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

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

**FOR THE YEAR ENDED JUNE 30, 2013**

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 JUN 10 2015

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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**

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

### **Report on the Financial Statement**

We have audited the accompanying statement of net position- enterprise fund and the related statements of revenues, expenses and changes in fund net position and cash flows- enterprise fund of **Housing Authority of the City of Kenner (HACK)** as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise **HACK's** financial statements as listed in the Table of Contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards required that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Commissioners  
**Housing Authority of the City of Kenner**  
Kenner, Louisiana  
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**Auditors' Responsibility, Continued**

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

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

**Basis for Qualified Opinion**

HACK was not able to resolve on March 13, 2015, issues related to the completeness of its recorded capital assets, net position, receivables and expenses. As such, we were unable to apply sufficient auditing procedures in those areas. (See audit findings reference numbers 2013-03 through 2013-07 and 2013-23 through 2013-27 for additional discussion).

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Commissioners  
**Housing Authority of the City of Kenner**  
Kenner, Louisiana  
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**Qualified Opinion**

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 of 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, 2013, 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.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 14 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 the 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.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

To the Board of Commissioners  
Housing Authority of the City of Kenner  
Kenner, Louisiana  
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**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2015, 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 and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audit. Also, that report contained instances of noncompliance, significant deficiencies and material weaknesses.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

March 13, 2015

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

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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, 2013 and 2012. We encourage readers to consider the information presented here in conjunction with **HACK's** audited financial statements.

An overall discussion of the state of **HACK** follows:

**HACK** was designated "Troubled" under the Public Housing Assessment System (PHAS) for the Public Housing Program and the Section Eight Management Assessment System (SEMAP) under the Housing Choice Voucher Program. Under the request of the New Orleans Field Office of the U. S. Department of Housing and Urban Development (HUD) and the Board of Commissioners of **HACK**, **HACK** and the East Baton Rouge Parish Housing Authority (EBRPHA) entered into an inter-agency management agreement to manage **HACK**, effective April 8, 2013.

After the EBRPHA assumed the day to day management of **HACK**, the EBRPHA identified a number of concerns within the Public Housing (PH) Program and the Housing Choice Voucher (HCV) Program. Immediate processes and procedures were put in place to address these matters, including the hiring of new staff and training the existing staff and newly hired staff in their respective areas.

**HACK** has taken strategic measures of ensuring that **HACK** complies with all policies and procedures administered through the Admissions and Continued Occupancy Policies for the Public Housing Program and the Administrative Plan through the Housing Choice Voucher Program of **HACK** and the rules and regulations promulgated by HUD. **HACK** has received an Office of Inspector (OIG) Review and Audit pertaining to the Housing Choice Voucher Program Portability Requirements and a Review of the Administration of the Procurement Requirements and Processes and the New Orleans Field Office of the HUD conducted a Confirmatory Review of SEMAP. All three reviews and audits identified numerous areas of concerns in which **HACK** has put into place measures to address these matters.

Additionally, **HACK** completed its fiscal year ending June 30, 2011 annual financial audit in March 2013. The FYE 2011 annual audit revealed numerous audit findings, **HACK** has reviewed the findings and has started working towards implementing the proper policies and procedures to correct the findings. The response to the fiscal year ending June 30, 2014 annual audit will note these changes.

It needs to be understood by the reader that internal financial statements or reports had not been produced by **HACK** since June 30, 2011. **HACK** had been completing financial transactions such as payables and payroll on a monthly basis. This data was being captured by the computer system however, **HACK** was not completing the adjustments to the general ledger and performing the monthly close-out procedures in order to produce complete monthly financial statements and year-end closing records for the unaudited financial statement submission to HUD REAC.

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

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**FINANCIAL HIGHLIGHTS**

The assets of HACK exceeded its liabilities by \$7,651,630 and \$9,137,907 at June 30, 2013 and 2012, respectively. Of these amounts, \$2,270,546 and \$2,431,599 (*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 \$396,976 and \$1,721,432 for the years ended June 30, 2013 and 2012. The restricted net position of \$396,976 and \$1,721,432 for 2013 and 2012 respectively, are reserved for future housing assistance payments.

The remainder of \$4,984,108 and \$4,984,876 at June 30, 2013 and 2012, 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, 2013 and 2012 consisted of cash and receivables in 2013 and cash and investment in 2012.

HACK's significant operating expenses for the years ended June 30, 2013 and 2012, 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, 2013 and 2012, capital grants from the United States Housing and Urban Development constitutes 1% and 0% respectively of its total revenues with dwelling income and operating grants accounting for 83% and 99% respectively of its operating revenues. Nonoperating income as a percentage of total revenues for the years ended June 30, 2013 and 2012 were 16% and 1%.

**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.

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

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**OVERVIEW OF THE FINANCIAL STATEMENTS, CONTINUED**

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*.

**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 2013 and 2012?" 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 AUTHORITY OF THE CITY OF KENNER  
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

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**FUND FINANCIAL STATEMENTS, CONTINUED**

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.

**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 \$7,651,630 and \$9,137,907 at June 30, 2013 and 2012. Of these amounts, \$2,270,546 and \$2,431,599 were unrestricted at June 30, 2013 and 2012, with \$396,976 and \$1,721,432 for 2013 and 2012 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, 2013 and 2012:

<b>Condensed Statement of Net Position</b>			
<b>June 30</b>			
<b>Assets</b>			
	<u>2013</u>	<u>2012</u>	
Unrestricted current assets	\$3,536,016	\$ 3,801,451	
Restricted assets	417,150	1,742,962	
Capital assets, net	<u>4,984,108</u>	<u>4,984,876</u>	
Total assets	<u>8,937,274</u>	<u>10,529,289</u>	
<b>Liabilities</b>			
Current liabilities	1,262,833	1,339,901	
Long-term liabilities	<u>22,811</u>	<u>21,791</u>	
Total liabilities	<u>1,285,644</u>	<u>1,361,692</u>	
Deferred inflow of resources	<u>-0-</u>	<u>29,690</u>	
<b>Net Position</b>			
Net position:			
Net investment in capital assets	4,984,108	4,984,876	
Restricted	396,976	1,721,432	
Unrestricted	<u>2,270,546</u>	<u>2,431,599</u>	
Total net position	<u>\$7,651,630</u>	<u>\$ 9,137,907</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, 2013 and 2012:

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

	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Operating revenues	\$ <u>9,080,166</u>	\$ <u>8,546,873</u>
Total operating revenues	<u>9,080,166</u>	<u>8,546,873</u>
<b>Expenses:</b>		
Operating expenses	<u>12,778,292</u>	<u>10,643,531</u>
Total operating expenses	<u>12,778,292</u>	<u>10,643,531</u>
<b>Non-operating revenues:</b>		
Non-operating revenues	<u>1,791,254</u>	<u>88,255</u>
Total non-operating revenues	<u>1,791,254</u>	<u>88,255</u>
<b>Capital Contributions:</b>		
Capital grants	<u>130,689</u>	<u>-0-</u>
Total capital contributions	<u>130,689</u>	<u>-0-</u>
Change in net position	(1,776,183)	(2,008,403)
Net position, beginning of year, as restated	<u>9,427,813</u>	<u>11,146,310</u>
Net position, end of year	\$ <u>7,651,630</u>	\$ <u>9,137,907</u>

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

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**EXPLANATIONS OF FINANCIAL ANALYSIS**

At June 30, 2013 and 2012 current assets reflected the impact of changes in net position resulting in a combination of a decrease in cash and investment in 2013 compared to an increase in cash and investment in 2012.

Changes in capital assets of 2% in 2013 and 6% in 2012, were due primary to the net of additions, retirement and depreciation expense for the respective years. The additions in 2013 and 2012, were funded through operating and capital grants (2013) and capital funds (2012).

The only significant change in liabilities at June 30, 2013 and 2012, was due to the timing in the payment of outstanding obligations. At June 30, 2013 and 2012 deferred inflows of resources for the Low Rent Public Housing Program was recognized in the amount of \$-0- and \$29,690, respectively. Also, an amounts payable to HUD for \$1,085,950 and \$1,168,808 remain outstanding from remaining funds advanced by FEMA for DHAP disaster assistance.

The changes in net position at June 30, 2013 and 2012 were primarily due to the level of funding from HUD and the associated costs of providing services by HACK.

Compared with prior year, total operating revenues increased from \$8,546,873 in 2012 to \$9,080,166 in 2013 and non-operating revenues from \$88,255 to \$1,791,254.

Capital grants was \$130,689 for 2013 to \$-0- in 2012.

Reasons for most of these changes are listed below:

- o Federal revenues from HUD for operations increased during 2013 from 2012 primarily due to the level of housing assistance payments funding provided by HUD.
- o For 2012, Federal revenues from HUD for operations increased from 2011 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**

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**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, increased during 2013 to \$130,689 from \$-0- in 2012.

For 2012 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 were \$-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.

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

For 2013, total operating expenses increased from \$10,643,531 during 2012 to \$12,778,292 during 2013.

Reasons for most of these changes are listed below:

- An increase in the number of leased-up units during 2013 and 2012 contributed to the significant increases in the amount of housing assistance payments disbursed to landlords.

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

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**EXPLANATIONS OF FINANCIAL ANALYSIS, CONTINUED**

- Other changes in operating expenses for 2013 and 2012, 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.

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, 2013 and 2012, HACK had \$11,947,463 and \$11,693,923 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 2013, represents a net decrease in capital assets of \$768.

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

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**CAPITAL ASSET AND DEBT ADMINISTRATION, CONTINUED**

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

<b>Capital Assets</b>		
<b>June 30</b>		
	<u>2013</u>	<u>2012</u>
Capital assets	\$11,947,463	\$11,693,923
Less: accumulated depreciation	<u>(6,963,355)</u>	<u>(6,709,047)</u>
Capital assets, net	<u>\$ 4,984,108</u>	<u>\$ 4,984,876</u>

No debt was issued for these additions.

***Debt***

Our long-term debt consists of accrued annual leave of \$22,811 and \$21,791 at June 30, 2013 and 2012. 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, 2014 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 31<sup>st</sup> Street, Kenner, LA 70065.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
STATEMENT OF NET POSITION--ENTERPRISE FUND  
JUNE 30, 2013.**

<u>ASSETS</u>	
<b>Current Assets:</b>	
<b>Unrestricted:</b>	
Cash (NOTE 2)	\$2,818,449
Amounts receivable (NOTE 11)	638,361
Prepaid item (NOTE 14)	<u>79,206</u>
<b>Total unrestricted current assets</b>	<b><u>3,536,016</u></b>
<b>Restricted:</b>	
Cash (NOTE 3)	<u>417,150</u>
<b>Total restricted cash</b>	<b><u>417,150</u></b>
<b>Total current assets</b>	<b><u>3,953,166</u></b>
<b>Non-current Assets:</b>	
Capital assets, net (NOTES 4 AND 10)	<u>4,984,108</u>
<b>Total non-current assets</b>	<b><u>4,984,108</u></b>
<b>Total assets</b>	<b><u>8,937,274</u></b>
<u>LIABILITIES</u>	
<b>Current Liabilities:</b>	
Amounts payable (NOTE 16)	1,231,530
Compensated absences payable (NOTE 12)	11,129
Security deposits held for tenants (NOTE 3)	<u>20,174</u>
<b>Total current liabilities</b>	<b><u>1,262,833</u></b>
<b>Non-current Liabilities:</b>	
Compensated absences payable (NOTE 12)	<u>22,811</u>
<b>Total non-current liabilities</b>	<b><u>22,811</u></b>
<b>Total liabilities</b>	<b><u>1,285,644</u></b>
<u>NET POSITION</u>	
Net investment in capital assets	4,984,108
Restricted (NOTES 3 and 15)	396,976
Unrestricted	<u>2,270,546</u>
<b>Total net position</b>	<b><u>\$7,651,630</u></b>

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, 2013**

<b>Operating Revenues:</b>	
Operating grants	\$ 8,794,438
Dwelling rental	278,015
Fees and charges	<u>7,713</u>
<b>Total operating revenues</b>	<b><u>9,080,166</u></b>
 <b>Operating Expenses:</b>	
Salaries and employee benefits	518,830
Materials and other	20,702
Contractual services	370,078
Equipment	22,147
Unit turnaround	99,599
Utilities	71,926
Depreciation	330,240
Insurance	114,168
Housing assistance payments	10,999,220
Convention and travel	10,437
Telephone	15,696
Bad debt expense	33,474
Portability fees	114,365
Supplies	21,586
Postage	18,678
Other	<u>17,146</u>
<b>Total operating expenses</b>	<b><u>12,778,292</u></b>
 <b>Operating loss</b>	 <b><u>(3,698,126)</u></b>

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, 2013**

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<b>Non-operating Revenues:</b>	
Interest income	\$ 5,449
Other income	1,794,029
Loss on sale of capital assets	<u>(8,224)</u>
<b>Total non-operating revenues</b>	<u><b>1,791,254</b></u>
<b>Capital contributions:</b>	
Capital grants	<u>130,689</u>
<b>Total capital grants</b>	<u><b>130,689</b></u>
<b>Change in net position</b>	<b>(1,776,183)</b>
<b>Net position, beginning of year</b>	<b>9,137,907</b>
<b>Prior period adjustment (NOTE 17)</b>	<u><b>289,906</b></u>
<b>Net position, beginning of year, as restated</b>	<u><b>9,427,813</b></u>
<b>Net position, end of year</b>	<u><b>\$ 7,651,630</b></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, 2013**

<b>Cash Flows from Operating Activities:</b>		
Operating grants		\$ 8,680,348
Receipts from tenants		248,784
Payments to vendors for goods and services		(921,992)
Payments to landlords		(10,999,220)
Payments to employees and benefits		<u>(518,830)</u>
Net cash used by operating activities		<u>(3,510,910)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition of capital assets		(253,540)
Retirement of capital assets		<u>75,932</u>
Net cash used by capital and related financing activities		<u>(177,608)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>		
Subsidy and other		<u>1,969,256</u>
Cash provided by noncapital financing activities		<u>1,969,256</u>
<b>Cash Flow from Investing Activities:</b>		
Proceeds from investment		<u>543,676</u>
Cash provided by investing activities		<u>543,676</u>
Net decrease in cash		(1,175,586)
Cash, beginning of year		<u>4,411,185</u>
Cash, end of year		<u>\$ 3,235,599</u>
NOTE:	Cash	\$ 2,818,449
	Restricted	<u>417,150</u>
		<u>\$ 3,235,599</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, 2013**

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Reconciliation of Operating Loss to Net Cash Used	
in Operating Activities:	
Operating loss	\$(3,698,126)
Adjustment to Reconcile Operating Loss to Net Cash	
Used by Operating Activities:	
Depreciation	330,240
Loss on sale of capital assets	8,224
Bad debt	33,474
Changes in assets and liabilities:	
Increase in amounts receivable	(150,974)
Decrease in prepaid item	28,468
Decrease in amounts payable	(64,712)
Increase in security deposits held for tenants	1,356
Increase in compensated absences payable	<u>1,140</u>
Net cash used by operating activities	<u><u>\$(3,510,910)</u></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**

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**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 under Annual Contribution Contracts.

As of June 30, 2013, 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**

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**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, 39 and as amended by 61.

**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'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**

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**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 HACK's fund are rent, maintenance and other 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.

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 net investment in capital assets, 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:**

**Basis of 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 2013. 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**

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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**

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**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, 2013, 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**

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**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, 2013, 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	\$2,818,449	\$2,818,449
			<u>\$2,818,449</u>	<u>\$2,818,449</u>

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

---

**NOTE 2 - Cash, Continued:**

At June 30, 2013, the carrying amount of **HACK's** cash deposits was \$2,818,449 and the cumulative bank balance was \$2,985,504. 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, 2013, restricted cash consisted of \$20,174 in security deposits received and held on behalf of tenants. Also, included in restricted cash is \$396,976 in Housing Assistance Payments (HAP) restricted for future HAP payments. These deposits are stated at cost, which approximates market. At June 30, 2013 the cash deposit and cumulative bank balance were \$417,150, respectively.

**NOTE 4 - Capital Assets, Net:**

At June 30, 2013, capital assets, net consisted of the following:

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Other Changes</u>	Balance June 30, <u>2013</u>
Land and land improvements	\$ 2,486,487	\$ -0-	\$ -0-	\$ 2,486,487
Buildings and building improvements	8,742,837	-0-	93,086	8,835,923
Equipment	464,599		29,765	494,364
Construction-in-progress	<u>-0-</u>	<u>130,689</u>	<u>-0-</u>	<u>130,689</u>
Sub-total	11,693,923	130,689	122,851	11,947,463
Less accumulated depreciation	<u>(6,709,047)</u>	<u>(330,240)</u>	<u>75,932</u>	<u>(6,963,355)</u>
Total	<u>\$ 4,984,876</u>	<u>\$(199,551)</u>	<u>\$198,783</u>	<u>\$ 4,984,108</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, 2013.

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

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**NOTE 6 - 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.

**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.

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

---

**NOTE 6 - Retirement System, Continued:**

**Plan Funding, Continued**

**HACK's** total payroll for the year ended June 30, 2013, was \$401,924. **HACK's** contributions were calculated using the base salary amount for covered employees of \$155,779. **HACK** made the required contributions of \$155,779 for the year ended June 30, 2013.

**NOTE 7 - 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 8 - 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 9 - 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**

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**NOTE 10 - Commitments:**

At June 30, 2013, HACK has executed capital fund program awards with the U.S. Department of Housing and Urban Development totaling \$1,084,306. (See Schedule IV). Cumulative outstanding commitments at June 30, 2013, was \$870,903.

**NOTE 11 - Amounts Receivable:**

At June 30, 2013, amounts receivable consisted of the following:

Amounts receivable - HUD	\$233,936
Amounts receivable - others	365,983
Tenants	<u>38,442</u>
	<u>\$638,361</u>

**NOTE 12 - Changes in Non-current Liabilities:**

At June 30, 2013 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	\$11,009	\$21,791	\$32,800
Net change	<u>120</u>	<u>1,020</u>	<u>1,140</u>
End of year	<u>\$11,129</u>	<u>\$22,811</u>	<u>\$33,940</u>

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

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**NOTE 13 - Operating Losses:**

During the year ended June 30, 2013 and 2012, HACK incurred net operating losses of \$1,776,183 and \$2,008,403, respectively primarily for expenses incurred in excess of its operating and non-operating incomes. HUD's new cash management system for the Public Housing and Voucher Program impacts the flow of funds and level of reserve required to be accumulated. Management continues to improve on its leased-up housing units to include the containment of cost associated with managing the Housing programs.

HACK is funded on an annual basis by the U.S. Department of Housing and Urban Development through congressional budget appropriation.

**NOTE 14 - Prepaid Item:**

At June 30, 2013, prepaid item consisted of prepaid insurance cost in the amount of \$79,206.

**NOTE 15 - Restricted Net Position:**

Restricted net position at June 30, 2013 of \$396,976 represents reserves for future housing assistance payments.

**NOTE 16 - Amounts Payable:**

At June 30, 2013 amounts payable consisted of the following:

Amounts payable - vendors	\$ 145,580
Amounts payable - HUD	<u>1,085,950</u>
	<u>\$1,231,530</u>

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

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**NOTE 17 - Prior Period Adjustment:**

The prior period adjustment in the amount of \$289,906 is to recognize the net impact of various cut-off issues in the financial reporting process between the years ended June 30, 2013 and 2012.

**NOTE 18 - Intergovernmental Management Agreement:**

On April 8, 2013, **HACK** executed with East Baton Rouge Parish Housing Authority an inter-agency agreement for the provision of management services to the **HACK**. The terms of the agreement calls for the payment of a monthly management/administrative fee and reimbursement of cost for personnel and other related services.

The term of the agreement is for an initial period of 180 days and automatically reviews for an additional 180 days unless terminated.

Total expenses accrued and paid for the year ended June 30, 2013 were \$103,149.

**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

We have audited the financial statements of HACK as of and for the year ended June 30, 2013 and have issued our report thereon dated March 13, 2015, which contained a qualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The accompanying Schedule of Expenditures of Federal Awards 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

March 13, 2015



**HOUSING AUTHORITY OF THE CITY OF KENNER**  
**KENNER, LOUISIANA**  
**COMBINING STATEMENT OF NET POSITION—ENTERPRISE FUND**  
**JUNE 30, 2013**

	Operating Fund Program	Capital Fund Program	Sub-total	Voucher Program	Totals (Memorandum Only)
<b><u>ASSETS</u></b>					
Cash	\$ 856,093	\$ -0-	\$ 856,093	\$1,962,356	\$2,818,449
Restricted cash	20,174	-0-	20,174	396,976	417,150
Amounts receivable	38,442	-0-	38,442	365,983	404,425
Amounts receivable - HUD	56,855	177,081	233,936	-0-	233,936
Prepaid item	67,596	-0-	67,596	11,610	79,206
Due from other funds	293,916	-0-	293,916	-0-	293,916
Capital assets, net	<u>4,703,044</u>	<u>130,689</u>	<u>4,833,733</u>	<u>150,375</u>	<u>4,984,108</u>
Total assets	<u>6,036,120</u>	<u>307,770</u>	<u>6,343,890</u>	<u>2,887,300</u>	<u>9,231,190</u>
<b><u>LIABILITIES</u></b>					
Liabilities:					
Amounts payable - vendors	75,432	-0-	75,432	70,148	145,580
Accounts payable - HUD	-0-	-0-	-0-	1,085,950	1,085,950
Compensated absences payable	18,114	-0-	18,114	15,826	33,940
Security deposits held for tenants	20,174	-0-	20,174	-0-	20,174
Due to other funds	<u>-0-</u>	<u>177,081</u>	<u>177,081</u>	<u>116,835</u>	<u>293,916</u>
Total liabilities	<u>113,720</u>	<u>177,081</u>	<u>-290,801</u>	<u>1,288,759</u>	<u>1,579,560</u>
<b><u>NET POSITION</u></b>					
Net investment in capital assets	4,703,044	130,689	4,833,733	150,375	4,984,108
Restricted	-0-	-0-	-0-	396,976	396,976
Unrestricted	<u>1,219,356</u>	<u>-0-</u>	<u>1,219,356</u>	<u>1,051,190</u>	<u>2,270,546</u>
Total net position	<u>\$5,922,400</u>	<u>\$130,689</u>	<u>\$6,053,089</u>	<u>\$1,598,541</u>	<u>\$7,651,630</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, 2013**

	Operating Fund Program	Capital Fund Program	Sub-total	Voucher Program	Totals (Memorandum Only)
<b>Operating Revenues:</b>					
Operating grants	\$ 177,978	\$ 40,767	\$ 218,745	\$ 8,575,693	\$ 8,794,438
Dwelling rental	278,015	-0-	278,015	-0-	278,015
Fees and charges	7,713	-0-	7,713	-0-	7,713
<b>Total operating revenues</b>	<b>463,706</b>	<b>40,767</b>	<b>504,473</b>	<b>8,575,693</b>	<b>9,080,166</b>
<b>Operating Expenses:</b>					
Salaries and employee benefits	268,682	-0-	268,682	250,148	518,830
Materials and other	20,702	-0-	20,702	-0-	20,702
Contractual services	252,240	-0-	252,240	117,838	370,078
Equipment	22,147	-0-	22,147	-0-	22,147
Unit turnaround	99,599	-0-	99,599	-0-	99,599
Utilities	71,926	-0-	71,926	-0-	71,926
Depreciation	316,357	-0-	316,357	13,883	330,240
Insurance	101,210	-0-	101,210	12,958	114,168
Housing assistance payments	-0-	-0-	-0-	10,999,220	10,999,220
Convention and travel	3,251	-0-	3,251	7,186	10,437
Telephone	5,593	-0-	5,593	10,103	15,696
Bad debt expense	4,256	-0-	4,256	29,218	33,474
Portability fees	-0-	-0-	-0-	114,365	114,365
Supplies	7,760	-0-	7,760	13,826	21,586
Postage	16,481	-0-	16,481	6,196	22,677
Other	7,871	-0-	7,871	5,276	13,147
<b>Total operating expenses</b>	<b>1,198,075</b>	<b>-0-</b>	<b>1,198,075</b>	<b>11,580,217</b>	<b>12,778,292</b>
<b>Operating income (loss)</b>	<b>(734,369)</b>	<b>40,767</b>	<b>(693,602)</b>	<b>(3,004,524)</b>	<b>(3,698,126)</b>

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, 2013**

	<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	\$ 3,076	\$ -0-	\$ 3,076	\$ 2,373	\$ 5,449
Other revenue	87,665	-0-	87,665	1,706,364	1,794,029
Loss on sale of capital assets	<u>(8,224)</u>	<u>-0-</u>	<u>(8,224)</u>	<u>-0-</u>	<u>(8,224)</u>
Total non-operating revenues	<u>82,517</u>	<u>-0-</u>	<u>82,517</u>	<u>1,708,737</u>	<u>1,791,254</u>
Capital contributions:					
Capital grants	<u>-0-</u>	<u>130,689</u>	<u>130,689</u>	<u>-0-</u>	<u>130,689</u>
Total capital grants	<u>-0-</u>	<u>130,689</u>	<u>130,689</u>	<u>-0-</u>	<u>130,689</u>
Total other financing sources (uses):					
Operating transfer in (out)	<u>40,767</u>	<u>(40,767)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Total other financing sources (uses)	<u>40,767</u>	<u>(40,767)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Change in net position	(611,085)	130,689	(480,396)	(1,295,787)	(1,776,183)
Net position, beginning of year, as restated	<u>6,533,485</u>	<u>-0-</u>	<u>6,533,485</u>	<u>2,894,328</u>	<u>9,427,815</u>
Net position, end of year	<u>\$5,922,400</u>	<u>\$130,689</u>	<u>\$6,053,089</u>	<u>\$ 1,598,541</u>	<u>\$ 7,651,630</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, 2013**

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<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	\$ 177,978
Housing Choice Voucher Program	14.871	8,575,693
Capital Fund Program	14.872	<u>171,456</u>
Total Department of Housing and Urban Development		<u>\$8,925,127</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, 2013**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAM</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
111	Cash - unrestricted	\$856,093	\$1,962,356	\$2,818,449
113	Cash - other restricted	-0-	396,976	396,976
114	Cash - tenant security deposits	<u>20,174</u>	<u>-0-</u>	<u>20,174</u>
100	Total cash	<u>876,267</u>	<u>2,359,332</u>	<u>3,235,599</u>
121	Accounts receivable - PHA projects	<u>38,442</u>	<u>365,983</u>	<u>404,425</u>
122	Accounts receivable - HUD other projects	<u>233,936</u>	<u>-0-</u>	<u>233,936</u>
120	Total receivables, net of allowance for doubtful accounts	<u>272,378</u>	<u>365,983</u>	<u>638,361</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, 2013**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAM</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
142	Prepaid expenses and other assets	\$ 67,596	\$ 11,610	\$ 79,206
144	Interprogram due from	<u>293,916</u>	<u>-0-</u>	<u>293,916</u>
150	Total current assets	<u>1,510,157</u>	<u>2,736,925</u>	<u>4,247,082</u>
161	Land	2,475,572	10,915	2,486,487
162	Buildings	8,667,105	168,818	8,835,923
163	Furniture, equipment and machinery-dwellings	330,761	-0-	330,761
164	Furniture, equipment and machinery-administration	118,297	45,306	163,603
166	Accumulated depreciation	(6,888,691)	(74,664)	(6,963,355)
167	Construction in progress	<u>130,689</u>	<u>-0-</u>	<u>130,689</u>
160	Total capital assets, net of accumulated depreciation	<u>4,833,733</u>	<u>150,375</u>	<u>4,984,108</u>
180	Total non-current assets	<u>4,833,733</u>	<u>150,375</u>	<u>4,984,108</u>
290	Total assets	<u>\$ 6,343,890</u>	<u>\$2,887,300</u>	<u>\$9,231,190</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, 2013**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAM</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
312	Accounts payable ≤90 days	\$ 75,432	\$ 70,148	\$ 145,580
322	Accrued compensated absences-current portion	5,591	5,538	11,129
331	Accounts payable -HUD	-0-	1,085,950	1,085,950
341	Tenant security deposits	20,174	-0-	20,174
347	Interprogram due to	<u>177,081</u>	<u>116,835</u>	<u>293,916</u>
310	Total current liabilities	<u>278,278</u>	<u>1,278,471</u>	<u>1,556,749</u>
354	Accrued compensated absences non-current	<u>12,523</u>	<u>10,288</u>	<u>22,811</u>
350	Total non-current liabilities	<u>12,523</u>	<u>10,288</u>	<u>22,811</u>
300	Total liabilities	<u>290,801</u>	<u>1,288,759</u>	<u>1,579,560</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, 2013**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAM</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
508.4	Net investment in capital assets	\$4,833,733	\$ 150,375	\$4,984,108
511.4	Restricted net position	-0-	396,976	396,976
512.4	Unrestricted net position	<u>1,219,356</u>	<u>1,051,190</u>	<u>2,270,546</u>
513	Total equity/net position	<u>6,053,089</u>	<u>1,598,541</u>	<u>7,651,630</u>
600	Total liabilities and equity/net position	<u>\$6,343,890</u>	<u>\$2,887,300</u>	<u>\$9,231,190</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, 2013**

<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>TOTAL PROGRAM</u>
70300	Net tenant rental revenue	\$278,015	\$ -0-	\$278,015	\$ -0-	\$ -0-
70400	Tenant revenue - other	<u>7,713</u>	<u>-0-</u>	<u>7,713</u>	<u>-0-</u>	<u>-0-</u>
70500	Total tenant revenue	<u>285,728</u>	<u>-0-</u>	<u>285,728</u>	<u>-0-</u>	<u>-0-</u>
70600	HUD PHA operating grants	177,978	40,767	218,745	-0-	-0-
70600-010	Housing assistance payments	-0-	-0-	-0-	7,932,426	7,932,426
70600-020	Ongoing administrative fees earned	-0-	-0-	-0-	643,267	643,267
70610	Capital grants	-0-	130,689	130,689	-0-	-0-
71100	Investment income - unrestricted	3,076	-0-	3,076	-0-	-0-
71500	Other revenue	87,665	-0-	87,665	1,706,364	1,706,364
715600	Gain on loss on sale of capital assets	(8,224)	-0-	(8,224)	-0-	-0-
72000	Investment income - restricted	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,373</u>	<u>2,373</u>
70000	Total revenue	<u>546,223</u>	<u>171,456</u>	<u>717,679</u>	<u>10,284,430</u>	<u>10,284,430</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, 2013**

<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>TOTAL PROGRAM</u>
91100	Administrative salaries	\$ 64,239	\$ -0-	\$ 64,239	\$219,646	\$219,646
91500	Employee benefit contributions-administrative	32,540	-0-	32,540	26,430	26,430
91600	Office expense	160,648	-0-	160,648	129,245	129,245
91700	Legal expense	24,679	-0-	24,679	8,828	8,828
91800	Travel	3,251	-0-	3,251	7,186	7,186
91900	Other	<u>6,460</u>	-0-	<u>6,460</u>	<u>119,641</u>	<u>119,641</u>
91000	Total operating--administrative	<u>291,817</u>	<u>-0-</u>	<u>291,817</u>	<u>510,976</u>	<u>510,976</u>
93100	Water	15,101	-0-	15,101	-0-	-0-
93200	Electricity	16,005	-0-	16,005	-0-	-0-
93300	Gas	19,037	-0-	19,037	-0-	-0-
93800	Other utilities	<u>21,783</u>	<u>-0-</u>	<u>21,783</u>	<u>-0-</u>	<u>-0-</u>
93000	Total utilities	<u>71,926</u>	<u>-0-</u>	<u>71,926</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, 2013**

<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>TOTAL PROGRAM</u>
94100	Ordinary maintenance and operations - labor	\$118,039	\$ -0-	\$118,039	\$ -0-	\$ -0-
94200	Ordinary maintenance and operations - materials and other	20,702	-0-	20,702	-0-	-0-
94300-010	Ordinary maintenance and operations contracts- garbage and trash removal contracts	25,506	-0-	25,506	-0-	-0-
94300-020	Ordinary maintenance and operations contracts heating and cooling contracts	46,294	-0-	46,294	-0-	-0-
94300-050	Ordinary maintenance and operations contracts- landscape and grounds contracts	450	-0-	450	-0-	-0-
94300-060	Ordinary maintenance and operations contracts- unity turnaround contracts	99,599	-0-	99,599	-0-	-0-
94300-070	Ordinary maintenance and operations contracts- electrical contracts	6,668	-0-	6,668	-0-	-0-
94300-090	Ordinary maintenance and operations contracts- extermination contracts	5,537	-0-	5,537	-0-	-0-
94300-080	Ordinary maintenance and operations contracts- plumbing	25,543	-0-	25,543	-0-	-0-
94300-120	Ordinary maintenance and operations contracts- miscellaneous contracts	10,307	-0-	10,307	9,890	9,890
94300	Ordinary maintenance and operations contracts	219,904	-0-	219,904	9,890	9,890

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, 2013**

<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>TOTAL PROGRAM</u>
94500	Employee benefit contributions-ordinary maintenance	\$ 50,786	\$ -0-	\$ 50,786	\$ -0-	\$ -0-
94000	Total maintenance	409,431	-0-	409,431	-0-	-0-
96110	Property insurance	55,133	-0-	55,133	-0-	-0-
96120	Liability insurance	14,208	-0-	14,208	2,726	2,726
96130	Workmen's compensation	3,078	-0-	3,078	4,072	4,072
96140	All other insurance	31,869	-0-	31,869	10,232	10,232
96100	Total insurance premiums	104,288	-0-	104,288	17,030	17,030
96400	Bad debt - tenant rents	4,256	-0-	4,256	29,218	29,218
96000	Total other general expenses	4,256	-0-	4,256	29,218	29,218
96900	Total operating expenses	881,718	-0-	881,718	567,114	567,114
97000	Excess (deficiency) of revenue over operating expenses	(335,495)	171,456	(164,039)	9,717,316	9,717,316

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, 2013

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	TOTAL VOUCHER PROJECTS	HOUSING CHOICE TOTAL PROGRAM	PROGRAM
97300	Housing assistance payments	\$ -0-	\$ -0-	\$ -0-	\$ 9,295,728	\$ 9,295,728
97350	Housing assistance payments - portability in	-0-	-0-	-0-	1,703,402	1,703,402
97400	Depreciation expense	<u>316,357</u>	<u>-0-</u>	<u>316,357</u>	<u>13,883</u>	<u>13,883</u>
90000	Total expenses	<u>1,198,075</u>	<u>-0-</u>	<u>1,198,075</u>	<u>11,580,217</u>	<u>11,580,217</u>
10010	Operating transfer in	40,767	-0-	40,767	-0-	-0-
10020	Operating transfer out	<u>-0-</u>	<u>(40,767)</u>	<u>(40,767)</u>	<u>-0-</u>	<u>-0-</u>
10100	Total other financing sources (uses)	<u>40,767</u>	<u>(40,767)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
10000	Excess (deficiency) of total revenue over (under) total expenses	<u>\$ (611,085)</u>	<u>\$130,689</u>	<u>\$ (480,396)</u>	<u>\$ (1,295,787)</u>	<u>\$ (1,295,787)</u>
11030	Beginning equity/net assets	\$6,410,834	-0-	6,410,834	2,727,073	2,727,073
11040-010	Prior period adjustments, equity transfers, and correction of errors	<u>122,651</u>	<u>-0-</u>	<u>122,651</u>	<u>167,255</u>	<u>167,255</u>
	Beginning equity/net assets, as adjusted	<u>\$6,533,485</u>	<u>\$ -0-</u>	<u>\$6,533,485</u>	<u>\$ 2,894,328</u>	<u>\$ 2,894,328</u>
11270	Excess cash	<u>\$ 977,599</u>	<u>N/A</u>	<u>N/A</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>\$1,051,190</u>	<u>\$1,051,190</u>
1118	Housing assistance payments equity	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>\$ 396,976</u>	<u>\$ 396,976</u>
11190	Unit months available	<u>1,644</u>	<u>N/A</u>	<u>1,644</u>	<u>14,351</u>	<u>14,351</u>
11210	Number of unit months leased	<u>1,404</u>	<u>N/A</u>	<u>1,404</u>	<u>14,160</u>	<u>14,160</u>
11620	Building Purchases	N/A	N/A	N/A	N/A	N/A
11630	Furniture and equipment - Dwelling	<u>\$ 130,689</u>	N/A	<u>\$ 130,689</u>	N/A	N/A
11640	Furniture and equipment - Administrative	N/A	N/A	N/A	N/A	N/A

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**SCHEDULE IV**

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
STATEMENT OF CAPITAL FUND PROGRAM COST (INCOMPLETE)  
FROM INCEPTION THROUGH JUNE 30, 2013**

	<u>LA48PO12-501-09</u>	<u>LA48PO12-501-10</u>	<u>LA48PO12-501-11</u>	<u>LA48PO12-501-12</u>	<u>LA48PO12-501-13</u>	<u>LA48PO12-501-14</u>	<u>TOTAL</u>
Funds approved	\$213,403	\$212,686	\$175,600	\$162,548	\$158,007	\$162,062	\$1,084,306
Funds expended	<u>213,403</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>213,403</u>
Excess (deficiency) of funds approved	<u>\$ -0-</u>	<u>\$212,686</u>	<u>\$175,600</u>	<u>\$162,548</u>	<u>\$158,007</u>	<u>\$162,062</u>	<u>\$ 870,903</u>
Funds Advanced:							
Grant funding	<u>\$ 36,322</u>	<u>\$ -0-</u>	<u>\$ 36,322</u>				
Total funds advanced	<u>36,322</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>36,322</u>
Funds expended	<u>213,403</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>213,403</u>
Excess (deficiency) of funds advanced	<u>\$177,081</u>	<u>\$ -0-</u>	<u>\$ (177,081)</u>				

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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 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**

Except for Housing Authority of the City of Kenner's (HACK) inability on March 13, 2015, to resolve issues related to capital assets, net position, receivables and expenses, we have audited 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, the financial statements of HACK as of and for the year ended June 30, 2013 and the related notes to the financial statements, and have issued our report thereon dated March 13, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered HACK's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing 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, significant deficiencies or material weaknesses may exist that were not identified. However, as discussed in the subsequent paragraphs, we identified certain 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.

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)

As previously described, we identified deficiencies in internal control over financial reporting that we consider to be material weaknesses as previously defined. We consider the deficiencies described in the accompanying summary Schedule of Findings and Questioned Costs as items 2013-01, 2013-03, 2013-04 and 2013-07 to be material weaknesses.

Further, we consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2013-05 and 2013-06 to be significant deficiencies.

**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 2013-02.

**HACK's Response to Findings**

HACK's response 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". HACK's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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)

**Purpose of this Report**

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

March 13, 2015



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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

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

We have audited **Housing Authority of the City of Kenner's (HACK)** compliance 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, 2013. **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.

**Management's Responsibility**

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

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(CONTINUED)

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each HACK's major federal programs based on our audit of the types of compliance requirements referred to above. Except for HACK's inability on March 13, 2015, 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; 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 referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining on a test basis, evidence about HACK's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

**Basis for Qualified Opinion on Major Federal Programs**

As described in the accompanying Summary Schedule of Findings and Questioned Costs, HACK did not comply with requirements regarding all major federal programs as listed under Section I - Summary of Auditors' Results and as further described in the Summary Schedule of Findings and Questioned Costs as items 2013-23, 2013-24, 2013-26 and 2013-27 for Reporting. Compliance with such requirements is necessary, in our opinion, for HACK to comply with the requirements applicable to that program.

**Qualified Opinion on Major Federal Programs**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, HACK complied, in all material respects, with the types of compliance requirements referred to above that could have a direct material effect on its major federal program for the year ended June 30, 2013.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(CONTINUED)

**Report on Internal Control Over Compliance**

Management of HACK is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements previously referred to. In planning and performing our audit of compliance, we considered HACK's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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, significant deficiencies, or material weaknesses may exist that were not 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 or significant deficiencies.

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  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(CONTINUED)

**Report on 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 2013-05 and 2013-06 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 2013-22 through 2013-27 to be material weaknesses, as previously defined.

**Other Matters**

The results of our auditing procedures disclosed other instances of noncompliance, 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 2013-08 through 2013-21.

**HACK's Response to Findings**

HACK's response to the noncompliance 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". HACK's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
(CONTINUED)

**Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. 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

March 13, 2015

**HOUSING AUTHORITY OF CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013**

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**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, 2013**

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**Section I - Summary of Auditors' Results, Continued**

***Federal Awards, Continued***

**Identification of Major Programs:**

**CFDA Number**

**Name of Federal Program or Cluster**

14.850a  
14.871

Low Rent Public Housing Program  
Housing Choice Voucher 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, 2013**

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**Section II - Financial Statement Findings and Questioned Costs**

**Reference Number**

2013-01

**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 Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Inadequate oversight of the various financial reporting processes to include reports generated.
- o Incomplete accounting for all financial transactions.

During July 2013, HACK hired a fee accountant to perform compilation and other associated services.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-01

**Questioned Costs**

None.

**Context**

Total amount of federal awards expended for the year ended June 30, 2013 were \$8,925,127.

**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 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, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-01

**Management's Response and Planned Corrective Action**

In January 2013, HACK hired an Accounting Technician to manage the Finance Department of the agency 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.

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

The Accounting Technician and the Fee Accountant are working together with the Executive Director in an effort to keep the accounting records up to date. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. The unaudited financial records for the year ended 2014 have been submitted to HUD REAC. Submission of the unaudited for the year ended June 30, 2015 financial records is scheduled on or before September 15, 2015.

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 a monthly financial reports.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2013-02

**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, 2013 were not published by December 31, 2013 (statutory due date).

This condition is similar to a prior year's finding reference number 2011-02.

**Questioned Costs**

None.

**Context**

Federal awards expended for the year ended June 30, 2013 were \$8,925,127.

**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, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-02

**Cause**

**HACK** continues to be impacted by several transitional challenges as it works towards stabilization of operations.

**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** has completed the year ended 2013 audit. **HACK** is expected to submit the year ended 2013 audit no later than April 28, 2015 to HUD REAC. **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. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2013-03

**Federal Award 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 and integrity in generated information.

Our review revealed that the income and expenses accounts have not been closed to the respective permanent accounts. As such, the income and expenses reported on the TENMAST general ledger reflects in the balance section a cumulative years to date information.

This condition is similar to prior year findings reference numbers 2011-01 and 2011-08.

**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, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-03

**Context**

Total federal awards expended for the year ended June 2013 were \$8,925,127.

**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.

**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 and integrity.

**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 the HACK has procured the services of a Fee Accountant to assist with the financial management of HACK's finances. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. Monthly financial reports are monitored each month by the Executive Director with input from the Accounting Technician and the Fee Accountant. EBRPHA accounting staff also participates in the monthly monitoring of the financial reports.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2013-04

**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 \$336,765 at June 30, 2013.

**Questioned Costs**

None.

**Context**

Total amount of federal awards expended for the Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-04

**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**

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

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2013-05

**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 2012 (month judgementally selected for testing) revealed the following conditions:

- o In two (2) instances, we noted rent collections dated December 10, 2012 and December 11, 2012 respectively, which were not deposited until December 17, 2012.
- o In three (3) of twenty-five (25) disbursement transactions tested, supporting invoices were unavailable for our review or inadequate to support expenditure.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-05

**Condition, Continued**

- o For Low Rent Public Housing Program bank account reconciliation, we noted staled dated checks totaling \$11,124.36 with dates as for bank as February 11, 2011.
- o In five (5) of twenty-five (25) transactions tested, we noted no evidence of cancellation of the supporting documents to prevent further use.
- o In six (6) instances of twenty-five (25) files tested, we noted no evidence of mathematical verification of paid invoices.
- o In nineteen (19) of twenty-five (25) transactions tested, we noted no evidence of documented procurement pursuant to established policy. Further, we noted no evidence of cost estimate and analysis to support the basis for award.
- o For the December 2012 bank account reconciliations for all programs, we noted no evidence of supervisory review beyond the level of the preparer.
- o We noted variance between the control general ledger account balance, the "VMS" and detail "HAP" register for the month of December 2012.

**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, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-05

**Context**

Total amount of federal awards expended for the year ended June 30, 2013 were \$8,925,127.

**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.
- o Noncompliance with board policy.

**Cause**

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

**Recommendation**

We recommend that management revisit with its current monthly transaction processing procedure to ascertain its completeness and compliance with board policy.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-05

**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. A deposit slip is prepared daily and the Accounting Technician makes the deposit each afternoon for timely deposits.

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 service for **HACK**. The Executive Director approves all purchases. These records are maintained in accordance with board adopted record retention policy. The procurement policy has been revised and staff is fully aware of the policy requirements and the revised procurement policy is being followed.

The reconciliation of the bank statements, VMS, and portables are being reconciled with the monthly general ledgers and 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, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2013-06

**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**

Our review of capital asset transactions as of June 30, 2013 revealed the following conditions:

- o Included in the Housing Choice Voucher Program general ledger captioned under other administrative expenses was \$8,247.95 in cost incurred in connection with the renovation of the current office building. At June 30, 2013, we were unable to determine if the amount is included in the capitalized cost for the building renovation account.
- o Noted a variance between the detail capital assets ledger compared to the general ledger for the Low Rent Public Housing Program.

We noted through discussion with management of HACK that it has hired a fee accountant to assist in the completeness of its general ledger accounts.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-06

**Questioned Costs**

None.

**Context**

Total capital assets, net at June 30, 2013 was \$4,984,108.

**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. This process should include the necessary adjustments to align to detail balances to the control account balances.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-06

**Management's Response and Planned Corrective Action**

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

The Accounting Technician and the Fee Accountant are working together with the Executive Director and EBRPHA staff in an effort to keep the accounting records up to date. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. The unaudited financial records for the year ended 2014 have been submitted to HUD REAC. Submission of the unaudited for the year ending June 30, 2015 financial records is schedule on or before September 15, 2015. All transactions posted to the general ledger are supported by proper documentation.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number**

2013-07

**Federal Award Program**

Low Rent Public Housing and Housing Choice Voucher 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**

Based on our review of the general ledger for the Low Rent Public Housing Program, we noted the following:

- o Tenants accounts receivable for the Low Rent Public Housing Program at June 30, 2013 of \$37,073 appears overstated in comparison to the detail tenant receivable schedule from the TENMAST software system of \$16,943 and in comparison to prior year's adjusted balance of \$1,498.
- o The June 30, 2013 security deposit register for the Low Rent Public Housing Program reflects a general ledger balance of \$20,174 compared to a detail ledger balance of \$22,705 and a standard deposit of \$28,105.
- o Bank reconciliation at June 30, 2013 prepared by in-house accountant includes outstanding items totaling \$8,366 for which we were unable to verify their validity as outstanding items as the pertinent documents were unavailable.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-07

**Condition, Continued**

- o A general ledger detail report provided for the Housing Choice Voucher Program at June 30, 2013 reflects \$8,247.95 in costs that appear to be potentially capitalizeable cost within the established threshold for HACK.
- o The Housing Choice Voucher Program reflects at June 30, 2013 an amount described as compensated absence of \$4,764 for which we are unable to verify its validity.
- o The Housing Choice Voucher Program reflects portability income recorded for the year ended June 30, 2013 for \$1,629,470 which includes an estimated amount of approximately \$480,000 for which we are unable to review support for the basis for recordation. See findings reference numbers 2013-04 and 2013-24 for discussion regarding the portability receivable at June 30, 2013.
- o Depreciation for the Low Rent Public Housing Program for the year ended June 30, 2013 as recorded on its general ledger was \$316,357 compared to the detail subsidiary ledger amount of \$299,944.

**Questioned Costs**

None.

**Context**

Total amount of federal awards expended for the Low Rent Public Housing and Housing Choice Voucher Programs for the year ended June 30, 2013 were \$8,753,671.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section II - Financial Statement Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-07

**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 current financial statements reporting processes for completeness and validity in recorded amounts.

**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. 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 reports.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III - Federal Award Findings and Questioned Costs**

**Reference Number**

2013- 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 ten (10) tenant files revealed in nine (9) instances, where no documented evidence was available to support that the Form HUD 50058's were submitted in a timely manner. One (1) file of the ten (10) was unavailable for our review. See finding reference number 2013-10 for further discussion.

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

**Questioned Costs**

None.

**Context**

Total federal award expended for the Housing Choice Voucher Program were \$8,575,693 or 96% of the total federal awards for the year ended June 30, 2013.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III - Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013- 08

**Effect or Potential Effect**

Noncompliance with the requirements of 24 CFR.

**Cause**

Lack of an effective 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.

Further, management should consider the use of periodic sampling to ensure compliance by staff charged with the Form HUD 50058 submission responsibility.

**Management's Response and Planned Corrective Action**

HACK's 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 supervisor makes the corrections to the 50058's and re-submit the 50058 to HUD timely. If noted in the PIC system, HACK runs around 98% for its PIC submission of the 50058's for the past year. Staff received training on the submission of the 50058's.

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KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III - Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013- 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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-09

**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  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III - Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-09

**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.

Further, for a sample of three (3) employee timesheets reviewed, we noted no evidence of supervisory approval.

**Questioned Cost**

None.

**Context**

Total federal awards expended for the year ended June 30, 2013 were \$8,925,127.

**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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-09

**Recommendation**

Management should revisit with its current practice to facilitate compliance with the requirements regarding payroll certification. Further, all timesheets submitted should evidence approval to include adequate documentation of program charged with cost.

**Management's Response and Planned 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.

Each employee and their supervisor are required to sign the bi-weekly payroll time sheet certification noting the time worked and leave slip are required to accompany the time sheets noting any time being away from work. The payroll time sheet and leave files are maintained in an individual file for each employee for the calendar year and maintained in accordance with the file retention policy and procedure.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-10

**Federal Award Program**

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 one (1) of the total original tenant files of ten (10) selected, we were unable to perform any test work as the file was unavailable.

**Questioned Costs**

None.

**Context**

Total federal awards expended for the Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-10

**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**

Apparently, this file has been misplaced by staff. HACK maintains its files and records in accordance to its records retention and disposition policies. On occasion, HACK stores tenant files after a three year period. These files are properly labeled and stored in storage for future review and use. Management will ensure that all HACK files are maintained in accordance with the retention policies.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-11

**Federal Award Program**

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 one (1) of ten (10) 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, 2013 were \$8,575,693.

**Effect or Potential Effect**

Noncompliance with HUD regulation 24CFR section 982.516 and Board policy .

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-11

**Cause**

Lack of an effective system in place to monitor compliance with board policy 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 HVC Program requirements as mandated 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.

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KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-12

**Federal Award Program**

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

**Criteria**

As a condition of occupancy, HACK should determine family eligibility to include the documentation of such determination pursuant to 24CFR.

**Condition**

Our review of ten (10) tenant files revealed the following conditions:

- o In three (3) instances of the ten (10) files reviewed, we noted the lack of an executed Form HUD 9886 (Authorization for Release of Information).
- o In two (2) of the ten (10) files reviewed, we noted the lack of an executed lease agreement on file.
- o In two (2) instances, we noted no evidence of a housing quality standard inspection on file.
- o Further in two (2) instances, we noted no executed Form HUD 214 (Citizenship).

**Questioned Costs**

None.

**Context**

Total expenditures of federal awards for the year ended June 30, 2013 were \$8,925,127.

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KENNER, LOUISIANA**  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-12

**Effect or Potential Effect**

Noncompliance with board policy and regulatory requirements.

**Cause**

Lack of an established system to facilitate the completeness in all tenant files.

**Recommendation**

We recommend that management consider the use of periodic sampling of completed tenant files to ensure completeness.

**Management's Response and Planned Corrective Action**

Staff has been trained on the proper methods to process move-ins and annual re-certifications in accordance with the HVC Program requirements as mandated by the Administrative Plan and HUD rules and regulations. This includes the processing of the required documents to be stored in the individual tenant files. The HCV Supervisor performs monthly quality control functions to measure the success of staff following the proper procedures for processing the different tasks. Staff from the EBRPHA is performing tenant file checks for each tenant file under the HCV Program administered by HACK.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

---

**Section III- Federal Award Findings and Questioned Costs, Continued.**

**Reference Number**

2013-13

**Federal Award Program**

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.

The documentation provided to us for review did not support the assertions for the audit period ended June 30, 2013.

**Questioned Costs**

None.

**Context**

Total expenditures of Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**Effect or Potential Effect**

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

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KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-13

**Cause**

Lack of an effective record retention procedure place.

**Recommendation**

We recommend that all supporting documents for all submitted 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. **HACK** reported and was deemed Troubled under the SEMAP Certification for the year ended 2013. Files are now being retained to monitor the SEMAP Certification process and report.

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**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-14

**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**

For five (5) tenant files reviewed, we were unable to verify documented evidence on one (1) tenant's eligibility 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, 2013 was \$177,978.

**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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-14

**Effect or Potential Effect**

Noncompliance with the requirement of the CSSP policies.

**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**

The CSSP program requirements will be fully implemented during the year ended 2014. HACK's tenant lease agreement has been revised to include the CSSP requirements and a potential for lease violation and termination for non-performance or adherence to the CSSP policies.

**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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-15

**Federal Award Program**

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

**Criteria**

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

**Condition**

In all instances for five (5) tenant files selected for testing, we noted no evidence to support the timely submission of Form HUD 50058.

**Questioned Costs**

None.

**Context**

Total federal award expenditures incurred for the Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**Effect or Potential Effect**

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

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-15

**Cause**

Lack of effective monitoring of completed tenant files by staff.

**Recommendation**

We recommend that staff be trained to ensure complete documentation of all processed files. Management should also sample completed files on a periodic basis.

**Management's Response and Planned Corrective Action**

HACK's 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's and re-submits the 50058's to HUD timely. If noted in the PIC system, HACK 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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-16

**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, 2013 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, 2013 were \$8,925,127.

**Effect or Potential Effect**

Noncompliance with the requirement of 24 CFR 5.801.

**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, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-16

**Cause**

Transitional challenges faced by HACK which impacted its ability to comply with reporting requirements for submission within nine (9) months of year end.

**Recommendation**

Management should continue to work towards the submission of all reports on a timely basis.

**Management's Response and Planned Corrective Action**

HACK has completed submission for the year ended 2012 audit. HACK is expected to submit for the year ended 2013 audit no later than May 22, 2015 to HUD REAC. HACK has already engaged the services of an accounting firm to perform the audit for the year ending 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. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-17

**Federal Award Program**

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**

The nature of the records provided listing failed inspections, did not allow for a determination of the total population to facilitate a sample testing.

**Questioned Costs**

None.

**Context**

Total federal award expenditures incurred for the Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-17

**Effect or Potential Effect**

Noncompliance with 24 CFR Sections 982.157(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 should explore available software tools to accumulate and retain in a manner that facilitates an efficient review and/or audit.

**Management's Response and Planned Corrective Action**

HACK inspection staff completes the HQS inspections and completes the follow-up inspections are required under the HACK HCV Program and HUD requirement. The HCV Program supervisor performs quality control on a sample inspection files to ensure program compliance with inspections and re-inspections. Inspections files are properly filed in accordance with agency policies and procedures. HACK is in the process of updating its software. The new computer software system will allow HACK a listing of the failed inspections to be used as a sample for future audit inspection.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-18

**Federal Award Program**

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

**Criteria**

24CFR Section 982.158 and 24CFR part 982, Subpart K requires the reporting on the Form HUD 50058, housing assistance payments to Landlord.

**Condition**

For ten (10) tenant files selected we were unable to perform any test work on the payments to a landlord. Further, in another instance, the payment to the landlord was less than the amount reflected on the lease agreement provided to us for review.

**Questioned Costs**

None.

**Context**

Total federal awards expended for the Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-18

**Effect or Potential Effect**

Noncompliance with the requirements of 24CFR 982.158 and 24CFR part 982, Subpart K.

**Cause**

Degree of oversight afforded to the certification process.

**Recommendation**

We recommend that management enhance its oversight through periodic sampling of completed files.

**Management's Response and Planned Corrective Action**

The Housing Choice Voucher Program supervisor is performing quality control functions on a percentage of the tenant files annually. Deficiencies are noted and corrections from staff to the tenant files are required. Additionally, EBRPHA staff is reviewing 100% of the tenant files for accuracy. Any deficiencies are corrected by the individual HACK staff members.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-19

**Federal Award Program**

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

**Criteria**

Pursuant to an inter-agency management agreement between HACK and East Baton Rouge Parish dated April 8, 2013 (Attachment B, Compensation Schedule), HACK is expected to pay a monthly management fee as dictated in the agreement for reimbursement of expenses to include a monthly management/administrative fee.

Specifically, the contract states "monthly management/administrative fee of 6% to total fiscal year ending June 30, 2013 operating budget...."

**Condition**

Based on our review of the invoice paid for the month of June 30, 2013 in the amount of \$45,542.33, we noted the following:

- o No documented evidence to support review performed beyond the level of the managing agent for compliance with the terms of the executed agreement dated April 8, 2013.
- o Total expenses of \$123,357.13 used as the basis for the charge for management fee of 6% included previous payments to East Baton Rouge Parish of \$51,874.75 and payments of \$963.01, respectively of which \$13,289 was the management fee paid for the month of May 2013.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-19

**Condition, Continued**

- o We noted recorded expenses to include some potential capitalizable costs for capital assets, prepaid insurance and software costs.

The executed agreement makes specific reference to the basis for travel reimbursement rate front-line expenses (turnarounds, etc.) which are based on actual cost.

**Questioned Costs**

None.

**Context**

Total expenses for the year ended June 30, 2013 were \$8,925,127.

**Effect or Potential Effect**

Compliance with the terms of the executed agreement.

**Cause**

No established process to facilitate an independent review of the interagency agreement for completeness.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-19

**Recommendation**

Management should work with the Board and develop a process to ensure an independent review for completeness. Further, the agreement should be reviewed for clarity in the basis for calculation of the earned management fee.

**Management's Response and Planned Correction Action**

The New Orleans Field Office of the U.S. Department of Housing and Urban Development (HUD) reviewed the Management Agreement between HACK and EBRPHA and approved the agreement before the parties executed the agreement. It was not determined at the time of the contract review that HACK had to deduct the amount of the previous month Management Fee from the subsequent month fee calculation.

The Chairman reviews the monthly invoices and signs the checks for the payments to EBRPHA under the Interagency Agreement. Discussion is held between the Chairman and the Executive Director as required. The Fee Accountant reviews the invoices/checks for proper charges.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-20

**Federal Award Program**

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

**Criteria**

The Davis Bacon Act requires that:

- o All contractors and subcontractors performing on federal contracts (and contractors and subcontractors performing on federally assisted contracts under related acts) in excess of \$2,000 pay their labors and mechanics not less than the prevailing wage rates and fringe benefits listed in the contractor Wage Determination for the corresponding classes of labors and mechanics in similar projects in the area;
- o Contracts in excess of \$100,000 pay employees one and one half (1 -1/2) times their basic rates of pay for hours worked in excess of forty (40) in a one week pay period;
- o Weekly payment of employees; and
- o Submission of certified weekly payroll records along with a statement of compliance signed by an authorized officer or employee who supervises the payment of wages completed seven (7) days after the regular pay date for the pay period.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-20

**Condition**

Based on our review of two (2) projects (judgementally selected), we noted the following conditions:

- o No evidence of a statement of weekly payroll reporting during the contract period.
- o Additionally, we were unable to evidence whether a "Statement of Certification" were received within the required seven (7) days of the payroll date for all contractor/subcontractor reviewed as no statements were available for our review.
- o No evidence to support the performance of on-site interviews.

**Questioned Costs**

None.

**Context**

Total federal awards expended for the Low Rent Public Housing and Housing Choice Voucher Programs for the year ended June 30, 2013 were \$8,753,671.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-20

**Effect or Potential Effect**

Potential noncompliance with the requirements of the Davis Bacon Act.

**Cause**

Lack of effective monitoring and oversight to ensure completeness of files and compliance with the reporting requirements of the Davis Bacon Act.

**Recommendation**

We recommend that management strengthen enforcement of monitoring and oversight controls currently in place to ensure that files maintained to support compliance with regulatory requirements are complete.

**Management's Response and Planned Corrective Action**

Currently, contracts require contractors to follow the Davis Bacon Act requirements relative to paying of labors and mechanics and the submission of weekly payroll worksheet and HACK staff conduct on-site wage interviews.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-21

**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 area of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

**Condition**

The results of an audit performed of the HACK revealed the following:

- 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.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-21

**Condition, Continued**

- 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.
- 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 2011-08.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-21

**Questioned Costs**

None.

**Context**

Total expenditures of federal awards for the year ended June 30, 2013 were \$8,925,127.

**Effect or Potential Effect**

Noncompliance with HUD regulation.

**Cause**

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

**Recommendation**

The auditor recommended that HACK:

- 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.

Ultimate resolution is subject to 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, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-21.

**Management's Response and Planned Corrective Action**

**HACK is unable to acquire reimbursement for the compensation paid to former Board members of the HACK.**

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III - Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-22

**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 Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Inadequate oversight of the various financial reporting processes to include reports generated.
- o Incomplete accounting for all financial transactions.

During July 2013, HACK hired a fee accountant to perform compilation and other associated services.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**  
2013-22

**Questioned Costs**

None.

**Context**

Total amount of federal awards expended for the year ended June 30, 2013 were \$8,925,127.

**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 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, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-22

**Management's Response and Planned Corrective Action**

In January 2013, HACK hired an Accounting Technician to manage the Finance Department of the agency 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.

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

The Accounting Technician and the Fee Accountant are working together with the Executive Director in an effort to keep the accounting records up to date. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. The unaudited financial records for the year ended 2014 have been submitted to HUD REAC. Submission of the unaudited for the year ended June 30, 2015 financial records is scheduled on or before September 15, 2015.

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 a monthly financial reports.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-23

**Federal Award 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 and integrity in generated information.

Our review revealed that the income and expenses accounts have not been closed to the respective permanent accounts. As such, the income and expenses reported on the TENMAST general ledger reflects in the balance section a cumulative years to date information.

This condition is similar to prior year findings reference numbers 2011-01 and 2011-08.

**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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-23

**Context**

Total federal awards expended for the year ended June 2013 were \$8,925,127.

**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.

**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 and integrity.

**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 the HACK has procured the services of a Fee Accountant to assist with the financial management of HACK's finances. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. Monthly financial reports are monitored each month by the Executive Director with input from the Accounting Technician and the Fee Accountant. EBRPHA accounting staff also participates in the monthly monitoring of the financial reports.

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KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-24

**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 \$336,765 at June 30, 2013.

**Questioned Costs**

None.

**Context**

Total amount of federal awards expended for the Housing Choice Voucher Program for the year ended June 30, 2013 were \$8,575,693.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-24

**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**

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

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KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-25

**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 2012 (month judgementally selected for testing) revealed the following conditions:

- o In two (2) instances, we noted rent collections dated December 10, 2012 and December 11, 2012 respectively, which were not deposited until December 17, 2012.
- o In three (3) of twenty-five (25) disbursement transactions tested, supporting invoices were unavailable for our review or inadequate to support expenditure.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-25

**Condition, Continued**

- o For Low Rent Public Housing Program bank account reconciliation, we noted staled dated checks totaling \$11,124.36 with dates as for bank as February 11, 2011.
- o In five (5) of twenty-five (25) transactions tested, we noted no evidence of cancellation of the supporting documents to prevent further use.
- o In six (6) instances of twenty-five (25) files tested, we noted no evidence of mathematical verification of paid invoices.
- o In nineteen (19) of twenty-five (25) transactions tested, we noted no evidence of documented procurement pursuant to established policy. Further, we noted no evidence of cost estimate and analysis to support the basis for award.
- o For the December 2012 bank account reconciliations for all programs, we noted no evidence of supervisory review beyond the level of the preparer.
- o We noted variance between the control general ledger account balance, the "VMS" and detail "HAP" register for the month of December 2012.

**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, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-25

**Context**

Total amount of federal awards expended for the year ended June 30, 2013 were \$8,925,127.

**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.
- o Noncompliance with board policy.

**Cause**

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

**Recommendation**

We recommend that management revisit with its current monthly transaction processing procedure to ascertain its completeness and compliance with board policy.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-25

**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. A deposit slip is prepared daily and the Accounting Technician makes the deposit each afternoon for timely deposits.

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 service for HACK. The Executive Director approves all purchases. These records are maintained in accordance with board adopted record retention policy. The procurement policy has been revised and staff is fully aware of the policy requirements and the revised procurement policy is being followed.

The reconciliation of the bank statements, VMS, and portables are being reconciled with the monthly general ledgers and 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, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-26

**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**

Our review of capital asset transactions as of June 30, 2013 revealed the following conditions:

- o Included in the Housing Choice Voucher Program general ledger captioned under other administrative expense was \$8,247.95 in cost incurred in connection with the renovation of the current office building. At June 30, 2013, we were unable to determine if the amount is included in the capitalized cost for the building renovation account.
- o Noted a variance between the detail capital assets ledger compared to the general ledger for the Low Rent Public Housing Program.

We noted through discussion with management of HACK that it has hired a fee accountant to assist in the completeness of its general ledger accounts.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**  
2013-26

**Questioned Costs**

None.

**Context**

Total capital assets, net at June 30, 2013 was \$4,984,108.

**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. This process should include the necessary adjustments to align to detail balances to the control account balances.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-26

**Management's Response and Planned Corrective Action**

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

The Accounting Technician and the Fee Accountant are working together with the Executive Director and EBRPHA staff in an effort to keep the accounting records up to date. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. The unaudited financial records for the year ended 2014 have been submitted to HUD REAC. Submission of the unaudited for the year ending June 30, 2015 financial records is schedule on or before September 15, 2015. All transactions posted to the general ledger are supported by proper documentation.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number**

2013-27

**Federal Award Program**

Low Rent Public Housing and Housing Choice Voucher 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**

Based on our review of the general ledger for the Low Rent Public Housing Program, we noted the following:

- o Tenants accounts receivable for the Low Rent Public Housing Program at June 30, 2013 of \$37,073 appears overstated in comparison to the detail tenant receivable schedule from the TENMAST software system of \$16,943 and in comparison to prior year's adjusted balance of \$1,498.
- o The June 30, 2013 security deposit register for the Low Rent Public Housing Program reflects a general ledger balance of \$20,174 compared to a detail ledger balance of \$22,705 and a standard deposit of \$28,105.
- o Bank reconciliation at June 30, 2013 prepared by in-house accountant include outstanding items totaling \$8,366 for which we were unable to verify their validity as outstanding items as the pertinent documents were unavailable.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
KENNER, LOUISIANA  
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**  
2013-27

**Condition, Continued**

- o A general ledger detail report provided for the Housing Choice Voucher Program at June 30, 2013 reflects \$8,247.95 in costs that appear to be potentially capitalizable cost within the established threshold for HACK.
- o The Housing Choice Voucher Program reflects at June 30, 2013 an amount described as compensated absence of \$4,764 for which we are unable to verify its validity.
- o The Housing Choice Voucher Program reflects portability income recorded for the year ended June 30, 2013 for \$1,629,470 which includes an estimated amount of approximately \$480,000 for which we are unable to review support for the basis for recordation. See findings reference numbers 2013-04 and 2013-24 for discussion regarding the portability receivable at June 30, 2013.
- o Depreciation for the Low Rent Public Housing Program for the year ended June 30, 2013 as recorded on its general ledger was \$316,357 compared to the detail subsidiary ledger amount of \$299,944. No depreciation is recorded in the general ledger for the Voucher Program.

**Questioned Costs**

None.

**Context**

Total amount of federal awards expended for the Low Rent Public Housing and Housing Choice Voucher Programs for the year ended June 30, 2013 were \$8,753,671.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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**Section III- Federal Award Findings and Questioned Costs, Continued**

**Reference Number, Continued**

2013-27

**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 current financial statements reporting processes for completeness and validity in recorded amounts.

**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. 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 reports.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
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**Section IV- Status of Prior Year's Findings and Questioned Costs**

**Reference Numbers**

2012-01 and 2012-18

**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 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.

**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  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

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

**Reference Numbers, Continued**

2012-01 and 2012-18

**Current Status**

Unresolved. See current year findings reference numbers 2013-01 and 2013-22.

In January 2013, HACK hired an Accounting Technician to manage the Finance Department of the agency 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.

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

The Accounting Technician and the Fee Accountant are working together with the Executive Director in an effort to keep the accounting records up to date. Monthly financial reports are being produced each month for presentation to the Board of Commissioners and HUD. The unaudited financial records for the year ended 2014 have been submitted to HUD REAC. Submission of the unaudited for the year ended June 30, 2015 financial records is scheduled on or before September 15, 2015.

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**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reference Number**

2012-02

**Condition**

The audited financial statements as of and for the year ended June 30, 2012 were not published by December 31, 2013 (statutory due date). This condition was the result of transitional challenges encountered by HACK.

This condition is similar to a previous finding reference number 2011-02.

**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.

**Current Status**

Unresolved. See current year's finding reference number 2013-02.

HACK completed and submitted for the year ended 2012 audit to the Legislative Auditor's Office in September 2014. HACK is expected to submit for the year ended 2013 audit this spring. HACK has already engaged the services of an accounting firm to perform the audit for the year ending 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.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

---

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

**Reference Numbers**

2012-04 and 2012-19

**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.

This condition is similar to a prior year finding reference number 2011-04.

**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.

**Current Status**

Unresolved. See current year findings reference numbers 2013-03 and 2013-23.

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 the agency's finances. The software system is being upgraded so HACK can make full use of all of the accounting features to ensure better management of the accounting and financial systems.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

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

**Reference Numbers**

2012-05 and 2012-21

**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.
- 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.

**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, 2013**

---

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

**Reference Numbers, Continued**

2012-05 and 2012-21

**Recommendation**

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

**Current Status**

Unresolved. See current year findings reference numbers 2013-05 and 2013-25.

HACK has put measures into place where as all deposits are made with 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 service for the agency. 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 is being performed between the Accounting Technician and the Fee Accountant to ensure accuracy of financial records and data.

**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, 2013**

---

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

**Reference Numbers**

2012-06 and 2012-22

**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.

**Recommendation**

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

**Current Status**

Unresolved. See current year findings reference number 2013-06 and 2013-26.

The Low Rent Public Housing Choice Voucher, and Capital Fund Programs general ledger currently reflect a complete presentation of capital assets to include the associated calculation of depreciation expense and classification. Monthly financial reports are provided which reveals these calculations.

**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, 2013**

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

**Reference Number**

2012-07

**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.

**Recommendation**

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

**Current Status**

Unresolved. See current year findings reference numbers 2013-04 and 2013-24.

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 reports.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

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

**Reference Number**

2012-08

**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.

**Recommendation**

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

**Current Status**

Unresolved. See current year's finding reference number 2013-08.

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's and re-submit the 50058 to HUD timely. If noted in the PIC system, HACK 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.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013

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

**Reference Number**

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.

**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.

**Current Status**

Unresolved. See current year's finding reference number 2013-09.

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. Each employee and their supervisor are required to be signed the bi-weekly payroll time sheet certification noting the time worked and leave slip are required to accompany the time sheets noting any time being away from work. The payroll time sheet and leave files are maintained in individual file for each employee for the calendar year and maintained in accordance with the file retention policy and procedure.

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FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reference Number**

2012-10

**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.

This condition is similar to prior year findings reference numbers 2011-05, 2011-06 and 2011-07.

**Recommendation**

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

**Current Status**

Unresolved. See current year's finding reference number 2013-10.

**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  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reference Number**

2012-11

**Condition**

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

**Recommendation**

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

**Current Status**

Unresolved. See current year's finding reference number 2013-11.

Staff has been trained on the proper methods to obtain third party verification of reported family income in accordance with the HVC 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  
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**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reference Number**

2012-12

**Condition**

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

**Recommendation**

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

**Current Status**

Resolved.

**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  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reference Number**

2012-13

**Condition**

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

**Recommendation**

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

**Current Status**

Unresolved. See current year's finding reference number 2013-13.

HACK did not maintain 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 beginning with year ended 2013.

**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, 2013**

---

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

**Reference Number**

2012-14

**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).

**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.

**Current Status**

Unresolved. See current year's finding reference number 2013-17.

**HACK** inspection staff completed the HQS inspections and completes the follow-up inspections are required under **HACK** HCV Program and HUD requirement. The HCV Program supervisor performs quality control on a 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  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

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

**Reference Number**

2012-15

**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.

**Recommendation**

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

**Current Status**

Resolved.

The HCV staff has received training on proper rent calculation procedures through private training Firm and the EBRPHA staff continues to work with HACK staff on all HCV Program requirements. HACK HCV 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.

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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

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

**Reference Number**

2012-16

**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.

**Recommendation**

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

**Current Status**

Resolved.

HACK has documents to support the Declaration of Trust (DOT) for the entire real estate owned property portfolio.

**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, 2013**

---

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

**Reference Number**

2012-17

**Condition**

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

**Recommendation**

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

**Current Status**

Unresolved. See current year's finding reference number 2013-16.

The unaudited financial records for year ended 2012 have been submitted to HUD REAC. HACK completed the year ended 2012 audit in September 2014 and the year ended 2013 audit should be submitted the Legislative Auditor's Office this Spring. HACK has already engaged the services of an accounting firm to perform the audit for 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  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

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

**Reference Number**

2012-20

**Condition**

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

**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.

**Current Status**

Unresolved. See current year's finding reference number 2013-14.

The CSSP Program requirements will be fully implemented during the year ended 2014. HACK lease agreement has been revised to include the CSSP requirements and a potential for lease violation and termination for non-performance or adherence to the CSSP policies.

**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, 2013**

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**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**

HUD has required the HACK to repay the amounts noted in the review from non-federal funds or the HACK unrestricted funds. In April 2015, HACK and HUD will enter into a repayment agreement which will allow HACK to repay the HAP funds in two installments starting May 1, 2015 and the other payment on May 1, 2016.

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---

**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**

HUD has required the HACK to repay the amounts noted in the review from non-federal funds or the HACK unrestricted funds. In April 2015, HACK and HUD will enter into a repayment agreement which will allow HACK to repay the HAP funds in two installments starting May 1, 2015 and the other payment on May 1, 2016.

**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.

Ultimate resolution of this finding rests with HUD.

**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, 2013**

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**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  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
FOR THE YEAR ENDED JUNE 30, 2013**

---

**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**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**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**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**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, 2013**

---

**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**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**Reference Number**

1D

**Recommendation**

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

**Current Status**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**HOUSING AUTHORITY OF THE CITY OF KENNER  
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SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED  
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---

**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**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**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**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**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, 2013**

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**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**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**Reference Number**

1H

**Recommendation**

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

**Current Status**

HACK is awaiting on a formal response from the New Orleans Field Office of the HUD to the OIG review.

**HOUSING AUTHORITY OF THE CITY OF KENNER**  
**KENNER, LOUISIANA**  
**SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED JUNE 30, 2013**

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**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, 2013**

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**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, 2013**

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**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**

This finding is 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, 2013**

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**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, 2013**

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**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, 2013**

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**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**

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, 2013**

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**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, 2013**

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**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, 2013**

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**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, 2013**

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**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, 2013**

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**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 of 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, 2013**

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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**

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

**BRUNO & TERVALON LLP  
CERTIFIED PUBLIC ACCOUNTANTS**

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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, 2013, 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 March 13, 2015. This letter does not affect our report dated March 13, 2015 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*

2013

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

**Reference Number**

OM 2013-01

**Condition**

For the years ended June 30, 2013 and 2012, HACK incurred net operating losses of \$1,776,183 and \$2,008,403, respectively.

**Recommendation**

Management should review the operating loss trend with an aim towards cost containment and/or revenue enhancement within the parameters of HUD regulations to reverse the trend.

**Management's Response and Planned Corrective Action**

Each month, the staff and the Fee Accountant are reviewing the operating budgets for the Public Housing Program and Housing Choice Voucher Program to ensure the expenditures do not exceed the revenue for the year. Additionally, the staff and the Fee Accountant are monitoring the Housing Assistance Payments to the various owners to ensure the HAP expenses are not exceeding the Budget Authority for the year. Additionally, HACK makes sure the full Budget Authority (Housing Assistance Payments) and HUD held HAP for HACK is used during the year.

It must be noted that HACK did not receive any operating subsidy for the Public Housing Program due to the HUD recapture procedures.

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

*Current Year's Other Matters, Continued*

**2013**

**Reference Number**

OM 2013-02

**Condition**

Minutes of the Board of Commissioners for meetings held for 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**

HACK is currently maintaining the minutes of the meetings of the Board of Commissioners of HACK on a monthly basis by fiscal year. 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*

**2013**

**Reference Number**

OM 2013-03

**Condition**

HACK does not have a formalized cost allocation plan. We noted based on our review of selected transactions, for the audit period, the allocation of shared common cost on a transaction basis.

This condition is similar to a prior year other matter reference number OM 2012-03.

**Recommendation**

Management should develop and implement a cost allocation policy to ensure its completeness in the periodic allocation of share common cost pursuant to approved Board policy and/or budget approval. Further, such a policy should ensure compliance with OMB Circular 87.

**Management's Response and Planned 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.

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

*Current Year's Other Matters, Continued*

**2013**

**Reference Number**

OM 2013-04

**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 currently makes deposit on a daily basis. A deposit policy will be adopted during the year ended June 30, 2015. 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*

**2013**

**Reference Number**

OM 2013-05

**Condition**

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

For the year ended June 30, 2012 and 2013, the Data Collection Form have 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**

The unaudited financial records for the year ended 2012 have been submitted to HUD REAC. HACK completed the year ended 2012 audit in September 2014 and the year ended 2013 audit should be submitted the Legislative Auditor's office this spring. HACK has already engaged the services of an accounting firm (Yeager and Boyd, LLC of Birmingham, Alabama) to perform the audit for 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.

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

*Current Year's Other Matters, Continued*

2013

**Reference Number**

OM 2013-06

**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 2011-01 and OM 2011-03.

**Recommendation**

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

**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 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)**

*Current Year's Other Matters, Continued*

**2013**

**Reference Number**

OM 2013-07

**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 2011-05.

**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.

**Management's Response and Planned Corrective Action**

HACK has developed a payable 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*

**2012**

**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.

**Current Status**

Unresolved.

See current year's other matter reference number OM 2013-02.

**HACK** is currently maintaining the minutes of the meeting of the Board of Commissioners of **HACK** on a monthly basis by fiscal year. The minutes are signed by the Chairman and the Executive Director/Secretary.

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

*Status of Prior 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.

**Current Status**

Resolved.

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

*Status Prior 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.

This condition is similar to a prior year other matter reference number OM 2011-07.

**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.

**Current Status**

Unresolved. See current year's section of this report for reference number OM 2013-03.

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.

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

*Status of Prior 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.

**Current Status**

Unresolved. See current year's section of this report for other matter reference number OM 2013-04.

HACK currently makes deposit on a day basis. A deposit policy will be adopted during the year ended June 30, 2015. 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)**

*Status of Prior 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 conditions reference numbers 2010-05 and OM 2011-04.

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.

**Current Status**

Resolved.

HACK follows the City of Kenner, Louisiana Disaster Recovery Plan; however, HACK will develop a 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*

**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.

**Current Status**

Unresolved. See current year's section of this report for other matter reference number OM 2013-05.

The unaudited financial records for the year ended 2012 have been submitted to HUD REAC. HACK completed the year ended 2012 audit in September 2014 and the year ended 2013 audit should be submitted to the Legislative Auditor's office this spring. HACK has already engaged the services of an accounting firm (Yeager and Boyd, LLC of Birmingham, Alabama) to perform the audit for 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.

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

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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.

*Bruno & Tervalon LLP*

**BRUNO & TERVALON LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**  
New Orleans, Louisiana

March 13, 2015