Corporation's limit.

Certain significant subsidiary general ledger accounts such as payroll, acquisition payable, inventory, etc. were not reconciled or properly reconciled to their respective general ledger control accounts and differences if any, resolved.

Management was unable to provide us with a policy to evidence procurement of bonding coverage.

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

(2008-06-07), Continued

Reference Number, Continued
(2008-03-02)

Current Status

Unresolved. A process is in place to ensure timely reconciliation of the numerical sequence of manual cash receipts.

Currently, all bank transfers require the review and/or approval beyond the level of preparer.

Evidence of bank balance collateralization beyond the FDIC limit is e-mailed and mailed to the Director of Finance and Administration on a monthly basis. Current procedures include signing-off information received as evidence of review.

All checks requested for payment must include the staff person requesting the check, the appropriate manager or department director and the Director of Finance and Administration.

In keeping with the State of Louisiana procurement guidelines, **NORA** utilizes vendors from the City of New Orleans vendor listing for selected materials and supplies. Management is currently working with the City of New Orleans procurement department to ensure that the vendors selected afford **NORA** the same pricing that the City of New Orleans receives from vendors it has selected through a procurement process.

Payments are stamped as paid; however, the City of New Orleans contract with **NORA** does not include this as a requirement.

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

(2008-06-07), Continued

Reference Number, Continued
(2008-03-02)

Current Status, Continued

The City of New Orleans utilized standard contract when preparing subrecipient agreements. Surety coverage related to construction contract. Management is working with City Housing officials to determine if this contract provision applies to **NORA**.

Management of **NORA** continues to revise and/or develop new procedures to facilitate the completeness of its financial transaction processing. Management is in the process of assessing additional policies and procedures to address internal control.

Reference Number
(2008-03-04)

Finding

Noted no material variances between the amounts reported on cost reports prepared and submitted to the City of New Orleans for the months of January through March 2008 to the respective general ledger amounts.

For the programmatic reports submitted for the months of January through March 2008, we noted that the supporting documentation provided to the City of New Orleans based on our review for item 8 of Attachment IV (Monthly Reporting Requirements), was incorrect.

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

(2008-06-07), Continued

Reference Number, Continued
(2008-03-04)

Current Status

NORA provided a list of Attorneys that participated in NORA training for Policies and Procedures approved by the Board of Commissioners for expropriation of blighted properties. In-house Counsel facilitated the training and all attorneys currently providing legal expropriation services participated in the training. Management has documentation that reflects those that participated with signatures.

Reference Number
(2008-03-05)

Finding

Reviewed the quarterly Internal Revenue Service (IRS) Form 941 (Employer's Quarterly Federal Tax Return) and State of Louisiana Employer's Quarterly Wage and Tax report noting the timely filing of the returns.

Noted a difference of \$3,396 between the total wages as evidenced on the filed IRS form 941 of \$265,841.85 to the payroll register amount of \$262,445.92.

Current Status

Resolved. Management has completed 941x's for the appropriate quarters and has reconciled the quarterly 941's to the general ledger for 2008.

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

(2008-06-07), Continued

PROCEDURE

- o Review the current status of all prior year's audit findings and other matters related to internal control.

(2008-06-08)

The following is a status of all prior year's audit findings and other matters related to internal control.

AUDIT

Reference Numbers

2007-01 and 2007-05

Condition

While NORA continues to expand its financial support team, it is imperative that the required policies and procedures developed be fully implemented to ensure the adequate protection and safeguarding of NORA's assets. This condition should be achieved through adequate segregation of custodial and recordation functions as well as the appropriate level of supervisory oversight of the accounting and financial reporting processes. In November 2007, NORA hired a full-time accountant and in recent months an administrative assistant for the finance section.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to build-up its human resources, greater emphasis should be placed on its accounting and financial reporting processes.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Numbers, Continued
2007-01 and 2007-05

Current Status

Partially resolved. Currently, NORA has hired a CPA as Director of Finance and Administration (December 2008) and another experienced accountant (February 2009) to supervise and perform daily functions, respectively. This will allow for additional segregation of duties, review and supervision of daily activities relating to processing transactions, general ledger recordation and financial statement preparation.

Reference Number
2007-02

Condition

During the year ended December 31, 2007, we noted no evidence to support compliance with the technical assistance workshop attendance component of NORA's contract with the City of New Orleans.

It is our understanding through discussion with management of NORA that the noncompliance was due to the unavailability of technical workshops during 2007.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Number, Continued

2007-02

Recommendation

Continued compliance with all requirements of its contract with the City of New Orleans.

Current Status

Unresolved. NORA will have to work with City of New Orleans housing officials in order to resolve this audit finding.

Reference Number

2007-03

Condition

Based on our review of the August and December 2007 cost reports submitted to the City of New Orleans, we noted the following:

- The December 2007 cost report needs to be restated as a result of an audit adjustment for \$356 representing an overstatement in expenses charged to the CDBG grant in 2007. The line item overstatement did not result in a change in NORA's total grant award amount of \$1,200,000 for 2007.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Number, Continued

2007-03

Condition, Continued

- Our review of selected cash disbursements revealed an instance where cost incurred was inadvertently misclassified on the cost report submitted to the City of New Orleans. It should be noted that the misclassification did not result in a variance of the total grant award for 2007 of \$1,200,0000.

Recommendation

Management should revisit with its current processes with an aim towards ensuring completeness of all reports submitted.

Current Status

Resolved. The amount was paid back to the City of New Orleans in 2008.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Number

2007-04

Condition

In our review of selected transactions, we noted the absence of the three (3) bids as required in the procurement of various items.

It is our understanding through discussion with management that the necessary bids were solicited. However, management is unable to locate the documents to evidence compliance with the referenced bid solicitation requirement.

Recommendation

An effective filing system that ensures the integrity of all documents to support NORA's financial transactions.

Current Status

Partially resolved. NORA has hired a manager of resource acquisition and compliance in 2008. This position will review procurements by the agency and assist staff in maintaining compliance with applicable laws, regulations and contracts. All procurement documentation will be maintained under this office.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Number

2006-01

Condition

Considering the size of NORA, the important elements of internal control and segregation of duties cannot always be achieved to ensure adequate protection and safeguarding of NORA's assets.

It is our understanding through discussion with management that NORA plans to expand its overall organizational structure.

Recommendation

We recommend that management and the Board continue to provide the necessary level of oversight in all key internal control areas.

Current Status

Partially resolved. The Board of Commissioners continues to hold monthly meetings of the Finance Committee to ensure that the agency is performing as expected and review financial information.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Number

2006-02

Condition

Our review of NORA's internal control over financial reporting revealed the following conditions:

- Acquisition, administrative and tax sale acquisition funds collected during the month of August 2006 (August 4th through August 25th) totaling \$127,748, were not deposited until August 31, 2006. Also, included in the August 31, 2006 deposit was an acquisition fee check for \$7,000 received on June 16, 2006;
- Untimely preparation of account analysis to include the necessary reconciliation of significant subsidiary general ledger accounts to their related general ledger control accounts; such as acquisition payable, sales, inventory, and deferred revenues to include resolution of any unreconciled differences between the subsidiary and general ledger accounts;
- Bank account reconciliations for all programs managed by NORA for the month of December 2006 lacked evidence of supervisory review beyond the preparer. However, we noted that those for August 2006, had evidence of supervisory review;

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

AUDIT, CONTINUED

(2008-06-08), Continued

Reference Number, Continued

2006-02

Condition, Continued

- We noted during our review of NORA's general ledger, the preparation and recordation of significant journal entries by NORA's in-house accountant. Those journal entries prepared and posted were not subject to any supervisory review and approval to ensure propriety as well as minimize the potential for misappropriation of assets;
- We were unable to ascertain the detail composition of the acquisition/appraisal payable account in the amount of \$92,059 at December 31, 2006; and
- Also, included in the "NHIF" program is an amount for \$11,136 described as "miscellaneous". We were unable to ascertain the basis for the charges. Most of the charges were made using a debit card and drafts. In addition, we noted the "zero-out" of deferred revenues of approximately \$24,000, for the State of Louisiana grant (Hoffman) without the recognition of income in the current year.

Recommendation

Management should consider as a part of its planned expansion of its accounting department personnel, a reevaluation of its current internal control processes over financial reporting in an effort to ensure its ability to safeguard and protect the assets of NORA.

In addition, management should develop a policy for the use of debits and drafts in the liquidation of its obligations.

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

AUDIT, CONTINUED

(2008-06-08), Continued

Current Status

Partially resolved.

Reference Numbers

98-03 and 97-01*

Condition

NORA currently maintains a primary operating account through which a significant amount of its receipts and disbursement are handled. Furthermore, because NORA is on a cost reimbursement basis with its only funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

Recommendation

Management should continue in its efforts to explore other funding sources. Furthermore, as resources become available the interfund accounts should be liquidated.

Current Status

Unresolved. Management will work with housing staff at the City of New Orleans to determine how the interfund balances on closed programs should be liquidated. Currently, management is working to ensure that current program interfund balances are liquidated as funds are reimbursed.

*Repeat

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

(2008-06-08), Continued

OTHER MATTERS RELATED TO INTERNAL CONTROL

CONDITION

- o The revolving fund bank account reconciliation for August 2007 prepared by NORA's previous fee accountant, had an incorrect check dated for September 5, 2007, instead of August 31, 2007 the date of the bank draft;
- o Two (2) bank accounts one each for the Shelter Plus and Moderate Rehabilitation Programs (closed programs) have not been formally closed;
- o Lack of specific evidence to support review and approval of all journal entries at levels above the preparer. It is our understanding that as a part of the monthly financial statements preparation process, all transactions are reviewed through the Quick Books Pro Software System by the Director of Finance and Administration.
- o No established dollar threshold for authorized check signers;
- o No performance of verification of mathematical accuracy of paid invoices in seven (7) of twenty (22) transactions tested;
- o Two (2) of twenty-two (22) transactions reviewed, did not agree to the supporting documents as a result of handwritten changes; and
- o In five (5) instances (for which payments were made via bank drafts) of forty-one (41) transactions reviewed, we noted no report and/or approval for the expenses. Furthermore, the required supporting documentations were not available for our review.

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

OTHER MATTERS RELATED TO INTERNAL CONTROL, CONTINUED

(2008-06-08), Continued

Recommendation

Management should evaluate its existing internal control procedures in an effort to mitigate, if not, eliminate the referenced conditions.

Current Status

Partially resolved.

CONDITION

No monthly reconciliation was performed on certain significant general ledger accounts such as prepaid acquisition, unimproved land inventory, interfund activity, etc. Also, no reconciliation was performed between the cash receipts log maintained in the Program department to the bank reconciliation, revenue subledger and general ledger control account.

Recommendation

NORA should ensure the complete review and/or reconciliation of all significant accounting cycle activities on a monthly basis.

Current Status

Partially resolved.

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

OTHER MATTERS RELATED TO INTERNAL CONTROL, CONTINUED

(2008-06-08), Continued

CONDITION*

No established policy and/or procedure regarding compliance with the State of Louisiana's escheat law.

Recommendation

Management should develop a policy to comply with the requirements of the State escheat law.

Current Status

Unresolved.

CONDITION

Currently, NORA does not have a formal written policy to address its custodial credit risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit). However, NORA maintains a collateral agreement with its banker and reviews its adequacy on a periodic basis.

Recommendation

NORA should establish a formal written policy to address the review and monitoring of its custodial credit risk on an ongoing basis.

INDEPENDENT ACCOUNTANT'S REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

OTHER MATTERS RELATED TO INTERNAL CONTROL, CONTINUED

(2008-06-08), Continued

Current Status

Resolved. See policies and procedures approved by Board in September 2008.

CONDITION

Our testing of seventeen (17) transactions revealed the following conditions:

- No evidence to support verification of the mathematical accuracy of invoices paid;
- Invoices provided were not stamped "paid" as required by NORA's contract with the City of New Orleans;
- Inadequate documentation to evidence compliance with procurement requirements in accordance with NORA's contract with the City of New Orleans; and
- The Blighted Properties Program bank account reconciliations for December 2006 listed an item dated November 30, 2005 for \$4,502.24 that remains outstanding at December 31, 2006.

Recommendation

Management should review its existing internal control to ensure its continued effectiveness and completeness.

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

OTHER MATTERS RELATED TO INTERNAL CONTROL, CONTINUED

(2008-06-08), Continued

Current Status

Partially resolved.

CONDITION

The prepaid acquisition cost subsidiary ledger prepared to support the general ledger amount of \$167,511.47 (detail of all property acquisition deposits by prospective buyers), reflects individual buyer balances contrary to the account's normal balance.

Recommendation

Management should ensure the completeness of all general ledger accounts on a periodic basis.

Current Status

Unresolved.

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

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on NORA's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

NORA's response to the findings identified in our agreed-upon procedures is described in this report under the caption "Management's Response" or "Current Status". We did not perform any procedures on NORA's response and, accordingly, we express no opinion on it.

This report is intended solely for your information, and use of the Board of Commissioners, management and others within NORA, Legislative Auditor, State of Louisiana and the City of New Orleans, and is not intended to be, and should not be used by anyone other than those specified parties.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

February 12, 2009