

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.

FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
STATEMENT OF FINANCIAL POSITION	4
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2012	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 2012	6
STATEMENT OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2012	7
NOTES TO THE FINANCIAL STATEMENTS	8
SUPPLEMENTARY INFORMATION:	
Independent Auditors' Report On Supplementary Information	15
SCHEDULE I - Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2012	16
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	17
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133	21
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS:	
Section I - Summary of Auditors' Results	26
Section II - Financial Statement Findings and Questioned Costs	28
Section III - Federal Award Findings and Questioned Costs	42
Section IV - Status of Prior Year's Findings and Questioned Costs ...	51
EXIT CONFERENCE	52



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of **New Orleans Redevelopment Unlimited, Inc. (NORU)** which comprise the statement of financial position as of December 31, 2012, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

Auditors' Responsibility, Continued

Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements previously referred to present fairly, in all material respects, the financial position of **NORU** as of December 31, 2012, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2013 on our consideration of **NORU's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **NORU's** internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2013

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012

ASSETS

Current assets:

Cash (NOTE 3)	\$ 500,066
Amounts receivable (NOTE 10)	28,408
Accrued interest receivable	8,010
Land, unimproved land and structures (NOTE 4)	1,063,525
Current portion of loans receivable (NOTES 5 and 11)	1,600
Due from other funds, net	<u>152,536</u>

Total current assets 1,754,145

Noncurrent assets:

Loans receivable (NOTES 5 and 11)	<u>352,009</u>
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Total noncurrent assets 352,009

Total assets \$2,106,154

LIABILITIES AND NET ASSETS

Current liabilities:

Amounts payable - vendors	\$ 111,519
Deposits held for buyers (NOTE 14)	<u>10,695</u>

Total current liabilities 122,214

Noncurrent liabilities:

Revolving loan (NOTES 5 and 11)	<u>649,868</u>
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Total noncurrent liabilities 649,868

Total liabilities 772,082

CONTINGENCIES (NOTE 8)

Net assets:

Unrestricted	1,293,672
Restricted (NOTE 13)	<u>40,400</u>

Total net assets 1,334,072

Total liabilities and net assets \$2,106,154

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Revenues:	
Property donation	\$ 634,500
Interest income	2,092
Loss on sale of property, net	<u>(12,165)</u>
Total revenues	<u>624,427</u>
Expenses:	
Program services	112,243
Supporting services	<u>73,190</u>
Total expenses	<u>185,433</u>
Change in net assets	438,994
Net assets, beginning of year, as previously reported	671,349
Prior period adjustment (NOTE 15)	<u>223,729</u>
Net assets, beginning of year, as restated	<u>895,078</u>
Net assets, end of year	<u><u>\$1,334,072</u></u>

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Professional fees and contract services	\$ 3,506	\$ -0-	\$ 3,506
Occupancy	-0-	10,633	10,633
Management fees	-0-	62,412	62,412
Property maintenance and insurance	51,364	-0-	51,364
Office expense	-0-	145	145
Provision for loan loss (NOTE 17)	54,912	-0-	54,912
Other expenses	<u>2,461</u>	<u>-0-</u>	<u>2,461</u>
Total	<u>\$112,243</u>	<u>\$73,190</u>	<u>\$185,433</u>

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows used in Operating Activities:	
Change in net assets	\$ 438,994
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Adjustment to beginning net assets	223,729
Loan loss expense	54,912
Donation of land, structure and unimproved land, net	(602,125)
Increase in amounts receivable	(232,447)
Increase in amounts payable	90,348
Decrease in deferred revenue	<u>(14,131)</u>
Net cash used in operating activities	<u>(40,720)</u>
Cash Flows from Investing Activities:	
Disbursement of loan proceeds, net	<u>(353,609)</u>
Cash used in investing activities	<u>(353,609)</u>
Cash Flows from Financing Activities:	
Proceeds from revolving loan	<u>649,868</u>
Cash provided by financing activities	<u>649,868</u>
Net increase in cash	255,539
Cash, beginning of year	<u>244,527</u>
Cash, end of year	\$ <u>500,066</u>
Interest paid	\$ <u>-0-</u>

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BACKGROUND GENERAL DATA:

Background

New Orleans Redevelopment Unlimited, Inc. (NORU) was formed in 2004 as a nonprofit corporation.

The purposes of **NORU** include:

- o Eliminate and prevent the development or spread of slums.
- o Promote neighborhood revitalization, blight removal, community development and construction of affordable housing that is decent, safe and sanitary for low and moderate income families, including support of efforts of entities so engaged through loans with repayment.
- o Allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans to include but not limited to community improvement plans or projects approved by the governing body of the City of New Orleans.
- o Acquire property by negotiation or gift.
- o Dispose of property by sale, lease or gift.
- o Own real estate, to buy or sell, develop or lease, and generally handle, moveable and immovable property of every nature and kind.
- o Do any and all things necessary with full authority to perform all acts necessary or proper to accomplish the purposes expressed or implied in these Articles, or that may be incidental thereto.

General

As of December 31, 2012, **NORU** is primarily engaged in the implementation of a Loan Fund pursuant to Section 105(a)(15) of the Housing and Community Development Act of 1974 for revolving construction loans to facilitate the construction of residential housing in a memorandum agreement with New Orleans Redevelopment Authority.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimated.

Basis of Presentation

NORU's basic financial statements consist of the statement of financial position, statements of activities, statements of functional expenses and cash flows. The statements are prepared in accordance with accounting principles generally accepted in the United States of America.

Statement of Cash Flows

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

Loans Receivable

Loans receivable are recorded at the face value of the note at point of execution. The revolving construction loan program is used to support economic and rehabilitation development activities.

NORU uses the allowance method (based on prior year's experience and analysis) to determine uncollectibility of loans receivable.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Land, Unimproved Land and Structures

Land, unimproved land and structures are recorded at estimated fair value at point of donation. Gain or loss resulting from the sale of the related properties is reflected in income in the period of sale.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life is not included in or capitalized in the land and building structure account.

Revolving Loan:

Revolving loan is recorded at face value at point of disbursement. The loan is used to further the construction loan program aimed at economic and rehabilitation development activities.

NOTE 3 - CASH:

At December 31, 2012 the carrying amount of **NORU's** deposits was \$500,066 and the cumulative bank balance was \$500,136. The cumulative collected bank balance at December 31, 2012 in excess of \$250,000 Federal Deposit Insurance Corporation (FDIC), was not covered by pledged securities owned by the fiscal agent's bank, (see Financial Statement Finding Reference Number 2012-06). Custodial credit risk, is the risk that in the event of a failure by the financial institution, **NORU's** deposits may not be returned to it. **NORU** has no deposit policy for custodial credit risk. At December 31, 2012, \$250,136 of **NORU's** bank balances were exposed to custodial risk. Under state laws, these deposits must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - LAND, UNIMPROVED LAND AND STRUCTURES:

As of December 31, 2012, capital assets consisted of the following:

	Balance January 1, <u>2012</u>	<u>Addition</u>	<u>Deductions</u>	Balance December 31, <u>2012</u>
Structures	\$ -0-	\$ 20,000	\$ -0-	\$ 20,000
Land and unimproved land	<u>461,400</u>	<u>870,425</u>	<u>(288,300)</u>	<u>1,043,525</u>
Total	<u>\$461,400</u>	<u>\$890,425</u>	<u>\$(288,300)</u>	<u>\$1,063,525</u>

At December 31, 2012, land unimproved land and structures consisted of properties donated to **NORU** from various sources including New Orleans Redevelopment Authority (NORA) and the City of New Orleans and held in accordance with **NORU's** goals to rehabilitate, clear and redevelop slum and blighted properties.

NOTE 5 - LOANS RECEIVABLE:

At December 31, 2012, loan receivable consisted of the following:

Loan to a corporation at a rate of 2.5% per annum due in full in thirty-six (36) months commencing October 25, 2011 together with any accrued and unpaid interest thereon.	\$345,609
Loan to a corporation at a rate of 8% per annum; forgivable over five (5) years commencing January 2012.	<u>8,000</u>
	353,609
Less: current portion	<u>1,600</u>
Noncurrent portion	<u>\$352,009</u>

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - RISK MANAGEMENT:

NORU is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **NORU** 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 7 - CONCENTRATION OF CREDIT RISK:

NORU receives primarily all of its revenues from **NORA** and through donations. If the amount of revenues received from **NORA** and others fall below contract levels, **NORU's** operating results could be adversely affected.

NOTE 8 - CONTINGENCIES:

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

NORU is named in various suits. It is Counsel's opinion at December 31, 2012 and September 5, 2013, that outcomes of these matters will not have an adverse effect on the financial condition of **NORU**. Accordingly, no provision has been made in the financial statements for these contingencies.

NOTE 9 - PER DIEM FOR DIRECTORS:

During the year ended December 31, 2012, no board member received per diem in his/her capacity as a Director.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - AMOUNTS RECEIVABLE:

At December 31, 2012, amounts receivable consisted of \$28,408 of net proceeds due from the sale of property inventory.

NOTE 11 - REVOLVING LOAN:

Revolving loan at December 31, 2012 represents funds provided to **NORU** through a memorandum of understanding between **NORA** and it to implement a loan fund pursuant to section 105(a)(15) of the Housing and Community Development Act of 1974 for revolving construction loans to facilitate the construction of residential housing in accordance with policies and procedures and as otherwise approved by **NORU**. See NOTE 5, for additional discussion.

NOTE 12 - RELATED PARTY TRANSACTIONS:

NORU paid fees and made various reimbursements for cost incurred on **NORU**'s behalf totaling \$185,433 to **NORA** for the year ended December 31, 2012 of which management fees paid was \$62,412.

Further, during the year ended December 31, 2012, **NORU** continued to administer a construction lending fund contract totaling \$750,000 for a construction project on behalf of **NORA**. At December 31, 2012 the total amount disbursed was \$509,967.

NOTE 13 - RESTRICTED NET ASSETS:

Real property donated to **NORU** by its related party **NORA** is subject to specific future use and/or disposition pursuant to the requirement of CDBG funded activities.

NOTE 14 - DEPOSITS HELD FOR BUYERS:

At December 31, 2012, **NORU** held deposits in the amount of \$10,695 on behalf of potential buyers of its donated properties.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - PRIOR PERIOD ADJUSTMENT:

The prior period adjustment of \$223,729 is to correctly state net assets for overstated property values and unrecorded prior year's acquisitions and sales.

NOTE 16 - SUBSEQUENT EVENTS:

NORU is required to evaluate events or transaction that may have occurred after the statement of financial position date for potential recognition or disclosure in the financial statements. **NORU** performed such an evaluation through September 5, 2013, the date which financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date that required recognition or disclosure.

NOTE 17 - PROVISION FOR LOAN LOSS:

NORU participated with **NORA** (related party) in several real estate loan transactions resulting in the provision by **NORA** to the benefit of the respective home buyers forgivable mortgage loans totaling \$54,912 for the year ended December 31, 2012.

The provision for loan loss for the year ended December 31, 2012, represents funds not expected to be collected from **NORA** in connection with the forgivable loans.

SUPPLEMENTARY INFORMATION



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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

Other Matters

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our report on the audit of the financial statements of **New Orleans Redevelopment Unlimited, Inc.** as of and for the year ended December 31, 2012, appears on page 1. Those audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2013

SCHEDULE I

**NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

<u>Program Grantor/Title</u>	<u>CFDA</u>	<u>Federal Expenditures</u>
PROGRAM FUNDED BY THE U.S. DEPARTMENT OF HOUSING <u>AND URBAN DEVELOPMENT</u>		
Pass-Through New Orleans Redevelopment Authority as Subgrantee of the State of Louisiana:		
Office of Community Development	14.228	<u>\$509,967</u>
Total U.S. Department of Housing and Urban Development		<u>\$509,967</u>

NOTE: Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of **NORU** and is presented on a modified accrual basis of accounting. The information on this schedule is presented in accordance with other requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations".

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

To the Board of Directors
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of **New Orleans Redevelopment Unlimited, Inc. (NORU)** which comprise the statement of financial position, as of December 31, 2012, and the related statements of activities, functional expenses and cashflows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 5, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered **NORU's** internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **NORU's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **NORU's** internal control over financial reporting.

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

Internal Control Over Financial Reporting, Continued

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the accompanying Summary Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control over financial reporting 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 over financial reporting is a deficiency, or a combination of deficiencies in internal control over financial reporting, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2012-04 to be a significant deficiency in internal control over financial reporting.

A material weakness over financial reporting is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of NORU's financial statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2012-01, 2012-02, 2012-03 and 2012-05 to be material weaknesses as defined above.

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 NORU's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2012-06.

NORU's Response to Findings

NORU's response to the findings identified in our audit is described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". NORU's response was not subjected to the auditing procedures applicable in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Purpose of this Report

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2013



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

To the Board of Directors
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

Report on Compliance for Major Federal Program

We have audited **New Orleans Redevelopment Unlimited, Inc.'s (NORU)** compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A -133 Compliance Supplement* that could have a direct and material effect on **NORU's** major federal program for the year ended December 31, 2012. **NORU's** major federal program is identified in the Summary of Auditors' Results section of the accompanying Summary Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for **NORU's** major federal program based on our audit of the types of compliance requirements previously described. 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

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

Auditor's Responsibility, Continued

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 NORU'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 on compliance for the major federal program. However, our audit does not provide a legal determination of NORU's compliance.

Opinion on Major Federal Program

In our opinion, NORU complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Summary of Schedule of Findings and Questioned Costs as item 2012-10. Our opinion on the major federal program is not modified with respect to this matter.

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

NORU's Response to Findings

NORU's response to the noncompliance findings identified in our audit is described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". NORU's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on these response.

Report on Internal Control Over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in NORU's internal control over compliance that might be significant deficiencies, or material weaknesses and therefore, significant deficiencies or material weaknesses may exist that were not identified. However, as described in the following paragraphs, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and a significant deficiency.

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

Report on Internal Control Over Compliance, Continued

A deficiency in 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 a combination of control deficiencies in internal control, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiency identified in internal control over compliance, as described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2012-10 to be a significant deficiency as defined above.

A material weakness in internal control over compliance in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected in a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2012-07, 2012-08 and 2012-09 to be material weaknesses, as defined above.

NORU's Response to Findings

NORU's response to the internal control over compliance finding identified in our audit is described in the accompanying Summary Schedule of Findings and Questioned Costs under the caption "Management's Response and Planned Corrective Action" and/or "Current Status". NORU's response was not subject to the auditing procedures applied in the audit of compliance and accordingly, we express no opinion on the response.

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

Purpose of this Report

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2013

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

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

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

Unmodified

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

Yes

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.228	Blighted Properties Program - Construction Lending
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2012-01

Federal Award Program

N/A

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

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

The property inventory balance was incomplete:

- o Beginning inventory roll forward balance was incomplete due to errors in recording prior year's adjusting entries totaling \$44,721.
- o Donated properties totaling \$316,400 were unrecorded until detected during the audit, including two properties which we noted collection of earnest money pursuant to agreements to purchase and sell for properties not recorded in the accounting records.
- o Overstated property values totaling \$73,700 due to valuing properties at assessed value on the date of donation rather than the appraised value as required by accounting principles generally accepted in the United States of America.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-01

Condition, Continued

- o An additional property was neither on the revised reconciled detail property listing nor the property roll forward schedule provided for our review.
- o Also, noted were properties totaling \$104,300 determined as not belonging to NORU.
- o Correcting entries in many cases were incorrectly prepared and/or improperly supported.
- o Also, noted appraisals provided to us for some properties preceded the date of donation.

Questioned Costs

None.

Context

Total expenditures of federal pass through award were \$-0-.

Effect or Potential Effect

The effect or potential effect include:

- o Significant misstatement of financial transactions.
- o Noncompliance with Board policy to include its impact on the performance of a timely and efficient audit.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-01

Cause

Lack of in-house capacity and systems in place to facilitate timely analysis and review to ensure the completeness of all executed financial transactions.

Recommendation

Management should revisit with financial policies and procedures relative to reconciling inventory and ensure the necessary analysis are performed timely with all resulting adjustments, if any, posted immediately.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will establish deadlines to ensure timely preparation and submission of financial reports. Management continues to develop systems and seek levels of efficiencies that will increase the accuracy and timeliness of financial reporting on a monthly basis.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-02

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

NORU shall maintain appropriate books and records with respect to activities performed pursuant to its Memorandum of Understanding between New Orleans Redevelopment Authority and NORU and compliance with applicable laws.

Condition

The reconciliation of construction loan receivable and related revolving loan accounts were incomplete and consisted of the following exceptions:

- o Liquidated receivables totaling \$297,294 were incorrectly credited to the deferred revenue account.
- o A revolving loan balance totaling \$491,452 and accrued interest of \$12,286 were reported as deferred revenue.
- o Drawn down loan funds and subsequent disbursement of those funds totaling \$18,515 and \$133,435 were omitted from both the loan receivable and revolving loan accounts until audited.
- o Accrued interest was overstated \$8,897 due to computing interest on the gross loan balance for the entire year rather than on the rolling balance outstanding each month.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-02

Condition, Continued

- o Requests for draw down of loan funds submitted to **NORU** totaling \$70,506 in July 2012 and \$27,123 in December 2012 were not recorded until detected during the audit.

Questioned Costs

None.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

Effect or Potential Effect

Incomplete reporting of financial transactions and account balances.

Cause

High turnover in key accounting staff; lack of technical knowledge of existing service provider and lack of technical knowledge in monitoring and oversight.

Recommendation

Management should enhance its oversight and maximize cross training to the extent possibly so that all levels of staff have a reasonable knowledge of processes.

Further, general ledger account reconciliations and analysis should be performed periodically, preferably on a monthly basis, with resulting entries, if any, recorded timely and reviewed by management for completeness.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-02

Management's Response and Planned Corrective Action

Management concurs with the recommendation. Management is in the process of reviewing the capacity and restructuring the finance department workflows to ensure timely review and reconciliation.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-03

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

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

The interfund balances were incomplete:

- o The "Due From NORA" balance was understated due to errors in reporting sales proceeds and due to omitted transactions relative to the administration of a contract with NORA.
- o Likewise, the "Due to NORA" balance was overstated due to misclassified accounts payable transactions.
- o Additionally, we were unable to verify the propriety of overhead rates used to allocate costs from NORA to **NORU**.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-03

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

Effect or Potential Effect

The effect or potential effect include:

- o Misstatement of recorded financial transactions.
- o Noncompliance with Board policy to include its impact on the performance of a timely and efficient audit.

Cause

Lack of in-house capacity and systems in place to facilitate timely analysis and review to ensure completeness of all executed financial transactions.

Recommendation

Management should revisit with its current monthly analysis and reconciliation process to ascertain its completeness.

Management's Response and Planned Corrective Action

Management concurs with the recommendation. Management is in the process of reviewing the capacity and restructuring the finance department workflows to ensure timely review and reconciliation.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-04

Federal Award Program

N/A

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

The reconciliation of net assets at December 31, 2012 was incomplete due to incorrect recordation of prior year's audit adjustments totaling \$46,700, and to reclassification of certain property transactions.

Questioned Costs

None.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$-0-.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-04

Effect or Potential Effect

The effect or potential effect include:

- o Misstatement of recorded financial transactions.
- o Noncompliance with Board policy to include its impact on the performance of a timely and efficient audit.

Cause

Lack of in-house capacity and system in place to facilitate timely analysis and review to ensure the completeness of all executed financial transactions.

Recommendation

Management should revisit with its current monthly analysis to ascertain its completeness in accounting for all financial transactions to include the preparation of accurate financial statements.

Management's Response and Planned Corrective Action

Management will ensure all audit adjustments are complete prior to finalization of the 2012 Audit Report.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-05

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

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

- o The reported construction lending balance totaling \$509,967 was incorrectly recorded as grant revenue and program expense of NORU.
- o Loss on sale of property was understated due to omitted sales from the accounting records.
- o The sales account was overstated due to misclassified transactions.
- o Current year's donated revenue balance was overstated \$32,300 by transactions identified as belonging to prior year.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-05

Questioned Costs

None.

Effect or Potential Effect

The effect or potential effect include:

- o Significant misstatement of recorded financial transactions.
- o Noncompliance with Board policy to include its impact on the performance of a timely and efficient audit.

Cause

Lack of in-house capacity and systems in place to facilitate timely analysis and review to ensure the completeness of all executed financial statements.

Recommendation

Management should revisit with its current monthly processes to ensure their completeness and to facilitate accurate and timely preparation of financial statements with all resulting adjustments, if any, posted immediately.

Management's Response and Planned Corrective Action

Management will continue to evaluate deadlines, workflows and processes to ensure accurate and timely preparation of monthly financial reporting.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2012-06

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

Board established policy requires the maintenance of adequate collateral pledged on behalf of NORU and held at the Federal Reserve Bank for all deposits in excess of \$250,000.

Condition

NORU did not provide us with a depository agreement and/or a collateral report for its bank account to evidence the collateralization of funds in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2012-06

Effect or Potential Effect

The effect or potential effect include the risk associated with the loss of funds held by NORU's banker in excess of the FDIC coverage limit.

Cause

Lack of an established procedure to monitor on a continuous basis the adequacy in collateralization of funds held by others.

Recommendation

Management should execute a depository agreement with its banker to ensure the collateralization of funds on deposit in excess of the FDIC insurance coverage.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and has entered into a collateralization agreement with Capital One Bank.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs

Reference Number

2012-07

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

NORU shall maintain appropriate books and records with respect to activities performed pursuant to its Memorandum of Understanding between New Orleans Redevelopment Authority and NORU and compliance with applicable laws.

Condition

The reconciliation of construction loan receivable and related revolving loan accounts were incomplete and consisted of the following exceptions:

- o Liquidated receivables totaling \$297,294 were incorrectly credited to the deferred revenue account.
- o A revolving loan balance totaling \$491,452 and accrued interest of \$12,286 were reported as deferred revenue.
- o Drawn down loan funds and subsequent disbursement of those funds totaling \$18,515 and \$133,435 were omitted from both the loan receivable and revolving loan accounts until audited.
- o Accrued interest was overstated \$8,897 due to computing interest on the gross loan balance for the entire year rather than on the rolling balance outstanding each month.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-07

Condition, Continued

- o Requests for draw down of loan funds submitted to NORU totaling \$70,506 in July 2012 and \$27,123 in December 2012 were not recorded until detected during the audit.

Questioned Costs

None.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

Effect or Potential Effect

Incomplete reporting of financial transactions and account balances.

Cause

High turnover in key accounting staff; lack of technical knowledge of existing service provider and lack of technical knowledge in monitoring and oversight.

Recommendation

Management should enhance its oversight and maximize cross training to the extent possibly so that all levels of staff have a reasonable knowledge of processes.

Further, general ledger account reconciliations and analysis should be performed periodically, preferably on a monthly basis, with resulting entries, if any, recorded timely and reviewed by management for completeness.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-07

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will establish deadlines to ensure timely preparation and submission of financial reports. Management continues to develop systems and seek levels of efficiencies that will increase the accuracy and timeliness of financial reporting on a monthly basis.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-08

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

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

- o The reported construction lending balance totaling \$509,958 was incorrectly recorded as grant revenue and program expense of **NORU**.
- o Loss on sale of property was understated due to omitted sales from the accounting records.
- o The sales account was overstated due to misclassified transactions.
- o Current year's donated revenue balance was overstated \$32,300 by transactions identified as belonging to prior year.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-08

Questioned Costs

None.

Effect or Potential Effect

The effect or potential effect include:

- o Significant misstatement of recorded financial transactions.
- o Noncompliance with Board policy to include its impact on the performance of a timely and efficient audit.

Cause

Lack of in-house capacity and systems in place to facilitate timely analysis and review to ensure the completeness of all executed financial statements.

Recommendation

Management should revisit with its current monthly processes to ensure their completeness and to facilitate accurate and timely preparation of financial statements with all resulting adjustments, if any, posted immediately.

Management's Response and Planned Corrective Action

Management concurs with the recommendation. Management is in the process of reviewing the capacity and restructuring the finance department workflows to ensure timely review and reconciliation.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-09

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

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

The interfund balances were incomplete:

- o The "Due From NORA" balance was understated due to errors in reporting sales proceeds and due to omitted transactions relative to the administration of a contract with NORA.
- o Likewise, the "Due to NORA" balance was overstated due to misclassified accounts payable transactions.
- o Additionally, we were unable to verify the propriety of overhead rates used to allocate costs from NORA to **NORU**.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-09

Questioned Costs

None.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

Effect or Potential Effect

The effect or potential effect include:

- o Misstatement of recorded financial transactions.
- o Noncompliance with Board policy to include its impact on the performance of a timely and efficient audit.

Cause

Lack of in-house capacity and systems in place to facilitate timely analysis and review to ensure completeness of all executed financial transactions.

Recommendation

Management should revisit with its current monthly analysis and reconciliation process to ascertain its completeness.

Management's Response and Planned Corrective Action

Management will continue to evaluate deadlines, workflows and processes to ensure accurate and timely preparation of monthly financial reporting.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number

2012-10

Federal Award Program

Blighted Properties Program - Construction Lending (see Schedule of Expenditures of Federal Awards).

Criteria

Management is responsible for establishing policies and procedures to ensure the adequacy in collateralization of all federal funds held.

Condition

NORU did not provide us with a depository agreement and/or a collateral report for its bank account to evidence the collateralization of funds in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit.

Context

Total expenditures of federal awards for the year ended December 31, 2012 were \$509,967.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

Section III - Federal Award Findings and Questioned Costs, Continued

Reference Number, Continued

2012-10

Effect or Potential Effect

The effect or potential effect include the risk associated with the loss of funds held by NORU's banker in excess of the FDIC coverage limit.

Cause

Lack of an established procedure to monitor on a continuous basis the adequacy in collateralization of funds held by others.

Recommendation

Management should execute a depository agreement with its banker to ensure the collateralization of funds on deposit in excess of the FDIC insurance coverage.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and has entered into a collateralization agreement with its banker.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

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

None.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.

EXIT CONFERENCE

An exit conference was held with representatives of **NORU**. The contents of this report were discussed and management indicated their concurrence in all material respects. The following were in attendance and/or participated in various discussions:

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.

Mr. Wayne Woods	-- Board President
Mr. Jeffrey P. Hebert	-- Executive Director
Ms. Brenda M. Breaux	-- Chief Operating Officer
Ms. Renee' Johnson, CPA, CICA	-- Internal Auditor
Ms. Michelle Calachino	-- Chief Financial Officer

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, MBA, CGFM	-- Partner
Ms. Toni Murphy	-- Accountant



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

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

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

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

Mr. Jeffrey P. Hebert, Executive Director
New Orleans Redevelopment Unlimited, Inc.
New Orleans, Louisiana

Management of **New Orleans Redevelopment Unlimited, Inc. (NORU)** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of **NORU**, as of and for the year ended December 31, 2012 in accordance with auditing standards generally accepted in the United States of America, we considered **NORU's** internal control to determine our 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 **NORU's** internal control. Accordingly, we do not express an opinion on the effectiveness of **NORU's** internal control.

As a part of our audit, we noted certain other matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on **NORU's** internal control in our report dated September 5, 2013. This letter does not affect our report dated September 5, 2013 on the financial statements or internal control of **NORU**.

We will review the status of these other matters during our next audit engagement. We have already discussed these other matters with **NORU's** management, and will be pleased to discuss these matters in further detail at your convenience.

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

(CONTINUED)

Current Year's Other Matters

2012

Our discussion of the current year's other matters follows:

Reference Number

OM - 2012-01

Condition

We noted various errors and omissions in financial statement transactions executed by NORU for the year ended December 31, 2012.

Recommendation

Management should strengthen its internal control relative to management oversight and monitoring to ensure completeness and timeliness of monthly general ledger accounts reconciliations, preparation of financial statements, etc., to include the identification, resolution and subsequent recordation, if necessary, of any exceptions on a timely basis.

Management's Response and Planned Corrective Action

Management concurs with the recommendation. Management is in the process of reviewing the capacity and restructuring the finance department workflows to ensure timely review and reconciliation.

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

(CONTINUED)

Current Year's Other Matters, Continued

2012

Reference Number

OM - 2012-02

Condition

Currently, **NORU** recognizes salaries and related benefits to include payroll taxes through an allocation of shared common cost for services performed by New Orleans Redevelopment Authority's (NORA) on behalf of **NORU**.

Recommendation

Management of **NORU** should consider negotiating with NORA a fixed management fee amount for all services provided to it on a monthly basis. This should minimize the cost associated with the monthly allocation of various costs such as salaries, related benefits, rent, utilities, parking, etc.

Management's Response and Planned Corrective Action

Management of **NORU** has negotiated a fixed management fee for all general operating overhead expenses. All salaries and related benefits will continue to be allocated based on actual time spent as **NORU** programs evolve.

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

(CONTINUED)

Current Year's Other Matters, Continued

2012

Reference Number

OM - 2012-03

Condition

For a cash disbursement transaction tested for the month of September 2012, (month judgementally selected for testing), we were unable to independently ascertain NORU's verification of clerical accuracy of an invoice paid.

Recommendation

Management should ensure compliance with its establishment transactions processing controls to reduce the risk of an incorrect payment of processed invoices. However, we noted no discrepancies in the paid vendor invoice amount.

Management's Response and Planned Corrective Action

Management continues to work toward streamlining its accounts payable functions and enhance its oversight to eliminate the opportunity for error.

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

(CONTINUED)

Status of Prior Year's Other Matters

2011 and Prior

NONE.

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

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

As always, we appreciate the courtesies extended to us by you and 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 management, the Board of Directors and is not intended to be and should be used by anyone other than these specified parties.

Bruno & Tervalon LLP

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September 5, 2013