

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

**HOUMA-TERREBONNE
HOUSING AUTHORITY**

YEAR ENDED SEPTEMBER 30, 2002

Houma-Terrebonne Housing Authority

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Houma-Terrebonne Housing Authority

We have audited the accompanying general purpose financial statements of Houma-Terrebonne Housing Authority as of and for the year ended September 30, 2002, as listed in the table of contents. These general purpose financial statements are the responsibility of the Authority'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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Houma-Terrebonne Housing Authority as of September 30, 2002, and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 14, 2003, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of Houma-Terrebonne Housing Authority taken as a whole. The accompanying supplemental information on pages 34 through 39, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and the Financial Data Schedule required by the U.S. Department of Housing and Urban Development, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Reynick Fedler & Silverman

Charlotte, North Carolina
March 14, 2003

Houma-Terrebonne Housing Authority
COMBINED BALANCE SHEET - ALL FUNDS

September 30, 2002

ASSETS

Current Assets

Cash and cash equivalents - unrestricted	\$ 286,731
Cash and cash equivalents - restricted	55,860
Accounts receivable - tenants	4,642
Accounts receivable - HUD	494,390
Prepaid expenses	<u>64,183</u>

Total Current Assets 905,806

Fixed Assets

Land	556,728
Buildings and improvements	17,928,937
Furniture, equipment and machinery - dwelling	467,367
Furniture, equipment and machinery - administration	340,295
Leasehold improvements	<u>1,867,583</u>

21,160,910

Less: Accumulated depreciation (18,666,166)

Total Fixed Assets 2,494,744

Other Assets

Investments - unrestricted 100,000

Total Assets \$ 3,500,550

See notes to combined financial statements

Houma-Terrebonne Housing Authority
COMBINED BALANCE SHEET - ALL FUNDS

September 30, 2002

LIABILITIES AND EQUITY

Current Liabilities	
Accounts payable	\$ 129,903
Accounts payable - HUD	99,795
Accrued expenses	214,281
Deferred revenue	11,263
Accrued compensated absences - current portion	6,941
Tenant security deposits/escrow deposits	<u>55,860</u>
Total Current Liabilities	518,043
Long-Term Liabilities	
Accrued compensated absences - net of current portion	<u>20,824</u>
Total Long-Term Liabilities	<u>20,824</u>
Total Liabilities	<u>538,867</u>
Equity	
Contributed capital	2,051,743
Retained earnings	<u>909,940</u>
Total equity	<u>2,961,683</u>
Total Liabilities and Equity	<u><u>\$ 3,500,550</u></u>

See notes to combined financial statements

Houma-Terrebonne Housing Authority

COMBINED STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN EQUITY - ALL FUNDS

For the year ended September 30, 2002

Operating Revenue	
Dwelling rent	\$ 1,146,465
Operating subsidy and grant revenue	1,275,035
Interest income	9,420
Other income	<u>71,581</u>
Total Operating Revenue	<u>2,502,501</u>
Operating Expenses	
Administrative	588,136
Tenant services	14,487
Utilities	711,432
Ordinary maintenance and operations	394,216
Protective services	127,795
General	225,382
Extraordinary maintenance	22,771
Depreciation	<u>724,151</u>
Total Operating Expense	<u>2,808,370</u>
Net Income (Loss)	<u>(305,869)</u>
Equity - Beginning, as originally reported	3,026,291
Prior period adjustment	<u>241,261</u>
Equity - Beginning, as restated	<u>3,267,552</u>
Equity - Ending	<u><u>\$ 2,961,683</u></u>

See notes to combined financial statements

Houma-Terrebonne Housing Authority

COMBINED STATEMENT CASH FLOWS - ALL FUNDS

For the year ended September 30, 2002

Cash flows from operating activities	
Net income (loss)	\$ (305,869)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	724,151
Changes in assets and liabilities:	
Decrease (increase) in accounts receivable - tenants	(4,642)
Decrease (increase) in accounts receivable - HUD	(306,019)
Decrease (increase) in prepaid expenses	6,208
Increase (decrease) in accounts payable and accrued expenses	76,192
Increase (decrease) in deferred revenue	11,263
Increase (decrease) in accrued compensated absences	(13,460)
Increase (decrease) in tenant security deposits	<u>(25,127)</u>
Net cash provided (used) by operating activities	<u>162,697</u>
Cash flows from investing activities	
Fixed asset additions	(68,423)
Increase (decrease) in investments	<u>(100,000)</u>
Net cash used by investing activities	<u>(168,423)</u>
NET INCREASE (DECREASE) IN CASH	(5,726)
Cash and cash equivalents, beginning	<u>348,317</u>
Cash and cash equivalents, ending	<u><u>\$ 342,591</u></u>

See notes to combined financial statements

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2002

NOTE A - ORGANIZATION

The Houma-Terrebonne Housing Authority (the "Authority") was created by Act 80 of the 2001 Regular Session of the Louisiana Legislature and is the successor to the Housing Authority of the City of Houma. The Authority, a public corporate body, was organized solely for the purpose of providing decent, safe and sanitary dwelling accommodations for persons of low income.

The Authority is engaged in the acquisition, modernization and administration of low-rent housing. In addition, the Authority has administrative responsibility for various other community development programs whose primary purpose is the development of viable urban communities by providing decent housing, a suitable living environment and economic opportunities principally for persons of low and moderate income.

The Authority is administered by a five-member governing Board of Commissioners (the "Board"), whose members are appointed by the President of the Terrebonne Parrish Consolidated Government. At least one commissioner appointed shall be a resident living in a housing development property operated by the Authority. Each member serves a five-year term on a rotating basis. Board members do not receive compensation for their service to the Authority.

A significant amount of the Authority's revenue is derived from subsidy contracts with the U.S. Department of Housing and Urban Development ("HUD"). The Annual Contributions Contracts entered into by the Authority and HUD provides operation subsidies for Authority-owned public housing facilities and housing assistance payments for eligible individuals. As of September 30, 2002, the Authority operates 600 public housing units. The Authority also participates in HUD's Comprehensive Grant/Capital Fund and Drug Elimination Programs.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis Of Presentation

The accompanying financial statements of the Authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the Authority is legally separate and fiscally independent, the Authority is a separate governmental reporting entity.

The Authority is a related organization of the Terrebonne Parrish Consolidated Government since it's President appoints a voting majority of the Authority's governing board. The Terrebonne Parrish Consolidated Government is not financially accountable for the Authority as it cannot impose its will on the Authority and there is no potential for the Authority to provide financial benefit to, or impose financial burdens on, the Terrebonne Parrish Consolidated Government. Accordingly, the Authority is not a component unit of the financial reporting entity of the Terrebonne Parrish Consolidated Government.

The Authority includes all funds, account groups, activities, et cetera, that are within the oversight responsibility of the Authority.

Certain units of local government over which the Authority exercises no oversight responsibility, such as the parish police jury, school board, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the Authority. In addition, the accompanying financial statements do not include any various tenant associations that may exist, which are legally separate entities.

Fund Accounting

The Authority uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities.

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

All funds of the Authority are classified as enterprise funds, a type of proprietary fund.

Enterprise funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. The focus for enterprise funds is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

All proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

Budgets

The Authority is required by its HUD Annual Contributions Contracts to adopt annual budgets for the Low-Rent Housing Program. Annual budgets are not required for Capital Grant Program, Capital Fund Program or Drug Elimination Program grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

The Authority is under a limited budget review from HUD with the control category of total operating expenditures. If there are no overruns of the total operating expenditures, then HUD does not require budget revisions other than when there are substantial additions to nonroutine expenditures.

The budget is prepared on a statutory (HUD) basis and does not contain a provision for uncollectible tenant receivables or depreciation.

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

The Authority does not utilize encumbrance accounting.

Cash And Cash Equivalents

Cash and cash equivalents includes amounts in demand deposits, interest-bearing demand deposits, and time deposits and other investments with original maturities of 90 days or less. Under state law, the Authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Investments

Investments are limited by R.S. 33:2955 and the Authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents. Investments are carried at fair market value.

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These interfund receivables and payables have been eliminated in the combined balance sheet.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Land, buildings, furniture, equipment, machinery and leasehold improvements are carried at historical costs. Donated assets are recorded at fair market value at the date of donation. Depreciation is recorded on the straight-line method over the following estimated useful lives:

Buildings	33 years
Building improvements	15 years
Furniture, equipment and machinery	3 - 7 years
Leasehold improvements	15 years

Deferred Revenues

The Authority reports deferred revenues on its balance sheet. Deferred revenues arise when resources are received by the Authority before it has legal claim to them, as when grant monies are received prior to the occurrence of qualifying expenditures. In subsequent periods, when the Authority has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

Compensated Absences

The Authority employees accrue personal leave, or compensated absences, by a prescribed formula based on length of service.

Use of 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE C - CASH AND CASH EQUIVALENTS

It is the Authority's policy for deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance. The Authority's deposits are categorized to give an indication of the level of risk assumed by the Authority. The categories are described as follows:

Category 1 – Insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

Category 2 – Collateralized with securities held by the pledging financial institution's trust department or agent in the Authority's name.

Category 3 – Uncollateralized, which includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the Authority's name.

Cash balances at September 30, 2002, categorized by level of risk, were as follows:

Bank Balances				
Category				Carrying Amount
1	2	3	Total	
\$ 390,431	\$ -	\$ -	\$ 390,431	\$ 342,591

Cash and cash equivalents are reported on the balance sheet as follows:

Cash and cash equivalents - restricted	\$ 286,731
Cash and cash equivalents - unrestricted	55,860
Total cash and cash equivalents	\$ 342,591

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE C - CASH AND CASH EQUIVALENTS (Continued)

Even though pledged securities would be considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the Authority that the fiscal agent has failed to pay deposited funds upon demand.

NOTE D - INVESTMENTS

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Authority or its agent in the Authority's name
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Authority's name
3. Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Authority's name

At fiscal year-end, the Authority's investment balances were as follows:

Type of Investment	Category			Carrying Amount	Cost
	1	2	3		
Certificate of deposit at federally insured depository	\$ 100,000	\$ -	\$ -	\$ 100,000	\$ 100,000

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE E - RECEIVABLES

The receivables at September 30, 2002, are as follows:

Class of Receivables	Low Rent	Comprehensive Grant Program	Drug Elimination Program	Total
Local sources:				
Tenants	\$ 63,173	\$ -	\$ -	\$ 63,173
Less allowance for doubtful accounts	(58,531)	-	-	(58,531)
	4,642	-	-	4,642
Federal sources:				
Due from HUD	258,311	145,305	90,774	494,390
 Total	 \$ 267,595	 \$ 145,305	 \$ 90,774	 \$ 503,674

NOTE F - FIXED ASSETS

The changes in fixed assets follow:

	Balance Sep. 30, 2002	Additions	Reclassifications	Deletions	Balance Sep. 30, 2003
Land	\$ 556,728	\$ -	\$ -	\$ -	\$ 556,728
Buildings and improvements	17,937,212	-	(8,275)	-	17,928,937
Furniture, equipment and machinery-					
Dwelling	467,367	-	-	-	467,367
Administration	283,265	57,030	-	-	340,295
Leasehold improvements	1,847,915	11,393	8,275	-	1,867,583
Total	21,092,487	68,423	-	-	21,160,910
Accumulated depreciation	(17,942,015)	(724,151)	-	-	(18,666,166)
Fixed assets - net	\$ 3,150,472	\$ (655,728)	\$ -	\$ -	\$ 2,494,744

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE G - RETIREMENT SYSTEMS

The Authority provides retirement benefits for all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Employees are eligible to participate after a six month exclusionary period. The employee may contribute 2% and the Authority contributes 3% of the participating employee's base salary each month. The Authority's contributions for each employee, and interest allocated to the employee's account, are vested after 5 years of participation.

The Authority's total payroll during the year ended September 30, 2002 was approximately \$439,000. The Authority's contributions were calculated using the base salary amount of approximately \$113,500. Contributions to the plan were \$3,405 and \$2,270 by the employees and the Authority, respectively.

NOTE H - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at September 30, 2002, are as follows:

	Low Rent	Comprehensive Grant Program	Drug Elimination Program	Total
Accounts payable				
Vendors	\$ 38,848	\$ 1,800	\$ 89,255	\$ 129,903
HUD	99,795	-	-	99,795
	<u>138,643</u>	<u>1,800</u>	<u>89,255</u>	<u>229,698</u>
Accrued expenses				
Payroll	17,815	-	-	17,815
Contingency (see Note L)	133,438	-	-	133,438
Accrued utilities	63,028	-	-	63,028
	<u>214,281</u>	<u>-</u>	<u>-</u>	<u>214,281</u>
Total	<u>\$ 352,924</u>	<u>\$ 1,800</u>	<u>\$ 89,255</u>	<u>\$ 443,979</u>

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE I - DEFERRED REVENUE

Deferred revenue at September 30, 2002 consists of tenant prepaid rents of \$11,263.

NOTE J - INTERFUND ASSETS/LIABILITIES

Interfund receivables and payables that have been eliminated in the combined balance sheet as of September 30, 2002 were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Low-rent	Comprehensive Grant Program	\$ 143,505
Low-rent	Drug Elimination Program	1,519
	Total	<u>\$ 145,024</u>

NOTE K - RISK MANAGEMENT

The authority is subject to the normal risks associated with rental and business activities and purchases insurance to protect against the risk of loss.

NOTE L - LITIGATION AND CLAIMS

The Authority entered into a five (5) year employment contract with its former executive director commencing May 12, 1999 and terminating May 12, 2004. The agreement provides for a minimum annual salary of \$60,000 payable semi-monthly, travel expense reimbursement while on Authority business based on travel policy in effect, a vehicle and payment of related vehicle expenses. The former executive director shall also be entitled to all other employee benefits afforded to other employees of the Authority.

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE L - LITIGATION AND CLAIMS (Continued)

On September 6, 2001, a motion was approved by the Board of Commissioners to terminate the employment and any purported contract governing the former executive director's employment for cause. As stated in the terms of the employment contract, the former executive director received sixty (60) days of compensation and employee benefits. At the time of termination, the remaining salary commitment payable was approximately \$145,000. On March 14, 2002, the former executive director filed a civil suit against the Authority for wrongful termination. The lawsuit requests actual and punitive damages; however, no specific dollar amount is stated. Management believes this matter will not have a material adverse effect on the Authority, and accordingly, no provision has been made in the financial statements for any damages in excess of the remaining unpaid salary commitment. Included in accrued expenses at September 30, 2002 is \$133,438 for the remaining unpaid commitment.

NOTE M - FEDERAL COMPLIANCE CONTINGENCIES

The Authority is subject to possible examinations made by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the Authority in the current and prior years. These examinations may result in required refunds by the Authority to federal grantors and/or program beneficiaries.

NOTE N - PRIOR PERIOD ADJUSTMENT

The accompanying general purpose financial statements include a prior period adjustment to correct errors in the September 30, 2001 financial statements. The following is a recap of the components of the prior period adjustment:

Increase (decrease) in beginning equity:

Record the utility adjustment to the HUD operating subsidy for the fiscal year ended September 30, 2001	\$ 139,022
Reverse an accrual dating back to 1990 for a development fund liability that is not owed by the Authority	105,149
Various adjustments to other assets and liabilities	<u>(2,910)</u>
Total	<u><u>\$ 241,261</u></u>

Houma-Terrebonne Housing Authority

NOTES TO COMBINED FINANCIAL STATEMENTS - CONTINUED

September 30, 2002

NOTE O -ECONOMIC DEPENDENCY

The Authority is economically dependent upon annual contributions and grants from HUD. For the year ended September 30,2002, HUD provided approximately 51% of the Authority's revenue.



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

To the Board of Directors
Houma-Terrebonne Housing Authority

We have audited the financial statements of Houma-Terrebonne Housing Authority as of and for the year ended September 30, 2002, and have issued our report thereon dated March 14, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether Houma-Terrebonne Housing Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Houma-Terrebonne Housing Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of Houma-Terrebonne Housing Authority in a separate letter dated March 14, 2003.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Ryan Fedler & Silverman

Charlotte, North Carolina
March 14, 2003



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Houma-Terrebonne Housing Authority

Compliance

We have audited the compliance of Houma-Terrebonne Housing Authority with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2002. Houma-Terrebonne Housing Authority's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Houma-Terrebonne Housing Authority's management. Our responsibility is to express an opinion on Houma-Terrebonne Housing Authority's compliance based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Houma-Terrebonne Housing Authority'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 Houma-Terrebonne Housing Authority's compliance with those requirements.

In our opinion, Houma-Terrebonne Housing Authority complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2002. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2002-1.

Internal Control Over Compliance

The management of Houma-Terrebonne Housing Authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Houma-Terrebonne Housing Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Ryznick Fedler & Silverman".

Charlotte, North Carolina
March 14, 2003

Houma-Terrebonne Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2002

Summary of Auditors' Results

1. The auditors' report expresses an unqualified opinion on the general purpose financial statements of Houma-Terrebonne Housing Authority.
2. No reportable conditions were identified during the audit of the general purpose financial statements.
3. No instances of noncompliance material to the general purpose financial statements of Houma-Terrebonne Housing Authority were disclosed during the audit.
4. No reportable conditions were identified during the audit of the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Houma-Terrebonne Housing Authority expresses an unqualified opinion.
6. An audit finding relative to the major federal award programs for Houma-Terrebonne Housing Authority is reported in this schedule.
7. The programs tested as major programs include:
 - CFDA #14.850 Low Rent Public Housing-Operating Subsidy
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Houma-Terrebonne Housing Authority was not determined to be a low-risk auditee.

Houma-Terrebonne Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2002

Findings - Financial Statements Audit

None.

Findings And Questioned Costs - Major Federal Award Programs Audit

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
CFDA #14.850 Low Rent Public Housing-Operating Subsidy

2002-1 Tenant Waiting List

Condition and criteria: As required by HUD policy, the Housing Authority has established and adopted written policies for the admission of tenants, which include requirements for applications and waiting lists, a description of the policies for selection of applicants from the waiting lists, and policies for verification and documentation of information relevant to acceptance or rejection of applicants. Although a waiting list was utilized in the current year, we were not able to obtain sufficient documentation to test the selection of applicants from the waiting list. The Housing Authority was able to produce a report listing applications received during the audit period and the priority status assigned to each applicant, but we were not able to obtain copies of the waiting lists during the audit period to determine whether the Housing Authority placed the applicants on the waiting list in accordance with the established policies, or selected applicants from the waiting list in accordance with established policies.

Effect: Due to the lack of sufficient documentation, we were unable to determine whether the Housing Authority is following its established policies for admission of tenants.

Cause: The Housing Authority does have not adequate internal control over its tenant admission process to insure that sufficient documentation of compliance with the established policies is maintained.

Auditors' Recommendations: The Housing Authority should develop procedures for documenting its compliance with tenant admission and waiting list policies.

Houma-Terrebonne Housing Authority

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended September 30, 2002

Management's Response: On August 15, 2002 the Board of Commissioners adopted the Admissions and Occupancy Policy in accordance with Task No. 4.4A and B from the Memorandum of Agreement with the U.S. Department of Housing and Urban Development Memphis Troubled Agency Recovery Center. This policy was submitted for approval with our Annual Submission for the 2002 Agency Plan. Prior to this time, we were aware that problems existed with the waiting list management due to Computer Software inadequacies along with the implementation of the new policies and procedures that were in the process of being adopted as a recovery effort for this agency.

As a result of the new policy adoption, the new procedures were then beginning to be implemented for the remainder of the fiscal year. Realizing that only 45 days remained in that fiscal year, staff proceeded to move in a forward direction addressing the numerous changes relating to the policies and procedures that were approved at that time.

On August 30, 2002, the Memorandum of Agreement task was completed and submitted with proper documentation to the Memphis Troubled Agency Recovery Center for audit clearance. Subsequently, this matter was cleared with HUD through the on-going recovery process.

Lastly, On March 27, 2003 the Board of Commissioners authorized the award of new Housing Software that meets all HUD Requirements for Program administration, including Waiting list Management. The current manner that we are maintaining the applications and placement on the waiting list will be replaced with the software application and provide a check and balance system to ensure we comply and can provide thorough documentation of the same.

Total questioned costs for CFDA #14.850 Low Rent
Public Housing-Operating Subsidy

\$ -0-

Houma-Terrebonne Housing Authority

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2002

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken
Section I - Internal Control and Compliance Material to the Financial Statements				
1	2001	PHAS SCORE REPORT The Housing Authority received scores of 36 and 43 out of a possible 100 for the years ending September 30, 2000 and 2001, respectively. The Authority was designated as a "troubled" agency based on the scores.	YES	
2	2001	GENERAL DEPOSITORY AGREEMENT HUD regulated General Depository Agreements could not be located (Form HUD-51999)	YES	
3	2001	1998 AND 1999 COMPREHENSIVE GRANT PROGRAMS The Housing Authority was suspended from drawing on its CGP and CIAP funds through its LOCCS effective March 20, 2001. HUD recaptured \$404,541 under the contracts.	YES	
4	2001	UNLOCATED BOARD MINUTES Minutes for meetings could not be located.	YES	
5	2001	PERSONNEL FOLDER DOCUMENTATION Employee folders lacked documentation of employee authorization for payroll withholding deductions and the Civil Service "Document Checklist for New Hires"	YES	
6	2001	AUDIT ENGAGEMENT COMPLETION The audit engagement must be completed and filed with the Legislative Auditor within six months of the close of the fiscal year.	YES	
7	2001	UNRESTRICTED CASH AND ACCOUNTS PAYABLE POSITION Negative unrestricted cash and accounts payable position.	YES	
8	2001	INFORMATION PROCESSING BY FEE ACCOUNTANT Deposits, cash disbursements, certificates of deposit, accounts payable listing, and financial statement and general ledger review.	YES	

Houma-Terrebonne Housing Authority

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2002

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken
9	2001	DIRECTOR OF FINANCIAL OPERATIONS The Housing Authority did not have a Director of Financial Operations.	YES	
10	2001	ACCOUNTS PAYABLE Aged accounts payable were maintained on a manual listing. \$127,415 of unrecorded liabilities were discovered.	YES	
11	2001	TENANT SECURITY DEPOSITS The tenant security deposit general ledger control account and the Tenant Security Deposit Register were out of balance.	YES	
12	2001	MONTHLY FINANCIAL REPORTS Monthly financial statements were not provided for the period September 30, 2001 to auditors' field work.	YES	
13	2001	BANK RECONCILIATIONS Timely, monthly bank reconciliations are not being prepared.	YES	
14	2001	OUTSTANDING DEVELOPMENT FUND LIABILITY A \$105,149 account payable representing excess development funds on a bond issue remained on its balance sheet since September 30, 1990.	YES	
15	2001	ELECTRONIC BACKUP AND OFF SITE STORAGE No weekly, monthly or year-end off site backup. The magnetic tape is used repetitively until it is damaged.	YES	
16	2001	CHECK SEQUENCE LOG A check sequence log was not established.	YES	
2	2000	BOARD MINUTES Failed to record or retain proper documentation of minutes of the Board meetings.	YES	
6	2000	EMPLOYEE PAYROLL FILE DOCUMENTATION Employee payroll files did not contain all necessary information to support withholdings and deductions.	YES	

Houma-Terrebonne Housing Authority

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2002

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken
9	2000	MANAGEMENT OVERSIGHT AND ENGAGEMENT COMPLETION Annual audit engagement not completed and filed by the required deadline.	YES	
10	2000	MONTHLY FINANCIAL REPORTS Did not forward necessary information to fee accountant for monthly information to be processed in a timely manner.	YES	
11	2000	OPERATING BANK ACCOUNT RECONCILIATIONS Timely reconciliation of the main operating checking account was not performed.	YES	
13	2000	CHECK REGISTER AND CHECK SEQUENCE LOG The Housing Authority was using one sequence of checks and check numbers for both operating disbursements and payroll.	YES	
22	2000	SECURITY DEVICES Certain security systems were not functioning properly.	NO	Systems will be modified at a later date to provide better security protection.
23	2000	OPERATING SUBSIDY AND OTHER EXAMS CURRENTLY UNDERWAY The Housing Authority had a operational study being performed by Legier & Materne, APAC, Consultants and CPA's, and a survey being conducted by the Office of Inspector General of HUD on the Housing Authority's federal financial assistance received for the period from January 1998 through March 2001. These reports should be read in conjunction with this report as they become available.	YES	

Section II - Internal Control and Compliance Material to Federal Awards

17	2001	CASH DISBURSEMENTS Supporting documentation (invoice) could not be found for one disbursement and review and approval by management was not documented.	YES	
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Houma-Terrebonne Housing Authority

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2002

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken
18	2001	TENANT FILE DOCUMENTATION Unsigned leases, missing HUD Form 9886, incorrect information on local release of tenant banking information, no reexamination of family income or composition, and no documentation of submission of HUD Form 50058.	YES	
19	2001	FINANCIAL AND PERFORMANCE REPORTING 1) HUD Form 52599 was not submitted, 2) support for amounts on HUD Form 52723 could not be provided, 3) HUD Form 51234 was not submitted, and 4) HUD Form 50072 was not submitted.	YES	
20	2001	TENANT WAITING LIST Unable to obtain copies of the waiting lists during the audit period.	YES	
21	2001	EQUIPMENT AND REAL PROPERTY MANAGEMENT No physical inventory performed for three years.	YES	
22	2001	PROCUREMENT \$274,253 was paid to three firms for services under contracts awarded under a noncompetitive process without HUD approval.	YES	
24	2000	CASH DISBURSEMENTS Cash disbursements were not supported by proper documentation. Costs that are not properly documented are subject to disallowance and therefore questioned cost.	YES	
26	2000	TENANT FILE DOCUMENTATION Tenant files did not have documentation supporting tenant's eligibility, determination of rent, and compliance with HUD policy.	YES	
27	2000	FINANCIAL AND PERFORMANCE REPORTING Various financial and performance reports were not filed or filed incorrectly.	YES	
28	2000	TENANT WATCH LIST The Housing Authority was unable to produce documentation to support implementation of its policies for admissions of tenants, requirements for applications, and waiting list.	YES	

Houma-Terrebonne Housing Authority

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2002

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken
29	2000	EQUIPMENT AND REAL PROPERTY MANAGEMENT The Housing Authority has not performed a physical inventory of furniture and equipment.	YES	
30	2000	PROCUREMENT The Housing Authority did not follow its procurement policy in securing goods and services.	YES	
31	2000	CONTRACT ADMINISTRATION MONITORING The Housing Authority did not comply with contract administration and monitoring requirements of 24CFR Part 968 in connection with Senator Circle modernization project.	YES	
32	2000	EXPENDITURES-COMPREHENSIVE GRANT PROGRAM (C) Supporting documentation was inadequate, expenditures charged to the grant vouchers for both 1998 and 1999. CGP programs.	YES	
33	2000	CASH MANAGEMENT Funds received through LOCCS were not disbursed in a timely manner in accordance with HUD requirements.	YES	
34	2000	PREVAILING WAGE RATES (DAVIS BACON ACT) The Housing Authority could not produce any evidence of its monitoring of contractor's compliance with the HUD determined wage rates in the contract.	NO	In the current year, no new construction contracts were executed; therefore, testing was not performed. Staff members have been sent to training which included instruction on complying with the requirements of the Davis Bacon Act.
35	2000	LOCCS QUARTERLY REPORTING In accordance with PIH 92-47, the Housing Authority has been suspended from drawing down funds due to failure of reporting quarterly expenditures and obligation information via LOCCS.	YES	
1	1999	UTILITY ALLOWANCES The Housing Authority has not performed a review or updated its utility allowance calculation since there has been a rate change of 10 percent or more since the last time the utility allowance schedule was revised in late-1997.	YES	

Houma-Terrebonne Housing Authority

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year ended September 30, 2002

Ref. No.	Fiscal Year Finding Initially Occurred	Description of Finding	Corrective Action Taken	Planned Corrective Action or Partial Corrective Action Taken
2	1999	<p>WAITING LIST</p> <p>Waiting lists did not reveal status of the applicants and the order in which they applied for housing.</p>	YES	
3	1999	<p>UNIT INSPECTION</p> <p>For items tested, annual unit inspections were located in tenant folders; however, the majority were not signed and dated by PHA inspector.</p>	YES	
4	1999	<p>COMPREHENSIVE GRANTS MONITORING</p> <p>The Housing Authority could not provide evidence that employee interviews of contractor or subcontractor were performed in accordance with federal regulation for monitoring construction.</p>	YES	

SUPPLEMENTAL INFORMATION

Houma-Terrebonne Housing Authority

FINANCIAL DATA SUBMISSION SUMMARY
COMBINING BALANCE SHEET ACCOUNTS

September 30, 2002

	Low Rent 14,850	CGP 14,859	Drug Elimination 14,854	TOTAL
ASSETS:				
CURRENT ASSETS:				
Cash:				
Cash - unrestricted	\$ 286,731	\$ -	\$ -	\$ 286,731
Cash - tenant security deposits	55,860	-	-	55,860
Total Cash	<u>342,591</u>	<u>-</u>	<u>-</u>	<u>342,591</u>
Accounts and notes receivables:				
Accounts receivable - HUD - other projects	258,311	145,305	90,774	494,390
Accounts receivable - tenants - dwelling rents	63,173	-	-	63,173
Allowance for doubtful accounts - dwelling rents	(58,531)	-	-	(58,531)
Total receivables - net	<u>262,953</u>	<u>145,305</u>	<u>90,774</u>	<u>499,032</u>
Current investments				
Investments - unrestricted	100,000	-	-	100,000
Other current assets				
Prepaid expenses and other assets	64,183	-	-	64,183
Interprogram - due from	145,024	-	-	145,024
TOTAL CURRENT ASSETS	<u>914,751</u>	<u>145,305</u>	<u>90,774</u>	<u>1,150,830</u>
NONCURRENT ASSETS:				
Fixed Assets:				
Land	556,728	-	-	556,728
Buildings	17,559,102	369,835	-	17,928,937
Furniture, equipment & machinery - dwelling	467,367	-	-	467,367
Furniture, equipment & machinery - administration	250,326	55,160	34,809	340,295
Leasehold improvements	1,847,917	19,666	-	1,867,583
Accumulated depreciation	(18,629,598)	(33,147)	(3,421)	(18,666,166)
Total fixed assets - net	<u>2,051,842</u>	<u>411,514</u>	<u>31,388</u>	<u>2,494,744</u>
TOTAL NONCURRENT ASSETS	<u>2,051,842</u>	<u>411,514</u>	<u>31,388</u>	<u>2,494,744</u>
TOTAL ASSETS	<u>\$ 2,966,593</u>	<u>\$ 556,819</u>	<u>\$ 122,162</u>	<u>\$ 3,645,574</u>

Houma-Terrebonne Housing Authority

FINANCIAL DATA SUBMISSION SUMMARY
COMBINING BALANCE SHEET ACCOUNTS

September 30, 2002

	Low Rent 14.850	CGP 14.859	Drug Elimination 14.854	TOTAL
LIABILITIES AND EQUITY:				
LIABILITIES:				
CURRENT LIABILITIES				
Accounts payable < 90 days	\$ 38,848	\$ 1,800	\$ 89,255	\$ 129,903
Accrued wage/payroll taxes payable	17,815	-	-	17,815
Accrued compensated absences - current	6,941	-	-	6,941
Accounts payable - HUD PHA programs	99,795	-	-	99,795
Tenant security deposits	55,860	-	-	55,860
Deferred revenue	11,263	-	-	11,263
Accrued contingency liability	133,438	-	-	133,438
Accrued liabilities - other	63,028	-	-	63,028
Interprogram - due to	-	143,505	1,519	145,024
TOTAL CURRENT LIABILITIES	426,988	145,305	90,774	663,067
NONCURRENT LIABILITIES				
Accrued compensated absences - non-current	20,824	-	-	20,824
TOTAL NONCURRENT LIABILITIES	20,824	-	-	20,824
TOTAL LIABILITIES	447,812	145,305	90,774	683,891
EQUITY:				
Contributed Capital:				
Net HUD PHA contributions	2,051,743	-	-	2,051,743
Total Contributed Capital	2,051,743	-	-	2,051,743
Undesignated fund balance/retained earnings	467,038	411,514	31,388	909,940
TOTAL EQUITY	2,518,781	411,514	31,388	2,961,683
TOTAL LIABILITIES AND EQUITY	\$ 2,966,593	\$ 556,819	\$ 122,162	\$ 3,645,574

Houma-Terrebonne Housing Authority
 FINANCIAL DATA SUBMISSION SUMMARY
 COMBINING INCOME STATEMENT ACCOUNTS

Year ended September 30, 2002

	Low-Rent 14,850	CGP 14,859	Drug Elimination 14,854	TOTAL
REVENUES:				
Net tenant rental revenue	\$ 1,051,049	\$ -	\$ -	\$ 1,051,049
Tenant revenue - other	95,416	-	-	95,416
Total tenant revenue	<u>1,146,465</u>	<u>-</u>	<u>-</u>	<u>1,146,465</u>
HUD PHA operating grants	1,070,632	63,435	55,431	1,189,498
HUD capital grants	-	50,728	34,809	85,537
Investment income - unrestricted	9,420	-	-	9,420
Other revenue	71,581	-	-	71,581
TOTAL REVENUES	<u>2,298,098</u>	<u>114,163</u>	<u>90,240</u>	<u>2,502,501</u>
EXPENSES:				
Administrative				
Administrative salaries	243,321	-	-	243,321
Auditing fees	72,318	-	-	72,318
Employee benefit contributions - administrative	20,632	-	-	20,632
Other operating - administrative	234,880	16,985	-	251,865
Total Administrative Expense	<u>571,151</u>	<u>16,985</u>	<u>-</u>	<u>588,136</u>
Tenant services				
Tenant services - salaries	11,930	-	-	11,930
Employee benefit contributions - tenant services	1,012	-	-	1,012
Other tenant services	1,545	-	-	1,545
Total Tenant Services	<u>14,487</u>	<u>-</u>	<u>-</u>	<u>14,487</u>
Utilities				
Water	132,098	-	-	132,098
Electricity	423,805	-	-	423,805
Gas	61,928	-	-	61,928
Other utilities expense	93,601	-	-	93,601
Total Utilities Expense	<u>711,432</u>	<u>-</u>	<u>-</u>	<u>711,432</u>
Ordinary Maintenance & Operation				
Labor	183,545	-	-	183,545
Materials and other	47,452	-	-	47,452
Contract costs	147,654	-	-	147,654
Employee benefit contributions	15,565	-	-	15,565
Total Ordinary Maintenance & Operation	<u>394,216</u>	<u>-</u>	<u>-</u>	<u>394,216</u>
Protective services - other contract costs	72,364	-	55,431	127,795
General Expenses				
Insurance premiums	170,704	-	-	170,704
Bad debt - tenant rents	45,043	-	-	45,043
Severance expense	9,635	-	-	9,635
Total General Expenses	<u>225,382</u>	<u>-</u>	<u>-</u>	<u>225,382</u>
TOTAL OPERATING EXPENSES	<u>1,989,032</u>	<u>16,985</u>	<u>55,431</u>	<u>2,061,448</u>
EXCESS OPERATING REVENUE OVER OPERATING EXPENSES	<u>309,066</u>	<u>97,178</u>	<u>34,809</u>	<u>441,053</u>
Other Expenses				
Extraordinary maintenance	22,467	-	-	22,467
Casualty losses - non-capitalized	304	-	-	304
Depreciation expense	687,583	33,147	3,421	724,151
Total Other Expenses	<u>710,354</u>	<u>33,147</u>	<u>3,421</u>	<u>746,922</u>
TOTAL EXPENSES	<u>2,699,386</u>	<u>50,132</u>	<u>58,852</u>	<u>2,808,370</u>
EXCESS (DEFICIT) OF REVENUE OVER EXPENSES	<u>(401,288)</u>	<u>64,031</u>	<u>31,388</u>	<u>(305,869)</u>
Transfer of funds	46,450	(46,450)	-	-
Prior period adjustment	- 37 - 259,366	(18,105)	-	241,261
Beginning Equity	2,614,253	412,038	-	3,026,291
Ending Equity	<u>\$ 2,518,781</u>	<u>\$ 411,514</u>	<u>\$ 31,388</u>	<u>\$ 2,961,683</u>

Houma-Terrebonne Housing Authority

STATEMENT OF EXPENDITURES OF FEDERAL AWARDS

Year ended September 30, 2002

	<u>Type</u>	<u>Federal CFDA #</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:			
Public Housing:			
Operating Subsidy	A - Major	14.850	\$ 1,070,632
Drug Elimination Program	B - Nonmajor	14.854	90,240
Comprehensive Grant Program	B - Nonmajor	14.859	<u>114,163</u>
TOTAL FEDERAL FINANCIAL AWARDS			<u><u>\$ 1,275,035</u></u>

Houma-Terrebonne Housing Authority

PUBLIC HOUSING BUDGET VS. ACTUAL COMPARISON

Year ended September 30, 2002

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
REVENUES:			
Net tenant rental revenue	\$ 1,143,726	\$ 1,146,465	\$ 2,739
HUD PHA grants	1,170,427	1,070,632	(99,795)
Investment income - unrestricted	12,680	9,420	(3,260)
Other revenue	58,200	71,581	13,381
TOTAL REVENUES	<u>2,385,033</u>	<u>2,298,098</u>	<u>(86,935)</u>
OPERATING EXPENSES:			
Administrative	497,393	571,151	(73,758)
Tenant services	39,222	14,487	24,735
Utilities	728,920	711,432	17,488
Ordinary maintenance & operation	403,115	394,216	8,899
Protective services	126,050	72,364	53,686
General expenses	219,596	225,382	(5,786)
Nonroutine maintenance	23,238	22,467	771
Casualty loss - non-capitalized	-	304	(304)
TOTAL OPERATING EXPENSES BEFORE DEPRECIATION	<u>2,037,534</u>	<u>2,011,803</u>	<u>25,731</u>
NET OPERATING INCOME BEFORE DEPRECIATION	<u>\$ 347,499</u>	286,295	<u>\$ (61,204)</u>
DEPRECIATION EXPENSE NOT BUDGETED		<u>687,583</u>	
NET OPERATING LOSS AFTER DEPRECIATION		<u>\$ (401,288)</u>	

Houma-Terrebonne Housing Authority

STATEMENT OF COMPREHENSIVE GRANT AND
CAPITAL FUND COSTS - UNCOMPLETED

Year ended September 30, 2002

	Comprehensive Grant Program LA-48P090707-98 1998	Comprehensive Grant Program LA-48P090708-99 1999	Capital Fund Program LA-48P090501-00 2000
Funds approved	\$ 464,495	\$ 530,491	\$ 1,100,863
Funds expended	<u>464,495</u>	<u>86,871</u>	<u>-</u>
Excess of funds approved	<u>\$ -</u>	<u>\$ 443,620</u>	<u>\$ 1,100,863</u>
Funds advanced	\$ 348,744	\$ 57,266	\$ -
Funds expended	<u>464,495</u>	<u>86,871</u>	<u>-</u>
Excess funds advanced (expended)	<u>\$ (115,751)</u>	<u>\$ (29,605)</u>	<u>\$ -</u>



Reznick Fedder & Silverman

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March 14, 2003

Houma-Terrebonne Housing Authority

To the Board of Commissioners
and Management

In planning and performing our audit of the financial statements of the Houma-Terrebonne Housing Authority, (the Authority) for the year ended September 30, 2002, we considered the Authority's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarized our comments and suggestions regarding those matters. This letter does not affect our report dated March 14, 2003, on the Authority's financial statements.

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

Sincerely,

A handwritten signature in cursive script that reads "Reznick Fedder & Silverman".

Reznick Fedder & Silverman

Houma-Terrebonne Housing Authority

Comments and Suggestions

Physical Inventory of Fixed Assets

Comment: To comply with federal regulations, the Authority is required to take a physical inventory of all fixed assets and document individual assets' value including the operational status of the item. During the year ended September 30, 2003, the Authority performed a physical inventory of its fixed assets, as required by HUD. However, the Authority does not attach a permanent identifying label to each asset. The use of numbered, permanent identifying labels would facilitate the periodic inventory of fixed assets, and help to insure that all assets are properly accounted for while reducing the chance for human error.

Suggestion: The Authority should begin adhering permanent identifying labels to fixed assets.

Management's Response: Included with the new Housing Software Program is an inventory/asset program that incorporates the use of a bar code system that will allow a hand held computer with a wand to scan and record inventory data. We believe this will greatly improve efficiencies in this area.

Timeline: Currently this project is on schedule and due to be complete by June 30, 2003.

Processing Vendor Invoices

Comment: There is no indication of approval for payment or checking of prices, extensions, footings and cash discounts of vendors' invoices. Invoices were not marked paid as to render them ineffective as a support for further payment.

Suggestion: The performance of clerical verification of prices, extensions, footings, and comparison to purchase orders, as well as management approval for payment should be documented on the vendor invoices. The Authority attaches the vendor invoice and other supporting documents to a check copy for filing. While no instances of double payment of an invoice were observed, we recommend that the Authority also mark invoices as paid to prevent inadvertent double payment should an invoice become separated from the check copy.

Management's Response: The staff has been following the approved Accounts Payable and Cash Disbursements Policy included in the Accounting Procedures section of our Operational Manual. The Authority generates an accounts payable listing that is compared against Purchase Orders/Contracts prior to generating, to ensure accuracy. To improve upon this area, we will discuss with HUD revising the policy to incorporate this suggestion within the Accounting Procedures. We understand that this could be accomplished with a Stamp that identifies P.O. Number, Check Number and date paid.

Timeline: August 15, 2003

Outstanding Checks

Comment: We noted that many old outstanding checks, some over one year old, are being carried on monthly cash reconciliations. This causes additional time to be spent by personnel to reconcile the bank accounts each month.

Suggestion: We recommend that checks that are over one year old be investigated and removed from the bank reconciliation and the original transaction should be reversed. Research should be done periodically to eliminate large numbers of old items being carried from month to month. Additionally, we recommend that the states laws regarding unclaimed property (escheat laws) be researched to insure that the Authority stays in compliance.

Management's Response: As part of the Authority's on-going recovery tasks, this item has been resolved. Documentation has been provided to the Fee Accountant to remove old, outstanding checks that were previously voided, yet not removed from the reconciliation process. We are currently reversing the original transactions to ensure proper accounting. The new Security Deposit Policy states that residents that vacate without providing a forwarding address, forfeit any remaining credit balance after rent and maintenance charges are deducted.

Timeline: Immediate and on-going

Tenant File Documentation

Comment: While performing an inspection of selected sample lease files, we noted that four of the 30 tenant files tested did not have move-in inspection reports. One of these was for a tenant that moved into the unit during the year ended September 30, 2002. The other three instances were for tenants that had originally moved into their units in prior years. We also noted that two of the tenant files did not contain lead based paint warnings.

Suggestion: We recommend that all current tenant files be reviewed to determine that lead based paint warnings are in the files. The appropriate lead based paint warning should be obtained for any files that are missing the document. We also recommend that a checklist of required documents be included as a part of the initial tenant file set up. This will help eliminate instances where documents such as the move-in inspection reports are missing.

Management's Response: Due to Tropical Storm Isidore and Hurricane Lillie, several emergency transfers were performed without move-in inspections. When an apartment is complete for unit turnover by maintenance, an inspection work order is generated and performed by the Housing Managers and Maintenance Personnel. Several units were ready for occupancy prior to the storm, and were subsequently used in that emergency situation.

All files will be reviewed to ensure Move-In and Interim Inspections are completed and to ensure lead based paint warnings are included as part of the initial tenant file set. A new form has been developed that incorporates the check list suggested along with other on-going improvements.

Timeline: June 30, 2003