

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

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

FOR THE YEAR ENDED JUNE 30, 2010

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 3/23/11

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying statement of net assets-enterprise fund of **Housing Authority of the City of Kenner (HACK)**, as of and for the year ended June 30, 2010, and the related statements of revenues, expenses and changes in fund net assets and cash flows - enterprise fund for the year then ended. These financial statements are the responsibility of **HACK's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **HACK's** internal control over financial reporting. Accordingly, we do not express such an opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **HACK** as of June 30, 2010, and the respective changes in net assets 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Commissioners
Housing Authority of the City of Kenner
Kenner, Louisiana
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In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2011 on our consideration of **HACK's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of the testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit. Also, that report contained instances of non-compliance.

The management's discussion and analysis on pages 3 through 10 is not a required part of the accompanying financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011



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

As management of **Housing Authority of the City of Kenner (HACK)**, we offer readers of **HACK's** financial statements this narrative overview and analysis of the financial activities of **HACK** for the years ended June 30, 2010 and 2009. We encourage readers to consider the information presented here in conjunction with **HACK's** audited financial statements.

FINANCIAL HIGHLIGHTS

The assets of **HACK** exceeded its liabilities by \$10,963,335 and \$9,071,407 at June 30, 2010 and 2009, respectively. Of these amounts, \$3,011,474 and \$2,040,080 (*unrestricted net assets*) may be used to meet **HACK's** ongoing obligations to citizens and creditors.

Also, included in total net assets is restricted net assets of \$2,409,201 and \$1,583,728 for the years ended June 30, 2010 and 2009. The restricted net assets of \$2,409,201 and \$1,583,728 for 2010 and 2009, are reserved for future housing assistance payments.

The remainder of \$5,542,660 and \$5,447,599 at June 30, 2010 and 2009, represent for each year, a restriction equal to the net amount invested in land, building and building improvements, equipment and construction-in-progress.

Most of the current assets for **HACK** at June 30, 2010 and 2009 consisted of cash and investment.

HACK's significant operating expenses for the years ended June 30, 2010 and 2009, were salaries and related benefits, depreciation, contractual services, insurance, utilities and housing assistance payments to landlords participating in its Voucher Programs.

Grants and subsidies from the United States Housing and Urban Development constitutes 99% of its non-operating revenues with dwelling income accounting for 100% of its operating revenues for the years ended June 30, 2010 and 2009.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

REPORTING ON HACK AS A WHOLE

One of the most important questions asked about HACK's finances, "Is HACK as a whole better off, or worse off, as a result of the achievements of fiscal years 2010 and 2009" The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Fund Net Assets 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* 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 an 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.

Section 8 Housing Assistance-Housing Choice Vouchers- The Housing Choice Voucher Program, assists low income families with their rental payments in the private market. A housing assistance payment is paid directly to landlords on behalf of the families on the program. The families pay the difference between the rent charged by the landlord and the housing assistance payment provided by the program. HACK is paid by HUD to administer the program.

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

Veterans Affairs Supportive Housing Program - This program combines Housing Choice Voucher rental assistance for homeless veterans with other services provided by the Department of Veterans Affairs.

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

USING THIS ANNUAL REPORT

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

Our auditor has provided assurance in his independent auditor's report located immediately preceding this MD&A, that the basic financial statements are fairly stated. 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 assets. 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 assets were \$10,963,335 and \$9,071,407 at June 30, 2010 and 2009. Of these amounts, \$3,011,474 and \$2,040,080 were unrestricted at June 30, 2010 and 2009, with \$3,011,474 and \$2,040,080 for 2010 and 2009 in restricted net assets. The restricted net assets is reserved for future housing assistance payments and security deposit held on behalf of tenants. The unrestricted net assets of **HACK**, are available for future use to provide program services.

Table 1
Condensed Statement of Net Assets

The following table represents a condensed Statement of Net Assets as of June 30, 2010 and 2009:

Condensed Statement of Net Assets		
June 30		
Assets		
	<u>2010</u>	<u>2009</u>
Current assets	\$ 3,128,155	\$2,195,969
Restricted assets	2,431,451	1,576,557
Capital assets, net	<u>5,542,660</u>	<u>5,447,599</u>
Total assets	<u>11,102,266</u>	<u>9,220,125</u>
Liabilities and Net Assets		
Current liabilities	129,445	139,213
Long-term liabilities	<u>9,486</u>	<u>9,505</u>
Total liabilities	<u>138,931</u>	<u>148,718</u>
Net assets:		
Invested in capital assets, net	5,542,660	5,447,599
Restricted	2,409,201	1,583,728
Unrestricted	<u>3,011,474</u>	<u>2,040,080</u>
Total net assets	<u>\$10,963,335</u>	<u>\$9,071,407</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 Assets

The following table reflects the condensed Statement of Revenues, Expenses, and Changes in Fund Net Assets for the years ended June 30, 2010 and 2009:

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

	<u>2010</u>	<u>2009</u>
Revenues:		
Operating revenues	\$ <u>232,194</u>	\$ <u>222,821</u>
Total operating revenues	232,194	222,821
Expenses:		
Operating expenses	<u>(9,023,677)</u>	<u>(5,899,102)</u>
Total operating expenses	<u>(9,023,677)</u>	<u>(5,899,102)</u>
Non-operating revenues:		
Non-operating revenues	<u>10,720,455</u>	<u>5,737,948</u>
Total non-operating revenues	<u>10,720,455</u>	<u>5,737,948</u>
Change in net assets	1,928,972	61,667
Net assets, beginning of year, as restated	<u>9,034,363</u>	<u>9,009,740</u>
Net assets, end of year	<u>\$10,963,335</u>	<u>\$ 9,071,407</u>

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

EXPLANATIONS OF FINANCIAL ANALYSIS

At June 30, 2010 and 2009 current assets reflected the impact of changes in net assets resulting in a combination of an increase in cash and investment in 2010 and 2009.

The 2010, increase in cash from 2009 is primarily the result of the level of funding in 2010 and resulting net change in assets.

For 2009, cash included insurance proceeds resulting from damages to **HACK's** capital assets as a result of the impact of Hurricane Katrina.

Changes in capital assets of 1.7% in 2010 and 2.2% in 2009 were due primary to the net of additions, retirement and depreciation expense for the respective years. The additions in 2010 of approximately \$399,486, and \$225,722 in 2009 were funded through capital funds available for modernization projects.

The only significant change in liabilities at June 30, 2010 and 2009, was due to the timing in the payment of outstanding obligations. In 2010 the net change in liabilities included deferred revenues of \$32,578.

Total net assets at June 30, 2010 changed by 21% to the .9% at June 30, 2009. The major reason for the increase in 2010 is the level of funding afforded to the Voucher Program. For 2009, the major reasons for the decrease is a net combination of a 13% decrease in operating revenues coupled with a 27% increase in operating expenses (mostly housing assistance payments) and a 15% increase in non-operating revenues.

For 2009 the change in net assets was due to the net combination of a change in the level of funding for the Housing Choice Voucher Program coupled with an offset in housing assistance payments to landlords.

Compared with prior years, total operating and non-operating revenues increased in 2010 by \$4,982,507 and in 2009 by \$721,748 from a combination of larger offsetting factors.

Reasons for most of these changes are listed below:

- o Federal revenues from HUD for operations during 2010 increased by \$5,017,768 and \$1,467,074 in 2009. The increase in both years resulted from an increase in the level of housing assistance funding provided by HUD. Rental revenues for 2010 increased like that for 2009.

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

EXPLANATIONS OF FINANCIAL ANALYSIS, CONTINUED

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

- o Capital project grants funded based on the availability of funds from HUD, increased during 2010 and 2009. HACK completed projects funded by grants from HUD for program years 2007 and 2008. The 2009 funding completed at June 30, 2010 pending the filing of a cost certificate.

Total operating expenses increased by \$3,124,575 during 2010 and \$1,264,497 during 2009.

Reasons for most of these changes are listed below:

- An increase in the number of leased-up units during 2010 and 2009 contributed to the significant increases in the amount of housing assistance payments disbursed to landlords.
- Other changes in operating expenses for 2010 and 2009, 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, 2010 and 2009, HACK had \$11,566,496 and \$11,165,533 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 2010, represents a net increase in capital assets of \$95,061 or 1.7% and \$123,911 or 2.2% in 2009.

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

CAPITAL ASSET AND DEBT ADMINISTRATION, CONTINUED

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

	Capital Assets	
	June 30	
	<u>2010</u>	<u>2009</u>
Capital assets	\$11,566,496	\$11,165,533
Less: accumulated depreciation	<u>(6,023,836)</u>	<u>(5,717,934)</u>
Capital assets, net	<u>\$ 5,542,660</u>	<u>\$ 5,447,599</u>

No debt was issued for these additions.

Debt

Our long-term debt consists of accrued annual leave of \$9,486. 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 ending June 30, 2011, have been approved by HUD. See the accompanying notes for additional discussion regarding the Capital Fund Program activities at June 30, 2010 and 2009.

CONTACTING HACK FOR ADDITIONAL INFORMATION

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

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF NET ASSETS--ENTERPRISE FUND
JUNE 30, 2010**

ASSETS

Current Assets:		
Unrestricted:		
Cash (NOTE 2)		\$ 2,244,866
Amounts receivable (NOTE 12)		254,875
Prepaid items (NOTE 15)		93,410
Investment (NOTE 6)		<u>535,004</u>
Total unrestricted current assets		<u>3,128,155</u>
Restricted:		
Cash (NOTE 3)		<u>2,431,451</u>
Total restricted cash		<u>2,431,451</u>
Total current assets		<u>5,559,606</u>
Non-current assets:		
Capital assets, net (NOTES 4 AND 11)		<u>5,542,660</u>
Total non-current assets		<u>5,542,660</u>
Total assets		<u>11,102,266</u>

LIABILITIES

Current Liabilities:		
Amounts payable (NOTE 17)		53,040
Compensated absences payable (NOTE 13)		20,351
Payroll taxes and other withholding payable		1,226
Deferred revenues (NOTE 18)		32,578
Security deposits held for tenants (NOTE 3)		<u>22,250</u>
Total current liabilities		<u>129,445</u>
Non-current liabilities:		
Compensated absences payable (NOTE 13)		<u>9,486</u>
Total non-current liabilities		<u>9,486</u>
Total liabilities		<u>138,931</u>

NET ASSETS

Invested in capital assets, net		5,542,660
Restricted (NOTE 16)		2,409,201
Unrestricted		<u>3,011,474</u>
Total net assets		<u>\$10,963,335</u>

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS--ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

Operating Revenues:	
Dwelling rental	\$ 223,093
Fees and charges	<u>9,101</u>
Total operating revenues	<u>232,194</u>
Operating Expenses:	
Salaries and employee benefits	509,078
Materials and other	24,882
Contractual services	115,224
Garbage and trash removal	20,666
Utilities	51,300
Depreciation	305,902
Insurance	107,691
Housing assistance payments	7,790,111
Convention and travel	8,237
Telephone	12,350
Bad debt expense	1,738
Portability fees	50,847
Supplies	10,540
Postage	8,080
Other	<u>7,031</u>
Total operating expenses	<u>9,023,677</u>
Operating loss	<u>(8,791,483)</u>

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

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS--ENTERPRISE FUND, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Non-operating Revenues:	
Grants and subsidies	\$10,707,049
Interest income	<u>13,406</u>
Total non-operating revenues	<u>10,720,455</u>
Change in net assets	1,928,972
Net assets, beginning of year, as restated	<u>9,034,363</u>
Net assets, end of year	<u>\$10,963,335</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, 2010**

Cash Flows from Operating Activities:	
Receipts from tenants	\$ 235,321
Interest received	13,406
Payments to vendors for goods and services	(513,220)
Payments to landlords	(7,840,958)
Payments to employees	<u>(509,078)</u>
Net cash used by operating activities	<u>(8,614,529)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition of capital assets	<u>(399,486)</u>
Cash used by capital and related financing activities	<u>(399,486)</u>
Cash Flows from Noncapital Financing Activities:	
Subsidy from federal grants	<u>10,643,152</u>
Cash provided by noncapital financing activities	<u>10,643,152</u>
Cash Flow from Investing Activities:	
Proceeds from investments	<u>1,411,402</u>
Cash provided by investing activities	<u>1,411,402</u>
Net increase in cash	3,040,539
Cash, beginning of year	<u>1,635,778</u>
Cash, end of year	<u>\$ 4,676,317</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, 2010

Reconciliation of Operating Loss to Net Cash Used in Operating Activities:	
Operating loss	\$(8,791,483)
Adjustment to Reconcile Operating Loss to Net Cash Used by Operating Activities:	
Depreciation	305,902
Bad debt	1,738
Adjustment to beginning net assets	37,044
Changes in assets and liabilities:	
Increase in amounts receivable, net	(145,502)
Increase in prepaid items	(12,441)
Decrease in amounts and other payables	(46,139)
Increase in security deposits held for tenants	1,968
Increase in payroll taxes payable	237
Increase in compensated absences payable	1,569
Increase in deferred revenues	<u>32,578</u>
Net cash used by operating activities	<u><u>\$(8,614,529)</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

NOTE 1 - Summary of Significant Accounting Policies:

Background

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

As of June 30, 2010, **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 (Disaster Housing Assistance and Veterans Supportive Housing) Programs, **HACK** provides funds in the form of rental subsidies to owners on behalf of the tenants.

Financial Reporting Entity

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

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

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

NOTE 1 - Summary of Significant Accounting Policies, Continued

Financial Reporting Entity, Continued

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

Basis of Presentation

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

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

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

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

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Basis of Presentation, Continued

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

Measurement Focus and Basis of Accounting and Financial Statement Presentation

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

- *Invested in capital assets, net* - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

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

- *Restricted* - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted net assets* - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

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.

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;

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

- 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.

Budgets

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

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

Estimates

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

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Statement of Cash Flows

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

Capital Assets

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

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

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

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

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

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Capital Assets, Continued

Using accounting principles generally accepted in the United States of America, capital assets are to be reviewed for impairment. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. At June 30, 2010, management has determined that the provisions of GASB No. 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries" does not materially affect the accompanying financial statements.

Compensated Absences

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

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

Interprogram Activities

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

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

NOTE 1 - Summary of Significant Accounting Policies Continued

Interprogram Activities, Continued

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

Amounts Receivable

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

Reclassifications

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

Total Memorandum Only

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

NOTE 2 - Cash:

At June 30, 2010, 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	.25	N/A	\$ <u>2,244,866</u>	\$ <u>2,244,866</u>
			\$ <u>2,244,866</u>	\$ <u>2,244,866</u>

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

NOTE 2 - Cash, Continued:

At June 30, 2010, the carrying amount of **HACK's** cash deposits was \$2,244,866 and the cumulative bank balance was \$2,275,628. 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, 2010, restricted cash consisted of \$22,250 in security deposits received and held on behalf of tenants. Also, included in restricted cash is \$2,409,201 in Housing Assistance Payments (HAP) restricted for future HAP payments. These deposits are stated at cost, which approximates market. At June 30, 2010 the cash deposit and cumulative bank balance were \$2,431,451, respectively.

NOTE 4 - Capital Assets, Net:

At June 30, 2010, capital assets, net consisted of the following:

	Balance July 1, <u>2009</u>	<u>Additions</u>	<u>Other Changes</u>	Balance June 30, <u>2010</u>
Land and land improvements	\$ 2,546,973	\$ -0-	\$ -0-	\$ 2,546,973
Buildings and building improvements	7,979,612	97,167	251,602	8,328,381
Equipment	387,346	30,776	1,477	419,599
Construction-in-progress	<u>251,602</u>	<u>271,543</u>	<u>(251,602)</u>	<u>271,543</u>
Total	11,165,533	399,486	1,477	11,566,496
 Less accumulated depreciation	 (<u>5,717,934</u>)	 (<u>305,902</u>)	 <u>-0-</u>	 (<u>6,023,836</u>)
Total	\$ <u>5,447,599</u>	\$ <u>93,584</u>	\$ <u>1,477</u>	\$ <u>5,542,660</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, 2010.

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

NOTE 6 - Investment:

At June 30, 2010, investment consisted of a certificate of deposit as follows:

<u>Description</u>	<u>Rate (%)</u>	<u>Maturity</u>	<u>Carrying Value</u>	<u>Approximate Market Value</u>
Certificate of Deposit	.747	12/23/10	\$535,004	\$535,004
			<u>\$535,004</u>	<u>\$535,004</u>

NOTE 7 - Retirement System:

Plan Description

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

Plan Funding

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

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

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

NOTE 7 - Retirement System:

Plan Funding, Continued

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

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

HACK's total payroll for the year ended June 30, 2010 was \$312,418. **HACK's** contributions were calculated using the base salary amount for covered employees of \$210,694. **HACK** made the required contributions of \$12,641 for the year ended June 30, 2010.

NOTE 8 - Risk Management:

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

NOTE 9 - Concentration of Credit Risk:

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

NOTE 10 - Contingencies:

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

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

NOTE 11 - Commitments:

At June 30, 2010, **HACK** has executed capital fund program awards with the U.S. Department of Housing and Urban Development totaling \$917,869. (See Schedules IV and V). Cumulative outstanding commitments at June 30, 2010, was \$212,686.

NOTE 12 - Amounts Receivable:

At June 30, 2010, amounts receivable consisted of the following:

Amounts receivable - HUD	\$180,733
Amounts receivable - others	72,456
Amounts receivable - Tenant	<u>1,686</u>
	<u>\$254,875</u>

NOTE 13 - Changes in Non-current Liabilities:

At June 30, 2010 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	\$ 18,763	\$9,505	\$ 28,268
Addition	20,901	-0-	20,901
Retirement	<u>(19,313)</u>	<u>(19)</u>	<u>(19,332)</u>
End of year	<u>\$ 20,351</u>	<u>\$9,486</u>	<u>\$ 29,837</u>

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

NOTE 14 - Adjustments to Beginning Net Assets:

The net adjustments to beginning net assets results primarily from a prior period adjustments to properly state capital assets.

NOTE 15 - Prepaid Items:

At June 30, 2010, prepaid items consisted of the following:

Prepaid insurance	\$87,830
Prepaid maintenance	<u>5,580</u>
	<u>\$93,410</u>

NOTE 16 - Restricted Net Assets:

Restricted net assets at June 30, 2010 of \$2,409,201 represents reserves for future housing assistance payments.

NOTE 17 - Amounts Payable:

At June 30, 2010 amounts payable consisted of payments due to vendors of \$53,040.

NOTE 18 - Deferred Revenues:

At June 30, 2010 deferred revenues consisted of the following:

Prepaid operating subsidy	\$30,928
Prepaid tenant rent	<u>1,650</u>
	<u>\$32,578</u>

SUPPLEMENTARY INFORMATION



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

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

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

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

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

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information (Schedules II, III, IV, and V) 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, and in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION
(CONTINUED)

Also, the supplementary information (Exhibits I and II), which 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 the auditing procedures applied in the audit of the financial statements and, in our opinion, is 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

January 27, 2011

EXHIBIT I

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
COMBINING STATEMENT OF NET ASSETS--ENTERPRISE FUND
JUNE 30, 2010**

	Operating Fund Program	Capital Fund Program	Sub-total	Voucher Programs	Totals (Memorandum Only)
ASSETS					
Cash	\$ 932,894	\$ -0-	\$ 932,894	\$1,311,972	\$ 2,244,866
Restricted cash	22,250	-0-	22,250	2,409,201	2,431,451
Amounts receivable	1,686	-0-	1,686	72,456	74,142
Amounts receivable-HUD	-0-	135,025	135,025	45,708	180,733
Prepaid items	82,934	-0-	82,934	10,476	93,410
Investments	535,004	-0-	535,004	-0-	535,004
Due from other funds	214,105	-0-	214,105	-0-	214,105
Capital assets, net	5,198,387	271,543	5,469,930	72,730	5,542,660
Total assets	<u>6,987,260</u>	<u>406,568</u>	<u>7,393,828</u>	<u>3,922,543</u>	<u>11,316,371</u>
LIABILITIES					
Liabilities:					
Amounts payable	40,712	10,750	51,462	1,578	53,040
Compensated absences payable	16,317	-0-	16,317	13,520	29,837
Payroll taxes and other withholding payable	1,226	-0-	1,226	-0-	1,226
Security deposits held for tenants	22,250	-0-	22,250	-0-	22,250
Deferred revenues	32,578	-0-	32,578	-0-	32,578
Due to other funds	-0-	124,275	124,275	89,830	214,105
Total liabilities	<u>113,083</u>	<u>135,025</u>	<u>248,108</u>	<u>104,928</u>	<u>353,036</u>
Net Assets					
Invested in capital assets, net	5,198,387	271,543	5,469,930	72,730	5,542,660
Restricted	-0-	-0-	-0-	2,409,201	2,409,201
Unrestricted	1,675,790	-0-	1,675,790	1,335,684	3,011,474
Total net assets	<u>\$6,874,177</u>	<u>\$271,543</u>	<u>\$7,145,720</u>	<u>\$3,817,615</u>	<u>\$10,963,335</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 ASSETS--ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2010

	Operating Fund Program	Capital Fund Program	Sub-total	Voucher Programs	Totals (Memorandum Only)
Operating Revenues:					
Dwelling rental	\$ 223,093	\$ -0-	\$ 223,093	\$ -0-	\$ 223,093
Fees and charges	9,101	-0-	9,101	-0-	9,101
Total operating revenues	232,194	-0-	232,194	-0-	232,194
Operating Expenses:					
Salaries and employee benefits	271,715	-0-	271,715	237,363	509,078
Materials and other	24,882	-0-	24,882	-0-	24,882
Contractual services	89,955	-0-	89,955	25,269	115,224
Garbage and trash removal	20,666	-0-	20,666	-0-	20,666
Utilities	51,300	-0-	51,300	-0-	51,300
Depreciation	305,754	-0-	305,754	148	305,902
Insurance	96,318	-0-	96,318	11,373	107,691
Housing assistance payments	-0-	-0-	-0-	7,790,111	7,790,111
Convention and travel	1,641	-0-	1,641	6,596	8,237
Telephone	6,160	-0-	6,160	6,190	12,350
Bad debt expense	1,738	-0-	1,738	-0-	1,738
Portability fees	-0-	-0-	-0-	50,847	50,847
Supplies	4,074	-0-	4,074	6,466	10,540
Postage	1,969	-0-	1,969	6,111	8,080
Other	4,462	-0-	4,462	2,569	7,031
Total operating expenses	880,634	-0-	880,634	8,143,043	9,023,677
Operating loss	(648,440)	-0-	(648,440)	(8,143,043)	(8,791,483)

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 ASSETS--ENTERPRISE FUND, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

	Operating Program	Capital Fund Program	Sub-total	Voucher Programs	Totals (Memorandum Only)
Non-operating revenues:					
Grants and subsidies	\$ 359,100	\$ 411,129	\$ 770,229	\$9,936,820	\$10,707,049
Interest income	<u>8,067</u>	<u>-0-</u>	<u>8,067</u>	<u>5,339</u>	<u>13,406</u>
Total non-operating revenues	<u>367,167</u>	<u>411,129</u>	<u>778,296</u>	<u>9,942,159</u>	<u>10,720,455</u>
Change in net assets	(281,273)	411,129	129,856	1,799,116	1,928,972
Net assets, beginning of year, as restated	6,764,262	251,602	7,015,864	2,018,499	9,034,363
Equity transfers in (out)	<u>391,188</u>	<u>(391,188)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Net assets, end of year	<u>\$6,874,177</u>	<u>\$ 271,543</u>	<u>\$7,145,720</u>	<u>\$3,817,615</u>	<u>\$10,963,335</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, 2010

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
Program funded by the U.S. Department of Housing and Urban Development (HUD):		
<u>Subject to Annual Contributions Contracts</u>		
PHA owned Housing Program	14.850a	\$ 359,100
Housing Choice Voucher Program	14.871	6,490,061
Capital Fund Program	14.872	139,586
Capital Fund Stimulus Grant	14.885	271,543
Disaster Housing Assistance Grant	97.109	2,478,995
Veterans Affairs Supportive Housing Program	14.VSH HUD	<u>967,764</u>
Total		<u>\$10,707,049</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, 2010

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
111	Cash - unrestricted	\$932,894	\$1,311,972	\$2,244,866
113	Cash - other restricted	-0-	2,409,201	2,409,201
114	Cash - tenant security deposits	<u>22,250</u>	<u>-0-</u>	<u>22,250</u>
100	Total cash	<u>955,144</u>	<u>3,721,173</u>	<u>4,676,317</u>
121	Accounts receivable - PHA projects	<u>-0-</u>	<u>72,456</u>	<u>72,456</u>
122	Accounts receivable - HUD other projects	<u>135,025</u>	<u>45,708</u>	<u>180,733</u>
126	Accounts receivable - tenants	<u>1,686</u>	<u>-0-</u>	<u>1,686</u>
	Total receivables, net of allowance allowances for doubtful accounts	<u>136,711</u>	<u>118,164</u>	<u>254,875</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, 2010**

LINE ITEM NO.	ACCOUNT DESCRIPTION	TOTAL PROJECTS	TOTAL PROGRAMS	TOTALS (MEMORANDUM ONLY)
131	Investments - unrestricted	\$ 535,004	\$ -0-	\$ 535,004
142	Prepaid expenses and other assets	82,934	10,476	93,410
144	Interprogram due from	<u>214,105</u>	<u>-0-</u>	<u>214,105</u>
150	Total current assets	<u>1,923,898</u>	<u>3,849,813</u>	<u>5,773,711</u>
161	Land	2,475,572	71,401	2,546,973
162	Buildings	8,328,381	-0-	8,328,381
163	Furniture, equipment and machinery-dwellings	194,808	-0-	194,808
164	Furniture, equipment and machinery-administration	201,796	22,995	224,791
166	Accumulated depreciation	<u>(6,002,170)</u>	<u>(21,666)</u>	<u>(6,023,836)</u>
167	Construction in progress	<u>271,543</u>	<u>-0-</u>	<u>271,543</u>
160	Total capital assets, net of accumulated depreciation	<u>5,469,930</u>	<u>72,730</u>	<u>5,542,660</u>
180	Total non-current assets	<u>5,469,930</u>	<u>72,730</u>	<u>5,542,660</u>
190	Total assets	<u>\$ 7,393,828</u>	<u>\$ 3,922,543</u>	<u>\$ 11,316,371</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, 2010**

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
312	Accounts payable ≤90 days	\$ 51,462	\$ 1,578	\$ 53,040
321	Accrued wage/payroll taxes payable	1,226	-0-	1,226
322	Accrued compensated absences-current portion	11,865	8,486	20,351
341	Tenant security deposits	22,250	-0-	22,250
342	Deferred revenues	32,578	-0-	32,578
347	Interprogram due to	<u>124,275</u>	<u>89,830</u>	<u>214,105</u>
310	Total current liabilities	<u>243,656</u>	<u>99,894</u>	<u>343,550</u>
354	Accrued compensated absences non-current	<u>4,452</u>	<u>5,034</u>	<u>9,486</u>
350	Total non-current liabilities	<u>4,452</u>	<u>5,034</u>	<u>9,486</u>
300	Total liabilities	<u>248,108</u>	<u>104,928</u>	<u>353,036</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, 2010

<u>LINE ITEM NO.</u>	<u>ACCOUNT DESCRIPTION</u>	<u>TOTAL PROJECTS</u>	<u>TOTAL PROGRAMS</u>	<u>TOTALS (MEMORANDUM ONLY)</u>
508.1	Invested in capital assets, net of related debt	\$5,469,930	\$ 72,730	\$ 5,542,660
511.1	Restricted net assets	-0-	2,409,201	2,409,201
512.1	Unrestricted net assets	<u>1,675,790</u>	<u>1,335,684</u>	<u>3,011,474</u>
513	Total equity/net assets	<u>7,145,720</u>	<u>3,817,615</u>	<u>10,963,335</u>
600	Total liabilities and equity/net assets	<u>\$7,393,828</u>	<u>\$3,922,543</u>	<u>\$11,316,371</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, 2010

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	CAPITAL FUND STIMULUS GRANT	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	VETERANS AFFAIRS SUPPORTIVE HOUSING PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAMS
70300	Net tenant rental revenue	\$223,093	\$ -0-	\$ -0-	\$ 223,093	\$ -0-	\$ -0-	\$ -0-	\$ -0-
70400	Tenant revenue - other	9,101	-0-	-0-	9,101	-0-	-0-	-0-	-0-
70500	Total tenant revenue	232,194	-0-	-0-	232,194	-0-	-0-	-0-	-0-
70600-010	Housing assistance payments	-0-	-0-	-0-	-0-	5,898,312	967,764	2,396,137	9,262,213
70600-020	Ongoing administrative fees earned	-0-	-0-	-0-	-0-	591,749	-0-	82,858	674,607
70600	HUD PHA operating grants	359,100	-0-	-0-	359,100	6,490,061	967,764	2,478,995	9,936,820
70610	Capital grants	-0-	139,586	271,543	411,129	-0-	-0-	-0-	-0-
71100	Investment income - unrestricted	8,067	-0-	-0-	8,067	587	-0-	-0-	587
72000	Investment income - restricted	-0-	-0-	-0-	-0-	1,711	3,041	-0-	4,752
70000	Total revenue	599,361	139,586	271,543	1,010,490	6,492,359	970,805	2,478,995	9,942,159

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, 2010

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	CAPITAL FUND STIMULUS GRANT	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	VETERANS AFFAIRS SUPPORTIVE HOUSING PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAMS
91100	Administrative salaries	\$ 85,032	\$-0-	\$-0-	\$ 85,032	\$168,181	\$-0-	\$-0-	\$168,181
91200	Auditing fees	5,775	-0-	-0-	5,775	17,325	-0-	-0-	17,325
91300	Employee benefit contributions-administrative	42,679	-0-	-0-	42,679	58,631	-0-	-0-	58,631
91600	Office expenses	12,603	-0-	-0-	12,603	18,766	-0-	-0-	18,766
91700	Legal expense	550	-0-	-0-	550	-0-	-0-	-0-	-0-
91800	Travel	1,641	-0-	-0-	1,641	6,596	-0-	-0-	6,596
91900	Other expense	6,136	-0-	-0-	6,136	7,944	-0-	-0-	7,944
91000	Total operating - administrative	154,416	-0-	-0-	154,416	277,443	-0-	-0-	277,443
92400	Tenant services - other	300	-0-	-0-	300	-0-	-0-	-0-	-0-
92500	Total tenant services	300	-0-	-0-	300	-0-	-0-	-0-	-0-
93100	Water	9,672	-0-	-0-	9,672	-0-	-0-	-0-	-0-
93200	Electricity	10,898	-0-	-0-	10,898	-0-	-0-	-0-	-0-
93300	Gas	20,829	-0-	-0-	20,829	-0-	-0-	-0-	-0-
93800	Other utilities	9,901	-0-	-0-	9,901	-0-	-0-	-0-	-0-
93000	Total utilities	51,300	-0-	-0-	51,300	-0-	-0-	-0-	-0-

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, 2010

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	CAPITAL FUND STIMULUS GRANT	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	VETERANS AFFAIRS SUPPORTIVE HOUSING PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAMS
94100	Ordinary maintenance and operations-labor	\$116,362	\$-0-	\$-0-	\$116,362	\$-0-	\$-0-	\$-0-	\$-0-
94200	Ordinary maintenance and operations-materials and other	24,882	-0-	-0-	24,882	-0-	-0-	-0-	-0-
94300-010	Ordinary maintenance and operations contracts-garbage and trash removal contracts	20,666	-0-	-0-	20,666	-0-	-0-	-0-	-0-
94300-020	Ordinary maintenance and operations contracts-heating and cooling contracts	42,670	-0-	-0-	42,670	-0-	-0-	-0-	-0-
94300-030	Ordinary maintenance and operations contracts-landscape and grounds contracts	4,782	-0-	-0-	4,782	-0-	-0-	-0-	-0-
94300-060	Ordinary maintenance and operations contracts-utility turnaround contracts	17,957	-0-	-0-	17,957	-0-	-0-	-0-	-0-
94300-070	Ordinary maintenance and operations contracts-electrical contracts	4,613	-0-	-0-	4,613	-0-	-0-	-0-	-0-
94300-080	Ordinary maintenance and operations contracts-plumbing contracts	720	-0-	-0-	720	-0-	-0-	-0-	-0-
94300-090	Ordinary maintenance and operations contracts-extermination contracts	5,702	-0-	-0-	5,702	-0-	-0-	-0-	-0-
94300-120	Ordinary maintenance and operations contracts-miscellaneous contracts	380	-0-	-0-	380	-0-	-0-	-0-	-0-
94300	Ordinary maintenance and operations contracts	97,490	-0-	-0-	97,490	-0-	-0-	-0-	-0-

See Independent Auditors' Report on Supplementary Information.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
FINANCIAL DATA SCHEDULE—COMBINED INCOME STATEMENT, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	CAPITAL FUND STIMULUS GRANT	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	VETERANS AFFAIRS SUPPORTIVE HOUSING PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAMS
94500	Employee benefit contributions-ordinary maintenance	\$ 21,287	\$ -0-	\$ -0-	\$ 21,287	\$ -0-	\$ -0-	\$ -0-	\$ -0-
94000	Total maintenance	260,021	-0-	-0-	260,021	-0-	-0-	-0-	-0-
95200	Protective services - other	270	-0-	-0-	270	-0-	-0-	-0-	-0-
95000	Total protective services	270	-0-	-0-	270	-0-	-0-	-0-	-0-
96110	Property insurance	70,981	-0-	-0-	70,981	-0-	-0-	-0-	-0-
96120	Liability insurance	4,788	-0-	-0-	4,788	-0-	-0-	-0-	-0-
96130	Workmen's compensation	6,355	-0-	-0-	6,355	10,551	-0-	-0-	10,551
96140	All other insurance	20,549	-0-	-0-	20,549	11,373	-0-	-0-	11,373
96100	Total insurance premiums	102,673	-0-	-0-	102,673	21,924	-0-	-0-	21,924
96200	Other general expenses	4,162	-0-	-0-	4,162	2,570	-0-	-0-	2,570
96400	Bad debt - tenant rents	1,738	-0-	-0-	1,738	-0-	-0-	-0-	-0-
96000	Total other general expenses	5,900	-0-	-0-	5,900	2,570	-0-	-0-	2,570
96900	Total operating expenses	574,889	-0-	-0-	574,889	301,937	-0-	-0-	301,937
97000	Excess (deficiency) of revenue over operating expenses	24,481	139,586	271,543	435,610	6,190,422	979,805	2,478,995	9,640,772

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, 2010

LINE ITEM NO.	ACCOUNT DESCRIPTION	OPERATING FUND PROGRAM	CAPITAL FUND PROGRAM	CAPITAL FUND STIMULUS GRANT	TOTAL PROJECTS	HOUSING CHOICE VOUCHER PROGRAM	VETERANS AFFAIRS SUPPORTIVE HOUSING PROGRAM	DISASTER HOUSING ASSISTANCE GRANT	TOTAL PROGRAMS
97300-050	All other	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
973000	Housing assistance payments	-0-	-0-	-0-	-0-	4,700,602	773,006	2,367,343	7,840,958
97400	Depreciation expense	305,754	-0-	-0-	305,754	148	-0-	-0-	148
90000	Total expenses	880,634	-0-	-0-	880,634	5,002,694	773,006	2,367,343	8,143,043
10000	Excess (deficiency) of revenue over (under) expenses	\$281,273	\$139,586	\$ 271,543	\$129,856	\$1,489,665	\$197,799	\$ 111,652	\$1,799,116
11030	Beginning equity/net assets	\$6,802,045	\$ 251,602	\$ -0-	\$7,053,647	\$854,817	\$1,162,943	\$ -0-	\$2,017,760
11040-010	Prior period adjustments, equity transfers, and correction of errors, net	353,401	(119,645)	(271,543)	(37,783)	-0-	739	-0-	739
	Beginning equity/net assets, as adjusted	\$7,155,450	\$131,957	\$271,543	\$7,015,864	\$854,817	\$1,163,682	\$ -0-	\$2,018,499
11270	Excess cash	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
11170	Administrative fee equity	N/A	N/A	N/A	N/A	\$1,333,684	-0-	-0-	\$1,333,684
1118	Housing assistance payments equity	N/A	N/A	N/A	N/A	\$ 936,068	\$1,361,481	\$ 111,652	\$2,409,201
11190	Unit months available	1,644	N/A	N/A	1,644	7,860	2,580	3,444	13,884
11210	Number of unit months leased	1,488	N/A	N/A	1,488	5,976	1,140	3,444	10,560

See Independent Auditors' Report on Supplementary Information.

SCHEDULE IV

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF CAPITAL FUND PROGRAM COST (COMPLETED)
FROM INCEPTION THROUGH JUNE 30, 2010

	<u>LA48PO12-501-07</u>	<u>LA48PO12-501-08</u>	<u>TOTAL</u>
Funds approved	\$ 219,117	\$ 214,523	\$ 433,640
Funds expended	<u>(219,117)</u>	<u>(214,523)</u>	<u>(433,640)</u>
Excess (deficiency) of funds approved	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Funds Advanced:			
Grant funding	\$ <u>219,117</u>	\$ <u>214,523</u>	\$ <u>433,640</u>
Total funds advanced	<u>219,117</u>	<u>214,523</u>	<u>433,640</u>
Funds expended	<u>(219,117)</u>	<u>(214,523)</u>	<u>(433,640)</u>
Excess (deficiency) of funds advanced	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

NOTE: The distribution of costs as shown on the line-of-credit control system and the total award per the approved Form HUD 53012 (Capital Fund Program) Amendment to the Consolidated Annual Contribution is in agreement with HACK's records and all cost and liabilities associated with the project have been paid.

See Independent Auditors' Report on Supplementary Information.

SCHEDULE V

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
STATEMENT OF CAPITAL FUND STIMULUS GRANT (INCOMPLETE)
FROM INCEPTION THROUGH JUNE 30, 2010**

	<u>LA-48PO12-501-09</u>
Funds approved	\$ 271,543
Funds expended	<u>(271,543)</u>
Excess of funds approved	\$ <u>-0-</u>
Funds Advanced:	
Grant funding	\$ <u>136,518</u>
Total funds advanced	136,518
Funds expended	<u>(271,543)</u>
Excess (deficiency) of funds advanced	\$ <u>(135,025)</u>

See Independent Auditors' Report on Supplementary Information.



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

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

We have audited the financial statements of **Housing Authority of the City of Kenner (HACK)** as of and for the year ended June 30, 2010, and have issued our report thereon dated January 27, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Internal Control Over Financial Reporting

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

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the subsequent paragraph. However, as discussed in the subsequent paragraph, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency in 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

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.

As previously discussed, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency in internal control over financial reporting described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2010-01 that we consider to be a significant deficiency. Also, we noted other matters involving the internal control over financial reporting that we have reported to management of HACK in a separate letter dated January 27, 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
(CONTINUED)

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 or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2010-02.

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

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011



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

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

Compliance

We have audited the compliance of **Housing Authority of the City of Kenner (HACK)** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on **HACK's** major federal programs for the year ended June 30, 2010. **HACK's** major federal programs are identified in the Summary of Auditor's Results section of the accompanying Summary Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of **HACK's** management. Our responsibility is to express an opinion on **HACK's** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements previously referred to that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **HACK's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on **HACK's** compliance with those requirements.

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

(CONTINUED)

Compliance, Continued

In our opinion, HACK complied, in all material respects, with the compliance requirements previously referred to that could have a direct and material effect on its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2010-03, 2010-04 and 2010-06.

Internal Control Over Compliance

Management of HACK is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered HACK's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of HACK's internal control over compliance.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the subsequent paragraph. However, as discussed in the following paragraph, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency in internal control over financial reporting.

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

(CONTINUED)

Internal Control Over Compliance, Continued

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.

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 did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

However, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2010-05.

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

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

(CONTINUED)

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

January 27, 2011

**HOUSING AUTHORITY OF CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? Yes

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

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, 2010**

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.871	Housing Choice Voucher Program
14.850	PHA Owned Housing Program
14.885	Capital Fund Stimulus Grant
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, 2010

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2010-01

Federal Award Programs

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** that include the accurate and complete preparation of financial statements and related footnotes.

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, the internal financial transactions processing of **HACK** is performed primarily by its Executive Director with the assistance of a staff.

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

In addition, we noted an inadequate design and/or documentation of internal control processes over significant general ledger accounts, programs and financial reporting.

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

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-01

Questioned Costs

None.

Context

Total federal award expended was \$10,707,049 for the year ended June 30, 2010.

Effect or Potential Effect

Significant deficiencies in HACK's internal control system and design that impacts its ability to adequately protect and safeguard its assets.

Cause

Size of personnel in the accounting department coupled with budgetary constraints.

Recommendation

Management should continue to 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 also consider the use of Board committee in areas of its control processes to mitigate the associated risk.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-01

Management's Response and Planned Corrective Action

The Board of Commissioners adopted an Internal Control Policy on September 22, 2010.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2010-02

Federal Award Programs

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

Criteria

Pursuant to Louisiana Revised Statute 24:513 audited financial statements are required to be submitted within six months of year end or within an approved extension timeline.

Condition

The audited financial statements for June 30, 2010, was not submitted within the six months timeline.

Questioned Costs

None.

Context

Total federal award for the year ended June 30, 2010 was \$10,707,049.

Effect or Potential Effect

Noncompliance with the requirements of Louisiana Revised Statue 24:513.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2010-02

Cause

The delay was caused by the responsible staff's illness.

Recommendation

None. The delay in submission was caused by staff illness.

Management's Response and Planned Corrective Action

The delay in submission was caused by staff illness.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section III - Federal Award Findings and Questioned Costs

Reference Number

2010-03

Federal Award Program

PHA Owned Housing Program (see Schedule of Expenditures of Federal Awards).

Criteria

24 CFR part 908 and 24 CFR section 982.158 require the submission of a completed Form HUD 50058 (Family Report).

Condition

In one (1) instance of five (5) files reviewed, we noted that the social security number provided on file did not agree to the number reflected on the Form HUD 50058.

Further, we noted in two (2) instances where the date of birth information on the Form HUD 50058 did not agree to the number reflected on the birth certificate provided and on file.

Questioned Costs

None.

Context

Total expenditures of federal award for the year ended June 30, 2010 for the PHA Owned Housing Program was \$359,100 or (3)% of total federal award.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-03

Effect or Potential Effect

Non-compliance with the requirements of 24 CFR 908 and 982.

Cause

Oversight or lack of adequate follow-up on the part of staff performing certification.

Recommendation

Management should review its existing procedures to ensure its effectiveness in the complete processing of all data.

Management's Response and Planned Corrective Action

Management will continue to provide the required oversight to ensure the completeness of all tenant files.

The staff performing the certification had corrected the data but failed to report and place the corrected Form HUD 50058 in the respective tenant files.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-04

Federal Award Program

PHA Owned Housing Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24CFR sections 5.212, 5.230 and 5.601 through 5.615, **HACK** must among other factors provide eligibility benefits to citizens or eligible immigrants.

Condition

In one (1) instance of five (5) tenant files reviewed, we were unable to verify the tenant's eligibility status due to the initial submission of an incomplete citizenship or immigrant status form.

Questioned Costs

None.

Context

Total federal award for the PHA Owned Housing Program was \$359,100 or (3)% of the total federal award for the year ended June 30, 2010.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-04

Effect or Potential Effect

Potential for the admission of an ineligible participant.

Cause

Lack of adequate follow-up on the part of staff to ensure compliance with all regulations, Board policy and completeness of file documents.

Recommendation

We recommend the establishment of a monitoring system that ensures completeness of all tenant files.

Management's Response and Planned Corrective Action

Management will continue to provide the required oversight to ensure completeness of all tenant file information processing.

The updated form to the tenant file documents was provided to the auditor prior to completion of audit fieldwork.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number

2010-05

Federal Award Programs

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** that include the accurate and complete preparation of financial statements and related footnotes.

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. The internal financial transactions processing of **HACK** is currently performed primarily by its Executive Director with the assistance of a staff. The respective program managers for the PHA Owned Housing and the Housing Choice Voucher Programs are primarily responsible for the processing of program transactions.

In addition, we noted an inadequate design and/or documentation of internal control processes over significant general ledger accounts, and financial reporting.

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

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-05

Questioned Costs

None.

Context

Total federal award expended was \$10,707,049 for the year ended June 30, 2010.

Effect or Potential Effect

Significant deficiencies in HACK's internal control system and design that impacts its ability to adequately protect and safeguard its assets.

Cause

Size of personnel in the accounting department coupled with budgetary constraints.

Recommendation

Management should continue to 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 also consider the use of Board committee in areas of its control processes to mitigate the associated risk.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III- Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-05

Management's Response and Planned Corrective Action

The Board of Commissioners adopted an internal control policy at its September 22, 2010 meeting.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section III - Federal Award Findings and Questioned Costs

Reference Number

2010-06

Federal Award Program

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

Criteria

24 CFR part 985 requires the submission of a completed Form HUD 52648 within sixty (60) days after fiscal year end.

Condition

The annual Section Eight Management Assistant Program (SEMAP) Certification report was not submitted within sixty (60) days of HACK's year end. It is our understanding that the untimely submission was impacted by computer related problems encountered during the attempted submission.

Questioned Costs

None.

Context

Total expenditures of federal award for the year ended June 30, 2010 for the Housing Choice Voucher Program was \$6,490,061 or (61)% of total federal award.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2010-06

Effect or Potential Effect

Non-compliance with the requirements of 24 CFR 985.

Cause

Computer related problems encountered during the attempted submission.

Recommendation

Management should resolve all challenges impacting its ability to submit its reports on a timely basis.

Management's Response and Planned Corrective Action

Management has contacted HUD in its attempt to finalize the SEMAP submission.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Numbers

2009-01, 2009-08, 2008-01, 2008-07, 2007-01, 2007-09, 2006-01 and 2005-02

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. The internal financial transactions processing of HACK is currently performed primarily by its Executive Director. Furthermore, during the year ended June 30, 2009, HACK terminated the services of its fee accountant who was previously charged with that responsibility.

In addition, we noted an inadequate design of internal control over significant general ledger accounts, processes and financial reporting.

Recommendation

Management should continue to 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 also consider the use of other professionals to assist in the preparation of its annual financial statements and related footnotes.

Current Status

Partially resolved. The Executive Director reviews and approves all transactions. A staff has been trained to process the transactions.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Number

2009-02

Condition

The audited financial statements for June 30, 2009 was not submitted within the six month timeline.

Recommendation

None. The late submission was due to the termination of the fee accountant's services and the need to implement an in-house general ledger system.

Current Status

Unresolved. See current year's finding reference number 2010-02.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Number

2009-03

Condition

In two (2) instances of fifteen (15) files reviewed, we noted no documented evidence of tenant's signed release of information Form HUD 9886.

Recommendation

We recommend compliance with the requirements of 24 CFR, regarding executed release for information from tenants to facilitate HACK's ability to secure third party information with no associated risk.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Number

2009-04

Condition

In three (3) out of fifteen (15) files reviewed, we noted the lack of documented evidence to support an independent third party verification of income prior to the move in date by the tenant. However, we noted in one (1) instance a verification letter after the move in date and in two (2) instances HACK used the "EIV" system to verify income.

Recommendation

We recommend that management continue in its efforts to ensure completeness of all required eligibility determination information prior to tenant move in date. The review should include consideration of other methods available to secure independent income verification.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Number

2009-05

Condition

In one (1) instance of five (5) files reviewed, we noted that the verified third party income amount did not agree to the amount reflected on the Form HUD 50058.

In another instance, we noted that the social security number used on the Form HUD 50058 for a dependent did not agree to the number reflected on the social security card provided and on file.

Recommendation

Management should review its existing procedures to ensure its effectiveness in the processing of all data.

Current Status

Unresolved. See current year's finding reference number 2010-04.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Number

2009-06

Condition

In one (1) instance of five (5) tenant files tested, we noted that the tenant's rent payment was calculated using income that was not independently verified.

Recommendation

We recommend the establishment of a monitoring system that ensures completeness of all tenant files.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Number

2009-07

Condition

In one (1) instance of five (5) tenant files reviewed, we were unable to verify the tenants eligibility status due to an incomplete submitted citizenship or immigrant status form.

Recommendation

We recommend the establishment of a monitoring system that ensures completeness of all tenant files.

Current Status

Unresolved. See current year's finding reference number 2010-04.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Numbers

2008-03 and 2007-07

Condition

In three (3) instances of six (6) files reviewed, we noted no documented evidence of tenant's community service compliance.

Recommendation

We recommend compliance with the requirements of 24 CFR, regarding community services. This should include the necessary file documentation on applicable tenant's compliance.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Number

2008-04

Condition

In five (5) out of ten (10) files reviewed, we noted the lack of documented evidence to support an independent third party verification of income or documentation to support all challenges encountered in securing an independent third party verification. Four (4) of the exceptions noted were for tenants with income from the Social Security Administration. Based on discussions with management, we noted that the Social Security Administration's policy of non-response to such written income verification requests, affects HACK's ability to perform independent verification of tenant income.

Nevertheless, we noted no documentation on file to support other alternative methods of verification.

Recommendation

We recommend that management revisit with its certification and/or re-certification process to ensure completeness of all required information. The review should include consideration of other methods available to secure independent income verification.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Number

2008-02

Condition

In one (1) instance of six (6) tenant files tested, we noted that the tenant's payment was calculated using income that was not independently verified.

Recommendation

We recommend the establishment of a monitoring system to ensure completeness of all tenant files.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Numbers

2007-04 and 2007-08

Condition

In one (1) instance of ten (10) files tested, we noted an incorrect tenant's name reported on the Form HUD 50058.

Recommendation

Management should review its existing procedures to ensure its effectiveness in the processing of all data.

Current Status

Unresolved. See current year's finding reference number 2010-03.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Numbers

2006-02 and 2005-07

Condition

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

- No timely analysis and resolution of deposits over (under) general ledger account balance for tenant accounts receivable;
- Noted in February 2006, rent adjustments totaling \$9,305.62 without any documentation to support adjustment;
- Other income recorded via a journal entry was without explanation and/or supporting documentation;
- Lack of internal control over maintenance of inventory activities;
- *Untimely accounting* for the retirement of a fixed asset;
- HACK's general ledger reflects a payable of \$7,940 due to two vendors dating as far back as 2004;
- The housing assistance payments register for the month of February 2006, reflected an amount of \$1,911 more than the general ledger control account amount;
- Noted in twelve (12) of twenty-one (21) instances, where the basis for procurement was not documented;
- Unavailability of current financial statements for management and Board review; and
- In two (2) of twenty-one (21) transactions tested, we noted the lack of supporting documentation such as invoices, purchase order/requisition to support the disbursements.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Numbers, Continued

2006-02 and 2005-07

Recommendation

Management should reevaluate its current internal control processes and financial reporting system. Such a review should include the computerization of its in-house processes to facilitate the timely submission of information to its fee accountant. Ultimately, the objective is to ensure timely financial statements preparation and submission to management and the Board.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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

Reference Numbers

2006-06 and 2005-05

Condition

In one (1) instance of ten (10) files tested, we noted the absence of a social security card on file for the dependent of a tenant.

Recommendation

We recommend that management evaluate its current procedure to ensure the completeness of all tenant files as a part of the certification and/ or re-certification process.

Current Status

Resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Number

2004-03

Condition

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

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Reference Number, Continued

2004-03

Condition, Continued

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

Recommendation

HACK should:

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

Current Status

Partially resolved. Currently, HACK has computerized its payroll process to include leave activity reporting.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section V - Other Matters

Reference Number

HUD 06-07

During the period from April 23, 2007 through May 4, 2007, HUD conducted a review of the financial and program operations of HACK.

The following is a summary of the findings, observations and management's response.

Condition

HACK could not provide a board approved policy for the Community Services Self-Sufficiency Program (CSSR).

Recommendation

HACK must establish and implement a CSSR policy with procedures for implementation. Submit a copy of the policy with a Board resolution approving it for implementation within 30 days of receipt of this letter. HACK must establish and implement a tracking log and written procedures to monitor and track eligible residents for the CSSR Program. Send a copy of the log with written procedures along with a Board resolution within thirty days of receipt of this report to this office. HACK must implement the CSSR requirements and require 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 the CSSR Program.

Current Status

Resolved.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Partially resolved.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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, 2010

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

Partially resolved. Management has adopted and/or implemented policies for procurement, collection losses, internal control, petty cash, travel, cash management, and check signing.

Payroll processes have been computerized, credit cards cancelled, and rent collection processes streamlined to eliminate overages and/or shortages.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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.

*Repeated

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Partially resolved. A purchase order software has been installed but not currently being used.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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

Partially resolved. A revised procurement policy was effective on June 16, 2009.

HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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.
 - 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.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section V - Other Matters, Continued

Reference Number

HUD 06-23

Observation

HACK had on April 25, 2007 a total of 47 vacancies listed out of 139 available Public Housing units or 34 percent of vacancies. On April 26, 2007, because of a fire at 2618 Decatur, Kenner, LA, two more units became vacant to 35 percent.

Recommendation

Improve the physical condition and long-term viability of the developments. [Reference: 24 CFR 968.315, 903.1-11]. Start properly contracting for unit renovation work and get these 49 vacant units available.

Current Status

Partially resolved.

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA**
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010

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. Management is in the process of soliciting for a vendor to perform the referenced audit.

*Repeated

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

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.

*Repeated

**HOUSING AUTHORITY OF THE CITY OF KENNER
KENNER, LOUISIANA
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2010**

Section V - Other Matters, Continued

Reference Number

HUD 06-34

***Observation**

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

Recommendation

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

Current Status

Unresolved.

*Repeated

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

EXIT CONFERENCE

JUNE 30, 2010

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**

Ms. Claudette Raphael - Executive Director

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Paul K. Andoh, Sr., CPA, CGFM, MBA - Partner



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

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

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

Ms. Claudette Raphael, Executive Director
Housing Authority of the City of Kenner
Kenner, Louisiana

In planning and performing our audit of the financial statements of **Housing Authority of the City of Kenner (HACK)**, as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, 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. Accordingly, we do not express an opinion on the effectiveness of **HACK's** internal control.

As a part of our audit, we noted certain 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 January 27, 2011. This letter does not affect our report dated January 27, 2011 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)

2010

The following is our report on other matters related to internal control:

Condition

Our review of **HACK's** internal control processes over its cash receipts and disbursements cycles revealed the following conditions:

- o Certain subsidiary ledger accounts such as prepaid insurance, tenant and portability receivables, tenant security deposit, etc. did not reconcile to the general ledger control balances.
- o For seventeen (17) cash disbursement transactions tested, we noted the following:
 - o In one (1) instance of seventeen (17) transactions, management was unable to locate the associated invoice or provide an approved written authorization to support a payment for per diem. The Executive Director who has approval responsibility, is also an authorized checksigner.
 - o In sixteen (16) of seventeen (17) transactions tested, the invoices were not cancelled to prevent future use.
 - o In eight (8) of seventeen (17) transactions, we noted no documented evidence to support the mathematical verification of the invoices prior to payment.
 - o We noted in an instance where a verbal authorization was afforded for repairs to **HACK's** vehicle.

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

2010, CONTINUED

Recommendation

Management should continue to monitor its compliance with established control policies and procedures to ensure completeness of its financial reporting processes.

Also, all verbal approval should be subsequently documented to support instances when such actions are necessary.

Management's Response and Planned Corrective Action

Management will continue to re-evaluate its internal control processes with an aim towards improving where necessary the system of controls.

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

2010, CONTINUED

Condition

The transition from a fee accountant to an in-house processing and preparation of HACK's general ledger and financial statements impacted its ability to submit its annual unaudited electronic financial statements to the HUD REAC system.

Recommendation

Management should focus in the current year on the finalization of its in-house general ledger transition process to facilitate the timely and accurate submission of all required reports.

Management's Response and Planned Corrective Action

Management is currently exploring the hiring of additional staff to assist in the accounting and reporting functions.

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

2010, CONTINUED

Condition

Inadequate system and number of personnel in place to ensure the timely development and implementation of updates to various policies and procedures (such as internal control, housing program administrative plan and occupancy standards, etc.) affecting its financial reporting and program compliance requirements.

Recommendation

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

Management's Response and Planned Corrective Action

Management will continue to make training available to all staff to enhance their technical capacity.

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

2010, CONTINUED

Condition

HUD has initiated a review of the restricted net assets for all housing authorities. At June 30, 2010, HACK has received an estimated net restricted asset balance for its Voucher Program for its concurrence.

Recommendation

Management should review the calculation and compare the amount to its general ledger recorded balance. Any resulting reclassification entries between the restricted and unrestricted net assets should be prepared and posted accordingly.

Management's Response and Planned Corrective Action

Management has initiated the process and anticipates resolution by no later than February 15, 2011.

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

2009 AND PRIOR

The following reflects the current status on other matters related to internal control:

Condition

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

- Several stale dated checks (some dating back to 2007 totaling \$16,602) were included on the bank account reconciliation at June 30, 2009. Based on our discussion with management and review of information provided, we noted that HACK's current practice requires all outstanding checks for the Voucher Program outstanding over ninety days to be voided.
- Ten (10) transactions reviewed, beared no evidence of cancellation to prevent further processing. In four (4) of the transactions previously described, we noted no evidence of mathematical verification of the paid invoice.
- No documented reconciliation and/or analysis of significant general ledger accounts were performed on a periodic basis.
- Twenty-five (25) transactions reviewed, beared no evidence of cancellation to prevent further processing.

Recommendation

We recommend that management evaluate its current internal control procedures and processes. The evaluation should be aimed towards strengthening internal control in the area of financial reporting.

Current Status

Partially resolved. All stale dated checks included on bank reconciliations have been corrected. Also, see the current year's section of this report.

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

2009 AND PRIOR, CONTINUED

Condition

In four (4) of ten (10) disbursements reviewed, we noted no documented evidence to support the type and basis for procurement of services.

Recommendation

Management should document within its Board adopted dollar threshold all goods and services procured.

Current Status

Resolved.

Condition

HACK continues to encounter technical challenges with the HUD REAC system in its effort to submit its electronic financial statements.

Recommendation

None.

Current Status

Partially resolved. See current year's section of this report.

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

2009 AND PRIOR, CONTINUED

Condition

During the year ended June 30, 2009, HACK terminated the services of its fee accountant and implemented an in-house general ledger conversion.

As part of the audit, we encountered rollover challenges with the balances for the Capital Fund and Public Housing Programs' capital assets.

Recommendation

Management should review the capital asset balances to ensure its completeness and validity.

Furthermore, management should separate the activities of the Public Owned Housing Program's capital assets from that of the Capital Fund Program via the establishment of a separate general ledger for the Capital Fund Program.

Current Status

Resolved.

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

2009 AND PRIOR, CONTINUED

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).

In 2008, HUD experienced challenges in the revision of its FDS to conform to new HUD reporting requirements.

Because of the referenced challenges, and its impact on the timely submission of its audited report package, HACK requested and received an extension of time to submit its audited report pursuant to Louisiana Revised Statute 24:513.

Recommendation

None.

Current Status

Unresolved. See finding reference number 2010-02.

Condition

The general ledger and financial statements prepared by HACK's fee accountant for the year ended June 30, 2008 does not address the requirements of GASB 42.

Recommendation

All asset impairment that meet the criteria of GASB 42, should be properly accounted for in HACK's financial statements.

Current Status

Partially resolved.

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

2009 AND PRIOR, CONTINUED

***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. The financial statements for **HACK** are prepared by its fee accountant based on accounting data accumulated by **HACK**.

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

Recommendation

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

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

Current Status

Unresolved.

*Repeated

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

2009 AND PRIOR, CONTINUED

Condition

HACK does not have a system in place to facilitate the timely review of its policies and procedural manual to assess the need for updates. Specifically, **HACK** should review the current financial reporting section of its existing procedures and policies manual dated June 2005, with an aim towards ensuring the all inclusiveness of the existing policies to include the alignment to its current practices.

Recommendation

Management should initiate a review of its current policies and procedural manual with an aim towards ensuring the all inclusiveness and alignment of the existing policies and procedures manual to its current practice.

Current Status

Partially resolved. See current year's section of this report.

Condition

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

Recommendation

We recommend that management develop a formal cost allocation policy and procedure to ensure the timely and accurate allocation of costs, as applicable.

Current Status

Partially resolved.

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

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

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

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

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

January 27, 2011