

NEW ORLEANS REDEVELOPMENT AUTHORITY

FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 2012

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

Release Date DEC 11 2013

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units information, and the aggregate remaining funds of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise **NORA's** basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Auditor's Responsibility

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

Our report on NORA's financial statements includes pass through federal awards provided to St. Bernard Project, Inc., Unity of Greater New Orleans, Inc., and subsidiaries, Project Home Again Foundation, Lower 9th Ward Neighborhood Empowerment Network Association, Gulf Coast Housing Partnership, Inc. and Jericho Road Episcopal Housing Initiative, LLC for the rehabilitation and/or development of blight projects. The accompanying report does not include the results of the other auditor's report on the respective financial statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to NORA'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 NORA'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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Auditor's Responsibility, Continued

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units information, and the aggregate remaining funds of NORA as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 6 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Other Matters, Continued

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **New Orleans Redevelopment Authority's** basic financial statements.

The accompanying Exhibits A and B are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Exhibits A and B are the responsibility of management and were 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, Exhibits A and B are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Exhibits C, D, E, F, G and H have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

Board of Commissioners
New Orleans Redevelopment Authority
New Orleans, Louisiana

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2013 on our consideration of NORA'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 NORA's internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 30, 2013

NEW ORLEANS REDEVELOPMENT AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This report offers readers of these financial statements an overview and analysis of the financial activities of New Orleans Redevelopment Authority (NORA) as of and for the years ended December 31, 2012 and 2011. This narrative is designed to assist the reader in focusing on significant financial issues, identify changes in NORA's financial position, identify any material deviations from the approved budget documents, and identify individual *fund issues or concerns*.

The Management's Discussion and Analysis (MD&A) is designed to focus on NORA's current year activities, resulting changes and currently known facts.

FINANCIAL HIGHLIGHTS

NORA's assets exceeded its liabilities by \$1,477,120 and \$382,503 for the years ended 2012 and 2011.

NORA's net position increased by \$1,094,617 in 2012 and was marked with a decrease of \$380,314 in 2011. The increase in 2012 was due to the donation of real properties to include cash contributions. The decrease in net position for 2011 was primarily related to expenses charged to the general fund based on the nature of the expenses and a restatement of net position to record disallowed cost net of an equity transfer. For the years ended December 31, 2012 and 2011, net revenues (expenses) were \$13,024 and \$(298,040) for the governmental activities. Similarly, net revenues (expenses) for the business type activities were \$638,394 in 2012 and \$(22,625) in 2011.

At December 31, 2012 and 2011, NORA's governmental funds reported combined fund balance of \$(16,498) and \$(44,913), respectively which reflect an increase in fund balance of \$28,415 in 2012 and a decrease of \$308,759 in 2011.

OVERVIEW OF THE FINANCIAL STATEMENTS

NORA's financial statements focus' on the government as a whole (government-wide), major individual funds and the aggregate remaining funds. Both perspectives (government-wide, major fund and the aggregate remaining funds) allow the reader to address relevant questions, broaden a basis for comparison (year to year of government to government) and should enhance NORA's accountability.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Management's Discussion and Analysis introduces **NORA's** basic financial statements. The basic financial statements include (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. **NORA** also includes in this report additional information to supplement the basic financial statements

Government-Wide Financial Statements

The government-wide financial statements on pages 14 through 16 are designed to be similar to private-sector business. These statements combine **NORA's** current financial resources with capital assets and long-term obligations.

The Statement of Net Position on pages 14 and 15 present information on all of **NORA's** assets and liabilities, with the difference between the two reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of **NORA** is improving or deteriorating.

Deferred inflow of resources at December 31, 2012 was \$20,406,979 and \$-0- for December 31, 2011. The deferred inflow of resources represents the acquisition of funds applicable to future years.

The Statement of Activities on page 16, presents information showing how **NORA's** assets changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (i.e., earned but unused vacation leave result in cash flows for future periods). The focus of the Statement of Activities is on both the gross and net cost of various activities, which are provided by **NORA's** grant revenues. This is intended to summarize information and simplify the user's analysis of cost of various governmental services

The governmental activities reflect **NORA's** basic services including the rehabilitation and/or removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community. The business-type activities of **NORA** reflect the development of viable urban communities including decent housing and suitable living environments and expanding economic opportunities, principally for persons of low and moderate income.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

These services are financed primarily with grants, proceeds from sales of inventory, debt and other charges.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Traditional users of governmental financial statements will find the fund financial statements presentation more familiar. The focus is now on major funds, rather than generic fund types. Within the basic financial statements, fund financial statements focus on NORA's most significant funds rather than NORA as a whole. Major funds are separately reported while others are combined into a single, aggregated presentation.

NORA's funds can be divided into two categories: governmental funds and proprietary funds:

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. NORA's governmental funds on pages 17 through 23 are presented on a sources and uses of liquid resources basis. This is the manner in which the financial plan is typically developed excluding certain timing differences between the budget basis and accounting principles generally accepted in the United States of America.

Unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating NORA's current financing requirements.

Proprietary funds on pages 24 through 26 provide the same type of information as the government-wide financial statements, only in more detail for the enterprise fund.

The governmental major funds total column requires reconciling because of the different measurement focus which is reflected on the page following each statement. The reconciliation incorporates long-term obligations and capital assets, as applicable into the government-wide statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are a required part of the basic financial statements and can be found on pages 27 through 61 of the accompanying audit report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information which can be found on pages 64 through 71 of this report. A Schedule of Expenditures of Federal Awards can be found on page 72. The supplementary sections are included for additional information and analysis and do not constitute a part of the basic financial statements.

Financial Analysis of NORA as a Whole

As year-to-year financial information is accumulated on a consistent basis, changes in net position may be observed and used to discuss the changing financial position of NORA as a whole.

STATEMENT OF NET POSITION COMPARATIVE DATA

	<u>December 31,</u>		Amount of Change
	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Current assets	\$ 95,154,241	\$24,267,093	\$70,887,148
Capital assets	284,453	23,079	261,374
Loans receivable	<u>8,074,075</u>	<u>5,128,323</u>	<u>2,945,752</u>
Total assets	<u>103,512,769</u>	<u>29,418,495</u>	<u>74,094,274</u>
Current liabilities	71,122,341	22,160,887	48,961,454
Noncurrent liabilities	<u>10,506,329</u>	<u>6,875,105</u>	<u>3,631,224</u>
Total liabilities	<u>81,628,670</u>	<u>29,035,992</u>	<u>52,592,678</u>
Deferred inflow of revenues	<u>20,406,979</u>	<u>-0-</u>	<u>20,406,979</u>
Net position:			
Net investment in capital assets	284,453	23,079	261,374
Unrestricted	<u>1,192,667</u>	<u>359,424</u>	<u>833,243</u>
Net position	<u>\$ 1,477,120</u>	<u>\$ 382,503</u>	<u>\$ 1,094,617</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

NORA's net position at December 31, 2012 and 2011 were \$1,477,120 and \$382,503. Of these amounts, \$284,453 represent the amount of investment in capital assets in 2012 and \$23,079 in 2011. The remaining \$1,192,667 for 2012 and \$359,424 for 2011 are unrestricted.

The increase in net position from 2011 to 2012 was primarily due to the receipt of real properties and cash coupled with sales of real properties.

From 2010 to 2011, the change in net position was primary caused by a reclassification of grant funded properties to deferred inflow of resources and charges for costs incurred which are not covered by grant sources.

Current assets increased by 291.8% from \$24,267,093 in 2011 to \$95,154,241 in 2012. The increase in current assets relate to increases in cash, grants receivable, and the acquisition of land and structures. For 2011, the net increase from \$20,126,702 (2010) to \$24,267,093 (2011) resulted from a combination of an increase in grants receivable, and loans receivable and a decrease resulting from sales of blighted properties from governmental entities. These activities were funded to redevelop property in New Orleans in a post-storm era. Further, these properties are disposed of through various development mechanisms with the income returned to the appropriate governmental entity.

Current liabilities increased from \$22,160,887 in 2011 to \$71,122,341 in 2012. NORA acquired through various grants, cash and real properties to further redevelopment activities.

Also, at December 31, 2012 noncurrent liabilities increased by \$3,631,224 primarily due to loans to eligible program participants.

NORA's major source of program revenues totaling \$25,124,701 and \$18,094,591 for the years ended December 31, 2012 and 2011, represent grants and/or subsidies from governmental entities. Of the program revenues amount, \$25,036,972 and \$18,094,591 in 2012 and 2011, are included in the governmental fund. NORA's proprietary funds' revenue resulted from the sales of inventory in the amount of \$237,605 in 2012 and \$80,445 in 2011. NORA's major source of general revenues came as a result of interest income on cash investments and program income.

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Program expenses totaled \$25,149,199 for the governmental and \$173,411 for the business-type activities for 2012. In 2011, program expenses totaled \$18,582,975 and \$103,070, respectively. The increase in governmental activities during 2012 is the result of the level of funding provided through the Neighborhood Stabilization Program 2 (NSP2) to fight blight and redevelop targeted areas of the City.

The major components of program expenses for 2012 and 2011 were related to salaries and related fringe benefits, purchase or investment in the development of properties in New Orleans and other contractual services related to property acquisition and redevelopment.

STATEMENT OF ACTIVITIES COMPARATIVE DATA
FOR THE YEAR ENDED

	<u>December 31,</u>		<u>Amount of Change</u>
	<u>2012</u>	<u>2011</u>	<u>Increase</u>
			<u>(Decrease)</u>
Program Revenues:			
Operating grants and contributions	\$24,621,037	\$16,967,744	\$7,653,293
Charges for services	503,664	1,126,847	(623,183)
Sales of inventory	<u>237,605</u>	<u>80,445</u>	<u>157,160</u>
	<u>25,362,306</u>	<u>18,175,036</u>	<u>7,187,270</u>
General Revenues:			
Interest income	35,022	49,555	(14,533)
Other income	<u>576,700</u>	<u>140,789</u>	<u>435,911</u>
	<u>611,722</u>	<u>190,344</u>	<u>421,378</u>
Expenses:			
General expenses	<u>25,322,610</u>	<u>18,686,045</u>	<u>6,636,565</u>
Change in net position	651,418	(320,665)	\$ <u>972,083</u>
Net position, beginning of year, as restated	<u>825,702</u>	<u>703,168</u>	
Net position, end of year	<u>\$ 1,477,120</u>	<u>\$ 382,503</u>	

NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED

Financial Analysis of NORA's Funds

Governmental Funds: As discussed, the focus of NORA's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing NORA's financing requirements. In particular, unreserved fund balance may serve as a useful measure of NORA's net resources available for spending at the end of the year.

At December 31, 2012 and 2011, NORA's governmental funds reported combined fund balance (deficit) of \$16,498 and \$(44,913).

Major Governmental Funds: The general fund is the chief operating fund of NORA. At December 31, 2012 and 2011, unassigned fund balance (deficit) of the general fund were \$(103,867) and \$(57,273), respectively.

The Blighted Properties Removal Program Fund receives funding under contract with the City of New Orleans to provide rehabilitation, clearance and redevelopment of slums in blighted areas of the City of New Orleans. The fund balance always reflects a zero balance as this fund operates on a cost-reimbursement basis.

In 2012, NORA received significant funding from the Federal Emergency Management Association of \$2,229,459 to provide housing for eligible participants. Further, through a four party agreement, NORA received in 2012 housing stock located throughout the Parish of Orleans totaling \$67,082,890.

Proprietary Funds: The focus of NORA's proprietary funds is to provide the same type of information found in the government-wide financial statements, but in more detail.

Major Proprietary Funds: Unrestricted net position at December 31, 2012 and 2011 amounted to \$1,497,814 and \$573,090, an increase of \$924,724 prior to the impact of prior period adjustment of \$286,330 in 2012.

General Fund Budgetary Highlights

The Blighted Properties Removal Program Fund's entitlement program grants' original budgets for the fiscal years 2012 and 2011 were \$1,000,000 and \$2,900,000, respectively.

In addition, NORA received in 2012, blighted related program funding totaling \$9,190,579 (City of New Orleans and State) and \$11,747,057 in Federal NSP2 funds to rehabilitate and redevelop blight properties.

**NEW ORLEANS REDEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS, CONTINUED**

Capital Asset and Debt Administration

At December 31, 2012 and 2011, NORA had \$284,453 and \$23,079 in investment in capital assets consisting principally of land. See page 48 for detail composition of capital assets.

Economic Factors and Next Year's Budget and Rates

NORA's budget for 2013 covers multiple years. Those sources include:

- o \$1.8 million from the Neighborhood Stabilization 2 (NSP2) program. NSP2 is a 3 year grant that NORA secured with other partner agencies. NORA is the lead agency with primary responsibility for the consortium group. This grant is in its final year of Grant/Program income.
- o Multi Party Cooperative Endeavor Agreement for \$9.4 million plus program income derived from the sale of former Road Home properties, to assist in the rebuilding and recovery of the Parish of Orleans from damages suffered as the result of Hurricane Katrina and Rita.
- o \$1.5 million FEMA funding for a study, environmental assessment, design and permitting for a storm water mitigation/drainage upgrade project in the "Gentilly" area. The funding is for PHASE 1 of the proposed project. Based upon the results of the study and required assessments, and additional \$13.5M in funding will be approved
- o \$3.6 million in funding has been established for Housing Construction Loan Fund through NORA's non-profit subsidiary, New Orleans Redevelopment Unlimited, Inc. (NORU), to financially assist developers in the Gentilly Woods and Pontchartrain Park neighborhoods in accelerating the redevelopment of vacant and blighted properties in these areas. The beneficiary area now includes the City's Housing Opportunity Zones (HOZ), and will be further expanded to include neighborhoods in New Orleans East, Gentilly and Algiers.
- o Resiliency Program Funding of \$1M provided by LA OCD with D-CDBG funds for the purpose of enhancing community resiliency. Funds will use funds to support administrative costs and program elements related to its storm water mitigation project and to realize the opportunities that vacant land presents in increasing community resiliency. NORA will document these practices to share with other communities through the region

Although NORA has a significant budget for 2013, there are still challenges that NORA must overcome. Primarily, all of the funding anticipated is on a cost reimbursement basis; hence the need to seek a line of credit to pay vendors timely.

Requests for Information

The report is designed to provide a general overview of NORA's finances for all those that are interested in NORA's finances. Any questions concerning any of the enclosed information in this report and/or requests for additional information should be addressed to the Executive Director, New Orleans Redevelopment Authority, 1409 Oretha Castle Blvd., New Orleans, Louisiana 70113.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2012

ASSETS

	Governmental Activities	Business-Type Activities	Total Primary Unit	Component Units
Current assets:				
Cash (NOTE 4)	\$ 854,011	\$ 55,088	\$ 909,099	\$ 500,398
Restricted cash (NOTE 5)	13,616,993	-0-	13,616,993	-0-
Amounts receivable (NOTE 18)	465,802	71,800	537,602	28,408
Grants receivable (NOTE 9)	7,090,262	-0-	7,090,262	-0-
Accrued interest receivable	197,195	-0-	197,195	8,010
Advance	40,000	-0-	40,000	-0-
Prepaid items and other assets (NOTE 21)	-0-	237,496	237,496	-0-
Land, unimproved land and structures (NOTE 7)	70,174,881	1,509,285	71,684,166	1,063,525
Investments (NOTES 19 and 22)	771,428	-0-	771,428	-0-
Current portion of loans receivable (NOTE 26)	70,000	-0-	70,000	1,600
Due from other funds, net	-0-	-0-	-0-	152,536
Total current assets	93,280,572	1,873,669	95,154,241	1,754,477
Noncurrent assets:				
Capital assets, net (NOTE 6)	284,453	-0-	284,453	-0-
Loans receivable (NOTE 26)	7,972,420	101,655	8,074,075	352,009
Total noncurrent assets	8,256,873	101,655	8,358,528	352,009
Total assets	101,537,445	1,975,324	103,512,769	2,106,486

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION, CONTINUED
DECEMBER 31, 2012

LIABILITIES AND NET POSITION

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total Primary Unit</u>	<u>Component Units</u>
Current liabilities				
Bank overdraft	\$ 427,908	\$ -0-	\$ 427,908	\$ -0-
Amounts payable - vendors	5,534,065	295,753	5,829,818	111,519
Amounts payable - State of Louisiana	61,364,128	-0-	61,364,128	-0-
Line of credit (NOTE 19)	492,777	-0-	492,777	-0-
Accrued salaries, taxes and other withholdings payable	139,241	-0-	139,241	-0-
Deposits held for buyers (NOTE 16)	442,113	141,100	583,213	10,695
Recoverable grants payable (NOTE 20)	1,500,000	-0-	1,500,000	-0-
Due to other funds, net	414,331	40,657	454,988	10,799
Due to other government	209,506	-0-	209,506	-0-
Compensated absences payable (NOTE 15)	110,370	-0-	110,370	-0-
Advances from AFLCIO Investment Trust	-0-	-0-	-0-	59,849
Unfunded other past employment liability current position (NOTE 3)	<u>10,392</u>	<u>-0-</u>	<u>10,392</u>	<u>-0-</u>
Total current liabilities	<u>70,644,831</u>	<u>477,510</u>	<u>71,122,341</u>	<u>192,862</u>
Noncurrent liabilities				
Compensated absences payable (NOTE 15)	19,189	-0-	19,189	-0-
Unfunded other post employment liability (NOTE 3)	187,056	-0-	187,056	-0-
Revolving loans (NOTE 27)	<u>10,300,084</u>	<u>-0-</u>	<u>10,300,084</u>	<u>649,868</u>
Total noncurrent liabilities	<u>10,506,329</u>	<u>-0-</u>	<u>10,506,329</u>	<u>649,868</u>
Total liabilities	<u>81,151,160</u>	<u>477,510</u>	<u>81,628,670</u>	<u>842,730</u>
Deferred inflow of resources				
Deferred grants funds and cost of assets (NOTE 31)	<u>20,406,979</u>	<u>-0-</u>	<u>20,406,979</u>	<u>-0-</u>
Net position				
Net investment in capital assets	284,453	-0-	284,453	-0-
Unrestricted	(305,147)	1,497,814	1,192,667	1,223,356
Restricted (NOTE 29)	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>40,400</u>
Total net position	<u>\$ (20,694)</u>	<u>\$ 1,497,814</u>	<u>\$ 1,477,120</u>	<u>\$ 1,263,756</u>

The accompanying notes are an integral part of these financial statements

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions	PROGRAM REVENUES			NET (EXPENSE) REVENUES AND CHANGES IN NET POSITION		Total Primary Unit	Component Units
	Expenses	Charges for Services	Grants/ Contributions	Governmental Activities	Business Type Activities		
Governmental Activities.							
Blighted Properties Removal Program.							
Community Development Block Grant:							
Entitlement	\$ 1,014,636	\$ -0-	\$1,023,799	\$ 9,163	\$ -0-	\$ 9,163	\$ -0-
Disaster	1,293,272	-0-	1,267,549	(25,723)	-0-	(25,723)	-0-
Target Zone	774,102	-0-	774,102	-0-	-0-	-0-	-0-
Expanded Quick Take	2,001	-0-	2001	-0-	-0-	-0-	-0-
State of Louisiana	4,116,170	433,039	3,683,131	-0-	-0-	-0-	-0-
Affordable Housing Pilot Program	2,389,224	70,625	2,318,025	(574)	-0-	(574)	-0-
Hazard Mitigation Grant	606,099	-0-	606,099	-0-	-0-	-0-	-0-
General Fund	376,496	-0-	191,463	(185,033)	-0-	(185,033)	-0-
Neighborhood Stabilization Program 2	14,464,761	-0-	14,463,938	(823)	-0-	(823)	-0-
SBA	71,508	-0-	250,000	178,492	-0-	178,492	-0-
HUD	40,930	-0-	40,930	-0-	-0-	-0-	-0-
Total governmental activities	<u>\$25,149,199</u>	<u>\$503,664</u>	<u>\$24,621,037</u>	<u>(24,498)</u>	<u>-0-</u>	<u>(24,498)</u>	<u>-0-</u>
Business-type Activities							
Real Estate Acquisition and Land Banking Mechanism	\$ 173,411	\$237,605	\$ -0-	-0-	64,194	64,194	-0-
Total business-type activities	<u>\$ 173,411</u>	<u>\$237,605</u>	<u>\$ -0-</u>	<u>-0-</u>	<u>64,194</u>	<u>64,194</u>	<u>-0-</u>
Component Units							
Building New Orleans CDE	\$ -0-	\$ -0-	\$ -0-	-0-	-0-	-0-	-0-
NORA Community Capital, LLC	-0-	-0-	-0-	-0-	-0-	-0-	-0-
New Orleans Redevelopment Unlimited	185,433	-0-	622,335	-0-	-0-	-0-	436,902
Total component units	<u>\$ 185,433</u>	<u>\$ -0-</u>	<u>\$622,335</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>436,902</u>
General Revenues							
Interest income				35,022	-0-	35,022	2,092
Other revenue				2,500	574,200	576,700	-0-
Total general revenues				<u>37,522</u>	<u>574,200</u>	<u>611,722</u>	<u>2,092</u>
Changes in net position				<u>13,024</u>	<u>638,394</u>	<u>651,418</u>	<u>438,994</u>
Net position, beginning of year				(190,587)	573,090	382,503	601,152
Prior period adjustment (NOTE 8)				156,869	286,330	443,199	223,610
Net position, beginning of year, as restated				<u>(33,718)</u>	<u>859,420</u>	<u>825,702</u>	<u>824,762</u>
Net position, end of year				<u>\$ (20,694)</u>	<u>\$1,497,814</u>	<u>\$1,477,120</u>	<u>\$1,263,756</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2012

ASSETS

GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Blighted Properties Program Fund</u>	<u>Louisiana Land Trust Fund</u>	<u>Louisiana Recovery Authority Fund</u>	<u>Neighborhood Stabilization Program 2 Fund</u>	<u>Affordable Housing Pilot Program Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Cash	\$ 127,691	\$ 41,834	\$ 434,537	\$ 410	\$ 2,216	\$ 247,030	\$ 293	\$ 854,011
Restricted cash	-0-	-0-	13,616,993	-0-	-0-	-0-	-0-	13,616,993
Amounts receivable, net	82,301	7,080	195,147	-0-	179,743	1,531	-0-	465,802
Accrued interest receivable	2,583	173,836	-0-	7,101	13,675	-0-	-0-	197,195
Advance	40,000	-0-	-0-	-0-	-0-	-0-	-0-	40,000
Prepaid items and other assets	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Grants receivable	6,863	3,287,977	80,743	423,927	2,570,791	-0-	594,711	6,965,012
Loans receivable, net	550,000	4,544,720	11,665	-0-	2,825,344	110,691	-0-	8,042,420
Due from other funds	4,312,716	436,706	-0-	-0-	-0-	18,603	6,042	4,774,067
Investments	771,428	-0-	-0-	-0-	-0-	-0-	-0-	771,428
Furniture and equipment, net	19,644	-0-	-0-	-0-	-0-	-0-	-0-	19,644
Leasehold improvements, net	55,365	-0-	-0-	-0-	-0-	-0-	-0-	55,365
Land, unimproved land and structures	<u>12,360</u>	<u>-0-</u>	<u>61,364,236</u>	<u>-0-</u>	<u>-0-</u>	<u>1,878,717</u>	<u>-0-</u>	<u>63,255,313</u>
Total assets	<u>\$5,980,951</u>	<u>\$8,492,153</u>	<u>\$75,703,321</u>	<u>\$431,438</u>	<u>\$5,591,769</u>	<u>\$2,256,572</u>	<u>\$601,046</u>	<u>\$99,057,250</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS, CONTINUED
DECEMBER 31, 2012

LIABILITIES AND FUND BALANCES (DEFICITS)

GOVERNMENTAL FUNDS								
General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2 Fund	Affordable Housing Pilot Program Fund	Nonmajor Governmental Funds	Total	
Liabilities:								
Bank overdraft	\$ 427,908	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 427,908	
Advances—City of New Orleans	151,758	-0-	-0-	-0-	-0-	-0-	151,758	
Amounts payable - vendors	294,810	1,637,666	442,426	21,742	2,631,394	6,304	5,534,065	
Amounts payable - State of Louisiana	-0-	-0-	61,364,128	-0-	-0-	-0-	61,364,128	
Line-of-credit	492,777	-0-	-0-	-0-	-0-	-0-	492,777	
Due to other funds	2,255,091	752,337	359,061	397,796	1,193,810	129,294	5,188,398	
Salaries and related payroll taxes payable	24,392	31,835	43,411	11,900	26,180	1,209	139,241	
Recoverable grants payable	1,500,000	-0-	-0-	-0-	-0-	-0-	1,500,000	
Due to the City of New Orleans	-0-	57,748	-0-	-0-	-0-	-0-	57,748	
Revolving loans	850,222	5,764,454	-0-	-0-	1,700,000	1,985,408	10,300,084	
Deposits held for buyers	-0-	41,350	391,463	-0-	-0-	9,300	442,113	
Total liabilities	5,996,958	8,285,390	62,600,489	431,438	5,551,384	2,131,515	85,598,220	
Deferred inflow of resources	491	206,763	13,102,832	-0-	40,385	125,057	13,475,528	
Fund balances (deficits):								
Unassigned	(103,867)	-0-	-0-	-0-	-0-	-0-	(103,867)	
Nonspendable	87,369	-0-	-0-	-0-	-0-	-0-	87,369	
Total fund balances (deficits)	(16,498)	-0-	-0-	-0-	-0-	-0-	(16,498)	
Total liabilities and fund balances (deficits)	\$5,980,951	\$8,492,153	\$75,703,321	\$431,438	\$5,591,769	\$2,256,572	\$99,057,250	

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF THE BALANCE SHEET
OF THE GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total fund balance (deficit) governmental fund	\$ (16,498)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	193,252
Long-term liabilities including compensated absences and post employment benefits are not due and payable in the current period and therefore not reported in the funds	<u>(197,448)</u>
Net position of governmental activities	<u>\$ (20,694)</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES--GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	GOVERNMENTAL FUNDS							
	General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2 Fund	Affordable Housing Pilot Program Fund	Nonmajor Governmental Funds	Total
Revenues:								
Grants - State of Louisiana	\$ -0-	\$ -0-	\$2,089,525	\$1,531,123	\$ -0-	\$ -0-	\$ -0-	\$ 3,620,648
Grants - City of New Orleans-Entitlement	-0-	997,532	-0-	-0-	-0-	-0-	-0-	997,532
Grants - City of New Orleans-Target	-0-	631,774	-0-	-0-	-0-	-0-	-0-	631,774
Grants - City of New Orleans-Disaster	-0-	1,223,790	-0-	-0-	-0-	-0-	-0-	1,223,790
Grants - City of New Orleans EQT	-0-	2,001	-0-	-0-	-0-	-0-	-0-	2,001
Grants - HUD	-0-	-0-	-0-	-0-	-0-	-0-	40,930	40,930
Grants - Neighborhood Stabilization Program 2	-0-	-0-	-0-	-0-	11,747,056	-0-	-0-	11,747,056
Grants - AHPP	-0-	-0-	-0-	-0-	-0-	2,229,459	-0-	2,229,459
Grants - HMGP	-0-	-0-	-0-	-0-	-0-	-0-	606,099	606,099
Grants - SBA	-0-	-0-	-0-	-0-	-0-	-0-	250,000	250,000
Interest income	8,725	25,723	-0-	-0-	-0-	574	-0-	35,022
Administrative fee	-0-	-0-	344,276	-0-	-0-	-0-	-0-	344,276
Program income	-0-	172,191	98,548	-0-	2,684,492	159,191	-0-	3,114,422
Contribution	191,463	-0-	-0-	-0-	-0-	-0-	-0-	191,463
Other	<u>2,500</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,500</u>
Total revenues	202,688	3,053,011	2,532,349	1,531,123	14,431,548	2,389,224	897,029	25,036,972

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

	GOVERNMENTAL FUNDS						Nonmajor Governmental Funds	Total
	General Fund	Blighted Properties Program Fund	Louisiana Land Trust Fund	Louisiana Recovery Authority Fund	Neighborhood Stabilization Program 2 Fund	Affordable Housing Pilot Program Fund		
Expenditures:								
Salaries and employee benefits	\$ -0-	\$1,335,161	\$1,154,270	\$ 187,271	\$1,052,482	\$ 80,792	\$ 89,416	\$ 3,899,392
Convention and travel	42	4,079	6,154	663	1,896	5,115	843	18,792
Training	104	2,491	2,446	674	2,879	106	85	8,785
Repairs and maintenance	-0-	112,915	781,908	174	49,970	11,750	27	956,744
Contractual services	20,680	539,005	169,971	7,341	90,478	74,479	27,829	929,783
Environmental review	-0-	1,066	456	57	12,920	26	21	14,546
Land acquisitions	-0-	20,000	-0-	-0-	-0-	-0-	-0-	20,000
Construction & rehabilitation activities	97,032	808,770	-0-	1,320,258	-0-	2,167,665	552,000	4,945,725
Landbank	-0-	-0-	-0-	-0-	347,868	-0-	-0-	347,868
Abandoned and foreclosed	-0-	-0-	-0-	-0-	2,174,665	-0-	-0-	2,174,665
Telephone	78	7,487	5,008	1,028	5,365	573	165	19,704
Demolition activities	-0-	-0-	-0-	-0-	302,964	-0-	-0-	302,964
Construction activities on vacant land	-0-	-0-	-0-	-0-	10,268,501	-0-	-0-	10,268,501
Supplies	440	13,744	9,878	992	11,010	450	455	36,969
Automobile expenses	28	17,675	5,988	812	6,422	848	163	31,936
Postage and printing	673	6,080	5,704	643	9,142	393	222	22,857
Insurance	349	32,237	247,950	1,141	11,157	20,016	367	313,217
Interest expense and fees	50,073	25,789	62	8	82	624	3	76,641
Office furniture & equipment	79	12,572	3,417	177	2,152	80	223,179	241,656
Rent	848	75,246	83,942	8,832	58,709	7,217	1,874	236,668
Acquisitions/appraisal expense	104	7,152	38,948	264	14,192	495	107	61,262
Settlement charges	-0-	-0-	1,648	-0-	-0-	17,863	-0-	19,511
Other	3,743	31,542	14,599	788	8,694	732	273	60,371
Total expenditures	174,273	3,053,011	2,532,349	1,531,123	14,431,548	2,389,224	897,029	25,008,557

The accompanying notes are an integral part of these financial statements

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES—GOVERNMENTAL FUNDS, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>GOVERNMENTAL FUNDS</u>						
	<u>General Fund</u>	<u>Blighted Properties Program Fund</u>	<u>Louisiana Land Trust Fund</u>	<u>Louisiana Recovery Authority Fund</u>	<u>Neighborhood Stabilization Program 2</u>	<u>Affordable Housing Pilot Program Fund</u>	<u>Nonmajor Governmental Funds</u>
Excess (deficiency) of revenues over (under) expenditures	\$ <u>28,415</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
Changes in fund balances	<u>28,415</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balances (deficits), beginning of year	(44,913)	-0-	-0-	-0-	-0-	-0-	-0-
Fund balances (deficit), end of year	\$ (16,498)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES,
AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Change in fund balances	\$ 28,415
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation	182,057
Long-term liabilities including compensated absences and post employment benefits are not due and payable in the current period and therefore not reported in the funds	<u>(197,448)</u>
Change in net position for the governmental activities	\$ <u><u>13,024</u></u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF NET POSITION--PROPRIETARY FUND
DECEMBER 31, 2012

ASSETS

	<u>Real Estate Acquisition and Land Banking Mechanism</u>
Assets:	
Cash	\$ 55,088
Amounts receivable	71,800
Prepaid items and other assets	237,496
Unimproved land and structures	1,509,285
Due from other funds	382,351
Loans receivable	<u>101,655</u>
Total assets	<u>2,357,675</u>

LIABILITIES AND NET POSITION

Liabilities:	
Deposits held for buyers	141,100
Amounts and other payable	295,753
Due to other funds	<u>423,008</u>
Total liabilities	<u>859,861</u>
Net Position:	
Unrestricted net position	<u>1,497,814</u>
Total net position	<u>\$1,497,814</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET POSITION-PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Real Estate Acquisition and Land Banking Mechanism</u>
Operating Revenues.	
Sales of inventory	\$ 226,855
Property donation	574,200
Rental income	1,800
Administrative fee	<u>8,950</u>
Total operating revenues	<u>811,805</u>
Operating Expenses:	
Cost of inventory	143,645
Settlement charges	23,191
Acquisition and appraisal	<u>6,575</u>
Total operating expenses	<u>173,411</u>
Operating income	<u>638,394</u>
Change in net position	<u>638,394</u>
Net position, beginning of year	573,090
Prior period adjustment	<u>286,330</u>
Net position, beginning of year adjusted	<u>859,420</u>
Net position, end of year	<u>\$1,497,814</u>

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS--PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

Cash Flows Used in Operating Activities

Rental income	\$ 1,800
Receipts from sales of inventory	226,855
Administrative fees	8,950
Purchase of inventory	(143,645)
Payments to vendors	<u>(146,132)</u>

Net cash used in operating activities (52,172)

Decrease in cash (52,172)

Cash, beginning of year 107,260

Cash, end of year \$ 55,088

**Reconciliation of operating income to net cash
used in operating activities:**

Operating income	638,394
Adjustment to beginning net position	286,330

Changes in assets and liabilities:

Increase in unimproved land inventory	(724,765)
Decrease in due to other funds	(396,211)
Decrease in prepaid items and other assets	64,735
Increase in deposits held for buyers	26,892
Increase in amounts payable	225,908
Increase in loan receivable	(101,655)
Increase in amounts receivable	<u>(71,800)</u>

Net cash used in operating activities \$ (52,172)

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Background and General Data:

Background

The New Orleans Redevelopment Authority (NORA) exists under the authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968. NORA was formulated as a program by the City of New Orleans for the utilization of appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to allow the creation and organization of a community improvement agency; to allow the rehabilitation, clearance and redevelopment of slums and blighted areas in the City of New Orleans in accordance with community improvement plans or projects approved by the governing body of the City of New Orleans; to define the duties, liabilities, exemptions, authority and functions of such community improvement agency, including the acquisition of property by negotiation, gift or expropriation, the disposition of property by sale or lease, the issuance of bonds, borrowing of money and giving of security therefore and to allow bonds issued to be legal investments for banks and fiduciaries; to provide for notice and hearing; to authorize entering into agreements to secure Federal aid; to authorize public bodies to furnish funds, services, facilities and property in aid of community improvement projects and related activities hereunder; and to provide that securities issued and properties, while held by the New Orleans Redevelopment Authority, shall be exempt from taxation.

On July 7, 1994, the Louisiana Legislature passed Act No. 65 which amended Act No. 170 that created the New Orleans Redevelopment Authority. Act No. 65 effectively changed the name of the Community Improvement Agency to New Orleans Redevelopment Authority. In addition, the Board of Commissioners also adopted a resolution approving the name change.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General

As of December 31, 2012, **NORA** was primarily engaged in the following programs:

- Blighted Properties Removal Program
(Entitlement, Target Zone, Disaster, UDAG, Expanded Quick Take, Affordable Housing Pilot Program Katrina Cottages, Hazard Mitigation Grant Program and HUD Choice Neighborhood Initiative)
- Real Estate Acquisition and Land Banking Mechanism (REALM) and Neighborhood Housing Improvement Fund
- Louisiana Recovery Authority
- Louisiana Land Trust through the Road Homeowner Assistance Program
- Neighborhood Stabilization Program (NSP2)
- General Fund

New Orleans Redevelopment Authority under a contract with the City of New Orleans provides technical assistance in connection with the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large.

Further, through various grants and a cooperative agreement, **NORA** manages rehabilitation, demolition and removal activities through direct funding from Federal, State and private sources

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

A brief description of each program follows:

- **Blighted Properties Removal Program**

The Blighted Properties Removal Program under the Entitlement Target Zone, Disaster, UDGA, and Expanded Quick Take are designed to provide for the rehabilitation and/or demolition and removal of buildings and other improvements whose physical conditions render them detrimental to the safety and welfare of the public at large, and whose existence directly threatens the physical, social and economic stability of the surrounding neighborhood facilities and jeopardizes the well-being of the entire community.

These programs provide for technical assistance and/or financial assistance for rehabilitation, acquisition and redevelopment for blight reduction and alternative land use. The program is administered by NORA under contract with the City of New Orleans.

- **Affordable Housing Pilot Program (Katrina Cottages) (AHPP)**

The Louisiana Katrina Cottage Program has resulted in the construction of forty (40) housing units on NORA controlled properties intended for home ownership units. Funding for the Program is made available under Federal Emergency Management Agency (FEMA).

- **Hazard Mitigation Grant Program (HMGP)**

The HMGP provides grants to assist in the implementation of long-term hazard mitigation measures after a major disaster declaration.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Background and General Data, Continued:

General, Continued

- **HUD- Choice Neighborhood Initiatives (HNI)**

The HNI provides grants to transform distressed neighborhoods, public and assisted projects into viable and sustainable mixed-income neighborhoods by linking housing improvements with appropriate services such as, schools, public assets, transportation and access to jobs.

- **Real Estate Acquisition and Land Banking Mechanism (REALM) and Neighborhood Housing Improvement Fund**

The REALM program is designed to provide a mechanism for the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property to allow for a greater impact on blight and community redevelopment.

Under the REALM program, **NORA** works with other City agencies to acquire blighted properties in a strategic fashion and then bundles those properties for sale and/or donation.

- **Louisiana Recovery Authority**

The Louisiana Recovery Authority (LRA) program managed by **NORA** focuses on redevelopment through economic development efforts within the New Orleans area. Further, **NORA** has established a housing construction loan fund to assist developers in accelerating redevelopment.

- **Louisiana Land Trust**

The Louisiana Land Trust's (LLT) mission is to finance, own, lease as lessee or lessor, sell, exchange, donate otherwise hold or transfer a property interest in housing stock damaged by Hurricane Katrina or Rita.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

General Fund, Continued

Pursuant to said mission, LLT has initiated transfer of properties through acts of donation, several pieces of damaged unimproved housing stock to **NORA** for sale.

- **Neighborhood Stabilization Program (NSP2)**

The NSP2 program managed by **NORA**, focuses on a comprehensive neighborhood development strategy to address the challenges of blight and vacancy throughout the City.

The general fund is used by **NORA** to account for all financial activities or resources that are not budgeted for in other funds.

Pursuant to the requirements of GASB Statement No. 54 (Fund Balance Reporting and Government Fund Type Definitions), fund balance is reported as nonspendable and unassigned. The nonspendable classification is associated with amounts considered nonspendable such as capital assets, prepaid assets, etc. The unassigned classification represents amounts not restricted or committed.

Financial Reporting Entity

NORA exists under the Authority contained in Act No. 170, as amended, as passed by the Louisiana Legislature in 1968 and subsequently amended by Act No. 65, passed in 1994. **NORA** has the power to sue and be sued, and make rules and regulations for its own government consistent with the laws of the State of Louisiana and the City of New Orleans.

Government Accounting Standards Board (GASB) Statement No. 14, "*The Financial Reporting Entity*" established standards for defining and reporting on the financial entity.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Reporting Entity, Continued

GASB 14 and its related amendment GASB 39 indicate that the focal point for identifying the financial reporting entity is the primary government, which is considered to be any state government or general purpose local government or a special-purpose government that meets all of the following criteria: a) has a separately elected governing body; b) is legally separate; and c) is fiscally independent of other state and local governments.

NORA was established as a separate legal entity with a governing board which is separate and independent of any other governmental "reporting entity" as defined by GASB 14. Accordingly, management has concluded that **NORA** is a financial reporting entity within the meaning of the provisions of GASB 14.

Based on the requirements of GASB's 14 and 39, **NORA** has included the following component units in the financial reporting entity:

NORA formed in 2004 a 501(c)(3) organization, New Orleans Redevelopment Unlimited, Inc. to utilize appropriate private and public resources to eliminate and prevent the development or spread of slums; to provide decent, safe and sanitary dwellings for families of low income; to 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; and to acquire property by negotiation, or gift, and the disposition of property by sale, lease, or gift; and to own real estate, to buy or sell, develop or lease, and generally handle, movable and immovable property of every nature and kind.

Also, in 2005, **NORA** formed a limited liability company **NORA** Community Capital, LLC for the primary purpose of serving the low income communities and Orleans Parish; and providing investment capital to low income persons in Orleans Parish. On May 16, 2013 **NORA** filed an affidavit and dissolved the company.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Reporting Entity, Continued

On January 10, 2007, NORA partnered with another entity and formed Building New Orleans CDE, Inc. a Delaware non-profit organization. The mission of Building New Orleans, CDE, Inc. is exclusively for charitable purposes to include lessening the burdens of government, and erection or maintenance of public buildings, monuments, or work, within the meaning of section 501(c)(3) of the Internal Revenue Code of 1986.

The component units financial statements have been included in NORA's financial statements in a discrete presentation.

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

NORA's basic financial statements consist of the government-wide statements of the primary government and its component units and the fund financial statements (individual major funds and combined nonmajor funds). The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of NORA. The effect of interfund activity has been removed from these statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

Government-Wide and Fund Financial Statements, Continued

NORA's statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who use or directly benefit from services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items are properly included among program revenues or reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

NORA reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

The Blighted Properties Program Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes regarding the rehabilitation and/or demolition and removal and gap financing of blight in the City of New Orleans.

Louisiana Land Trust is used to account for transfers activities and disposition of Land Trust property. Specifically the objective of the project is to facilitate the rehabilitation of blight in various neighborhoods in the City of New Orleans

The Louisiana Recovery Program provides pass-through funding to other community based entities to facilitate address and rehabilitation projects in various communities within the City of New Orleans. In addition, these funds will also be utilized for a construction loan fund for contractor's restoring housing stock in the New Orleans area.

The Neighborhood Stabilization Program provides funding to consortium members in conjunction with existing resources and programs to address the challenges of blight and vacancy throughout the City of New Orleans.

The Affordable Housing Pilot Program provides home ownership opportunities for eligible participants.

NORA reports the following major proprietary fund:

The REALM Program accounts for activities related to the rehabilitation and/or demolition and removal of buildings and other improvements through acquisition and disposition of property.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Government-Wide and Fund Financial Statements, Continued

As a general rule, the effect of interfund activity has been eliminated at the government-wide financial statements level.

Amounts reported as program revenues include 1) charges to customers or applicants for services or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions.

The proprietary fund distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a propriety fund's principal ongoing operations. The principal operating revenues of NORA's enterprise fund are charges to customers for services and sales of inventory of land. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Under the provisions of GASB 33 Standards (Accounting and Financial Reporting for Non-Exchange Transactions), NORA recognizes assets, liabilities, revenues and expenditures under its government-mandated and voluntary non-exchange transactions as follows:

- NORA recognizes assets and liabilities when all applicable eligibility requirements are met or resources received, whichever is first;
- Revenue and expenditures are recognized when all applicable eligibility requirements are met; and
- Transactions with time requirements, resources received prior to the satisfaction of the time requirement(s), are recorded by NORA as deferred revenue upon award.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

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 loan program is used to support economic and rehabilitation development activities funded with CDBG, LRA and NSP2 grants. The interest rates on the loans range from zero to four (4) percent. Repayment range of the loans are required within established timelines.

Also, included in loans receivable are non-interest bearing forgivable mortgage loans secured by real estate. No payments are required unless the borrower fails to maintain ownership of the property as his/her principal residency.

In the event the borrower ceases to occupy the property, the entire amount of the loan, less any portion earned by the borrower, will be due and payable.

The borrower will earn a portion of the loan for each month that he/she owns and resides in the property as his/her principal place of residency. The borrower will earn the loan on a pro-rata basis for each month of ownership and occupancy as measured against the period of affordability.

NORA records the earned portion on a straight-line basis as amortization in the statement of activities. Management has recorded no allowance for doubtful accounts at December 31, 2012.

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Capital Assets

Capital assets include, land and equipment and are recorded at cost when the individual cost exceeds \$100. When no historical records are available, land and equipment are valued at estimated historical cost. When assets are retired or otherwise disposed of, any resulting gain or loss is reflected in income for the period. In addition, costs associated with certain property acquired with CDBG funds received from the City of New Orleans and other sources are reflected as program costs to the respective programs. A property inventory is accounted for by the City of New Orleans for acquisition of non-expandable property that vest with the City of New Orleans.

The cost of normal maintenance and repairs that do not add to the value of an asset or materially extend the asset's life are not included in or capitalized in the proprietary fund. Equipment in the proprietary fund of NORA is recorded at cost.

Capital assets are depreciated in the proprietary fund of NORA using the straight-line method over a five (5) year estimated useful life. At December 31, 2012, equipment in the proprietary fund in an amount of \$44,430 is fully depreciated.

Land, Unimproved Land and Structures

Land, unimproved land and structures are recorded at cost and represent cost incurred in the acquisition of blighted properties. Donated properties are also included at the 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.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Compensated Absences

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

The cost of current leave privileges computed in accordance with GASB Codification Section C60, is recognized as a current-year expenditure in the governmental funds when leave is actually taken or when employees (or heirs) are paid for accrued leave upon retirement or death. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements.

Financial Instruments

NORA's policy generally is to use financial derivatives to manage exposure to fluctuations in interest rate. **NORA** does not hold or issue derivative financial instruments for trading purposes.

Gains and losses realized and premiums paid on interest rate hedges, are deferred and amortized to interest expense over the life of the underlying instrument.

Long-term Obligations

NORA reports its long-term obligations as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. All applicable premium and discount costs, as well as origination costs are deferred and amortized over the life of the obligations.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Budgetary Data

NORA does not formally adopt or utilize a budget for its General Fund. Budgetary data for its Blighted Properties Removal program is submitted to and approved annually by the applicable funding sources of NORA.

Prepaid Items and Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Net Position

NORA has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*, effective fiscal year 2012. This standard provides guidance for reporting the financial statement elements of deferred outflows of resources and deferred inflows of resources. Deferred outflows represent the consumption of NORA's net position that is applicable to a future reporting period. A deferred inflow represents the acquisition of net position that is applicable to a future reporting period.

Because deferred outflows and deferred inflows are, by definition, neither assets nor liabilities, the statement of net assets, title is now referred to as the statement of net position. The statement of net position reports net position as the difference between all other elements in a statement of net position and should be displayed in three components: net investment in capital assets, restricted net position (distinguishing between major categories of restrictions), and unrestricted net position.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits

In 2012, **NORA** provided benefit premiums to the State of Louisiana, Office of Group Benefits totaling \$11,047 for a retired employee. **NORA** will continue to provide health care and life insurance benefits for the retired employee.

As further discussed in NOTE 10, **NORA** in February of 2008 terminated its participation in the defined benefit plan operated by Louisiana State Employees' Retirement System (LASERS) for all current employees except for the one retired employee who is grand-fathered into the LASERS plan. The termination included the refunding of all prior contributions made to the plan by current employees. **NORA's** contributions made to the plan during its years of participation, do not carryover with its termination.

Plan Description

Currently **NORA** provides other postemployment benefits for one (1) retired employee. This postemployment benefits plan, an agent multiple-employer defined benefit plan, provides the retiree with a choice of participating in one of four medical insurance plans, each with varying benefits: preferred provider organization (PPO), exclusive provider organization (EPO), managed care option (MCO), or health maintenance organization (HMO). LSA-R.S. 42.801 - 859 assigns the authority to establish benefit plans and premium rates and negotiate contracts to the Office of Group Benefits under the direction of the Commissioner of Administration. The Office of Group Benefits issues a separate financial report which may be obtained by contacting them at:

Office of Group Benefits
State of Louisiana
7389 Florida Blvd. -Suite 400
Baton Rouge, Louisiana 70806.
Phone: (800) 272-8451
Website: www.groupbenefits.org

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Funding Policy

During 2012, **NORA** recognized the cost of providing these benefits (**NORA's** portion of premiums) as an expense when the benefit premiums were due and thus financed the cost of postemployment benefits on a pay-as-you-go basis. It implemented Governmental Accounting Standards Board Statement Number 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions* (GASB Statement 45). In 2012 **NORA's** portion of health care, and life insurance benefit premiums for its retired employee totaled \$11,047. **NORA** began the planning process of establishing a trust whose assets will be dedicated to providing other postemployment benefits to the retired employee and her beneficiary and which is legally protected from creditors. It is the intent of **NORA**, once the trust is established, to contribute its portion of postemployment benefits to the trust on a regular basis.

Required Contribution Rates

As determined by the Office of Group Benefits and approved by the Louisiana Legislature in 2007, the employer paid 70% of the premium cost for postemployment benefits for retired employees and their families, and the retirees paid 30% of the premium cost; monthly premium cost for retired employees ranged from \$139 for a single retiree in the HMO plan to \$482 for a family in the PPO plan.

NORA's annual medical and life postemployment benefits cost (expense) is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement Number 45. **NORA's** annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize the unfunded actuarial liability (or funding excess) over a period of thirty (30) years for health and life insurance. The total annual required contributions for 2012 was \$11,047, none of which was funded because the trust had not been established.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

**Annual Other Postemployment Benefits Cost and Net
Postemployment Benefits Liability, Continued**

The following table shows NORA's annual other postemployment benefits cost, percentage of that cost contributed, and the net unfunded other postemployment benefits liability:

<u>Fiscal Year Ended</u>	<u>Annual Postemployment Benefits Cost</u>	<u>Percentage of Annual Cost Contributed</u>	<u>Net Unfunded Other Postemployment Benefits Liability</u>
12/31/12	<u>\$11,047</u>	<u>100%</u>	<u>\$197,448</u>

Funded Status and Funding Progress

In 2012, NORA made no contributions to other postemployment benefits plan trust since such a trust had not been established; the plan was not funded at all, has no assets, and hence has a funded ratio of zero. As of December 31, 2012, the most recent actuarial valuation, the actuarial accrued liability was \$197,448, which is defined as that portion, as determined by a particular actuarial cost method, of the actuarial present value of other postemployment plan benefits and expenses which is not provided by normal cost (i.e., the cost of the actuarial present value of other postemployment for the *retired* employee from her hire date through her date of retirement). Since the plan was not funded in 2012, the entire actuarial accrued liability of \$197,448 was unfunded.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarial valuation for postemployment benefits includes estimates and assumptions regarding (1) turnover rate; (2) retirement rate; (3) healthcare cost trend rate; (4) mortality rate; (5) discount rate (investment return assumption); and (6) the period to which the costs apply (past, current, or future years of service by employees). Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The actuarial calculations are based on the types of benefits provided under the terms of the substantive plan at the time of the valuation and on the pattern of sharing costs between **NORA** and its plan member to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between **NORA** and plan member in the future. Consistent with the long-term perspective of actuarial calculations, the actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The amount of the current employer portion of the healthcare premiums for the retiree coverage has been used as the basis for calculating the actuarial present value of benefits to be paid.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Actuarial Cost Method

The annual required contribution is determined using the Unit Credit Cost method, a method under which the benefits of each individual in an actuarial valuation are allocated by a consistent formula to valuation years, and actuarial gains or losses reduce or increase the unfunded actuarial accrued liability as they occur. The employer portion of the premiums for retiree medical care in each future year is determined by projecting the current premium levels using the health care cost trend rate and discounting this projected amount to the valuation date using the other described pertinent actuarial assumptions, including the investment return assumption (discount rate), mortality, and turnover rates.

Actuarial Value of Plan Assets

Since this is the first actuarial valuation, there are not any assets to be actuarially valued; however, it is anticipated that future valuations of actuarial assets will be based on Actuarial Standards Board Actuarial Standard of Practice Number 6, *Measuring Retiree Group Benefit Obligations*, which is applicable to postemployment benefits plans and generally requires valuing dedicated plan assets using a method that takes into account market value.

Turnover Rate

The standard turnover assumptions as defined by GASB 45 paragraph 35b is used.

Retirement Rate

The beneficiary retired prior to December 31, 2012.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Healthcare Cost Trend Rates

The expected rate of increase in healthcare insurance premiums is based on projections of the Office of the Actuary at the Centers for Medicare and Medicaid Services as published in *National Health Care Expenditures Projections: 2004 to 2013*, Table 3: National Health Expenditures Aggregate and Per Capita Amounts, Percent Distribution and Average Annual Percent Change by Source of Funds: Selected Calendar Years 1990-2013, released in January, 2005 by the Health Care Financing Administration. "State and Local" rates for 2006 through 2013 from this report were used, with rates beyond 2013 graduated down to an ultimate annual rate of 4.7% for 2018 and later, as set forth below:

The healthcare cost rates are set forth below:

<u>Calendar Year</u>	<u>Health</u>	<u>Pharmacy</u>	<u>Dental</u>	<u>Vision</u>
2012	7.800%	7.800%	3.000%	3.000%
2013	6.600%	6.600%	3.000%	3.000%
2014	5.800%	5.800%	3.000%	3.000%
2015	5.600%	5.600%	3.000%	3.000%
2016	5.600%	5.600%	3.000%	3.000%
2017	5.500%	5.500%	3.000%	3.000%
2018	4.700%	4.700%	3.000%	3.000%
and later	4.700%	4.700%	3.000%	3.000%

NOTE 3 - Other Post-retirement Benefits, Continued:

Mortality Rate

The RP2000 Mortality Tables for Males and Females projected 10 years is used.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Other Post-retirement Benefits, Continued:

Investment Return Assumption (Discount Rate) and Inflation Rate

GASB Statement 45 states that the investment return assumption should be the estimated long-term investment yield on investments that are expected to be used to finance the payment of benefits. Since it is anticipated that the annual required contribution will be funded, a 5.5% annual investment return is assumed in the actuarial valuation. This is a conservative estimate of the expected long-term return of a balanced and conservative investment portfolio. An explicit rate of inflation is not included in either the investment return or the healthcare cost trend, but, rather, is implicitly included and is presumed to be the same for each.

Amortization Method and Period

The level dollar closed amortization method has been used. An amortization period of 30 years has been used for the medical benefits and 10 years for the life insurance benefits.

NOTE 4 - Cash:

At December 31, 2012 the carrying amount of NORA's deposits was \$909,099 and the cumulative bank balance was \$1,464,022. The cumulative collected bank balance is covered by federal depository insurance. Custodial credit risk, is the risk that in the event of a failure by the financial institution, NORA's deposits may not be returned to it. NORA has no deposit policy for custodial credit risk; however, at December 31, 2012, none of NORA'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. These securities are held by the fiscal agent bank in the name of NORA.

NOTE 5 - Restricted Cash:

Restricted cash at December 31, 2012 of \$13,616,993 represents program income funds held for the benefit of operational cost in connection with the land assembly program through the State of Louisiana between the City of New Orleans, NORA, and the State of Louisiana.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Capital Assets, Net:

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

	Balance January 1, <u>2012</u>	<u>Addition</u>	Balance December 31, <u>2012</u>
Land	\$ 12,360	\$ -0-	\$ 12,360
Equipment	57,824	257,351	315,175
Leasehold improvements	<u>-0-</u>	<u>58,149</u>	<u>58,149</u>
Sub-total	70,184	315,500	385,684
Less: accumulated depreciation	<u>(47,105)</u>	<u>(54,126)</u>	<u>(101,231)</u>
Total	<u>\$ 23,079</u>	<u>\$261,374</u>	<u>\$284,453</u>

NOTE 7 - Land, Unimproved Land and Structures:

At December 31, 2012, NORA's land, unimproved land and structures consisted of costs associated with the acquisition of property by expropriation and held for resale and/or donation in accordance with NORA's goal to rehabilitate, clear, and redevelop slum and blighted areas.

At December 31, 2012, land, unimproved land and structures by activity follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Balance, January 1	\$12,384,262	\$ 784,520	\$13,168,782
Net change	<u>57,790,720</u>	<u>724,664</u>	<u>58,515,384</u>
Balance, December 31	<u>\$70,174,982</u>	<u>\$1,509,184</u>	<u>\$71,684,166</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Adjustments to Beginning Net Position:

Adjustments to beginning net position is to reflect the net impact of prior year's disallowed costs, unrecorded real properties and unadjusted values to recorded real properties for a net total of \$443,199.

NOTE 9 - Grants Receivable:

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

	<u>General Fund</u>	<u>Blighted Properties Program Fund</u>	<u>Neighborhood Stabilization Program 2</u>	<u>Louisiana Land Trust Fund</u>	<u>Louisiana Recovery Authority Fund</u>	<u>Other Nonmajor Programs</u>	<u>Total</u>
City of New Orleans	\$ -0-	\$3,328,140	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$3,328,140
State of Louisiana	-0-	-0-	-0-	113,133	444,235	-0-	557,368
Neighborhood Stabilization Program 2	-0-	-0-	2,603,181	-0-	-0-	-0-	2,603,181
Other nonmajor program grantors	-0-	-0-	-0-	-0-	-0-	594,710	594,710
Other	<u>6,863</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>6,863</u>
Total programs	<u>\$6,863</u>	<u>\$3,328,140</u>	<u>\$2,603,181</u>	<u>\$113,133</u>	<u>\$444,235</u>	<u>\$594,710</u>	<u>\$7,090,262</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Leases:

NORA leases vehicles, equipment, and commercial office space under operating leases. On December 31, 2009, **NORA** executed a ten (10) year lease agreement for commercial office space effective July 1, 2012. The lease provides for a purchase option in the seventh year at the appraised value of the building. The lease expires on July 1, 2022 and subject to annual appropriations. Total cost of such leases was \$212,702 for the year ended December 31, 2012. The future minimum lease payments for leases are as follows:

<u>Year Ending December 31,</u>	<u>Amount</u>
2013	\$ 185,642
2014	185,642
2015	185,642
2016	185,642
2017 - 2022	<u>1,055,095</u>
Total	<u>\$1,797,663</u>

NOTE 11 - Retirement System:

Plan Description

Currently, **NORA** participates in a defined contribution plan administered by a third-party administrator (Fox-Everett). The qualified, IRS 457(b), salary deferral plan was established May 1, 2008, for eligible employees of **NORA**. Plan provisions and contribution requirements are established or amended by **NORA's** Board of Commissioners. This plan provides that the employee may voluntarily contribute to the **NORA** plan, and **NORA** will match employee contributions up to 5% of the employees' annual salary. The **NORA** plan includes thirty-four (34) participants. For the year ended 2012, actual contributions by plan participants were \$417,675 with a \$263,987 match from **NORA**. Participants of the plan vest after two years of service. The 457(b) plan replaced the multi-employer defined benefit pension retirement plan operated by the State of Louisiana.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Retirement System, Continued:

Information on the plan can be obtained at the following address and contact number:

John Hancock
P. O. Box 600
Buffalo, NY 14201-0600
Telephone: (800) 395-1113

NOTE 12 - Risk Management:

NORA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets for which **NORA** 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 13 - Concentration of Credit Risk:

NORA receives primarily all of its revenues from the City of New Orleans, the State of Louisiana as a pass-through grant from the U.S. Department of Housing and Urban Development and directly from the U.S. Department of Housing and Urban Development (HUD). If the amount of revenues received from the City of New Orleans, the State and HUD falls below contract levels, **NORA's** operating results could be adversely affected.

NOTE 14 - Contingencies:

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Contingencies; Continued

NORA is named in various suits. It is Counsel's opinion at December 31, 2011 and June 28, 2012, that outcomes of these matters will not have an adverse effect on the financial condition of **NORA**. Accordingly, no provision has been made in the financial statements for these contingencies.

NOTE 15 - Compensated Absences Payable:

An analysis of compensated absences payable follows:

	<u>Current</u>	<u>Non-current</u>	<u>Total</u>
Beginning	\$ 119,554	\$ 24,063	\$ 143,617
Addition	117,860	13,393	131,253
Retirement	<u>(127,044)</u>	<u>(18,267)</u>	<u>(145,311)</u>
Ending	<u>\$ 110,370</u>	<u>\$ 19,189</u>	<u>\$ 129,559</u>

Of the total non-current compensated absences payable at December 31, 2012 \$-0- is due within one year of December 31, 2012.

NOTE 16 - Deposits Held for Buyers:

At December 31, 2012, **NORA** held deposits in the amount of \$583,213 on behalf of potential buyers participating in its REALM and Louisiana Land Trust (Lot Next Door) programs.

NOTE 17 - Per Diem for Board of Commissioners:

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 18 - Amounts Receivable

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

	<u>General Fund</u>	<u>Blighted Properties Program</u>	<u>Neighborhood Stabilization Program 2</u>	<u>Louisiana Land Trust Fund</u>	<u>Affordable Housing Pilot Program Fund</u>	<u>Realm Fund</u>	<u>Total</u>
City of New Orleans	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Building NOCDE	11,657	-0-	-0-	-0-	-0-	-0-	11,657
NORU	54,355	-0-	-0-	-0-	-0-	-0-	54,355
Other	<u>16,289</u>	<u>7,080</u>	<u>179,743</u>	<u>195,147</u>	<u>1,531</u>	<u>71,800</u>	<u>471,590</u>
Total	<u>\$82,301</u>	<u>\$7,080</u>	<u>\$179,743</u>	<u>\$195,147</u>	<u>\$1,531</u>	<u>\$71,800</u>	<u>\$537,602</u>

NOTE 19 - Line-of-Credit:

In May of 2008, NORA's board approved issuance of a line-of-credit (LOC) to provide financing for the acquisition of blighted, derelict, vacant and tax delinquent properties, as well as, the associated pre-acquisition costs. This LOC assists NORA in its primary mission of acquiring and bundling properties into clusters suitable for development and executing a plan to put the properties back into commerce for redevelopment. Also, the State Bond Commission approved a line of credit with Fannie Mae for \$2,000,000 with a 3-month London Interbank Offered Rate plus 225 basis points, adjusted quarterly and due on or before August 1, 2013.

At December 31, 2012, \$492,777 had been drawn and remain outstanding against the LOC. The indebtedness is reported in the governmental activities.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 19 - Line-of-Credit, Continued:

Changes in the LOC for the year ended December 31, 2012 follows:

<u>Description</u>	<u>Balance</u> <u>January 1, 2012</u>	<u>Addition</u>	<u>Deletion</u>	<u>Balance</u> <u>December 31, 2012</u>	<u>Due Within</u> <u>One Year</u>
Line-of-Credit	<u>\$1,044,656</u>	<u>\$197,964</u>	<u>\$749,843</u>	<u>\$492,777</u>	<u>\$492,777</u>

NOTE 20 - Recoverable Grants Payable:

At December 31, 2012, NORA is in receipt of recoverable grants as follows:

Ford Foundation	\$ 500,000
Gates Foundation	<u>1,000,000</u>
 Total	 <u>\$1,500,000</u>

The Ford Foundation grant in the amount of \$500,000, serves to provide collateral for a revolving line-of-credit that will supply capital for acquisition and resale of vacant and abandoned properties for effective reuse. The grant may also be used to repay outstanding senior debt obligations. The grant is available over a period of five (5) years with repayment of the grant amount of \$500,000 has been extended to April 30, 2014.

At December 31, 2012, the cash from the grant was invested in a certificate of deposit. According to the terms of the grant agreement, the income from the investment will accrue to the investment account see NOTE 21.

Similarly, the Gates Foundation grant payable provides collateral for a revolving line-of-credit that will supply capital. The grant is also available over a period of five (5) years and payable in full on November 30, 2014.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 21 - Prepaid Items and Other Assets:

At December 31, 2012, prepaid items and other assets consisted of deposits on unimproved land and structures of \$237,496.

NOTE 22 - Investments:

At December 31, 2011 investments consisted of the following.

<u>Description</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Carrying Value</u>	<u>Estimated Fair Value</u>
Certificate of Deposit	25%	7/30/14	\$500,000	\$500,000
Certificate of Deposit	2 02%	1/13/14	<u>271,428</u>	<u>271,428</u>
Total			<u>\$771,428</u>	<u>\$771,428</u>

See NOTE 19 for additional discussion.

NOTE 23 - Financial Instruments:

During the year ended December 31, 2012, NORA executed an agreement with a bank to provide the use of financial derivatives to manage exposure to interest rate fluctuation risk. Also, NORA paid origination fees of \$60,000. The amount of the payment has not been capitalized for amortization in the accompanying financial statement because management considers the amount to be immaterial. At December 31, 2012, the transaction parameters and approximate market value follows:

Notional.	<u>\$4,000,000</u>
Effective Date.	10/14/2008
Maturity Date:	07/01/2013
Settlements:	Quarterly
Floating Rate Index:	Libor 3 M
Strike Rate:	6.75%
Approximate Market Value as of 12/31/11:	<u>\$ 83.</u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 24 - Rent Reserve:

At December 31, 2012, **NORA** had and continues to maintain a reserve for its office rent equal to six (6) months pursuant to its executed lease agreement.

NOTE 25 - Subsequent Events:

Subsequent to year-end, **NORA** has been awarded and for received commitments from the City of New Orleans and other sources (both public and private) for funding.

NORA's major sources of funding for 2013 consist primarily of the following:

<i>City of New Orleans</i>	\$1.0M
Funding for administrative and program delivery costs acquisition and redevelopment for blight reduction and alternative land use.	

<i>Hazard Mitigation Grant Program</i>	
(through City of New Orleans)	\$1.5M
FEMA funding for a study, environmental assessment, design and permitting for a storm water mitigation/drainage upgrade project in the "Gentilly" Area. The funding is for PHASE 1 of the proposed project. Based upon the results of the study and required assessments, an additional \$13.5M in funding will be approved.	

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 25 - Subsequent Events:, Continued

Resiliency Program **\$1.0M**

Funding provided by LA OCD with D-CDBG funds for the purpose of enhancing community resiliency. Funds will use funds to support administrative costs and program elements related to its storm water mitigation project and to realize the opportunities that vacant land presents in increasing community resiliency. **NORA** will document these practices to share with other communities throughout the region.

Collaborative Nuisance Abatement Program (CNAP) **\$1.0M**

Disaster - Community Development Block Grant funding to clean, cut and clear blighted properties of overgrowth, debris, and other public safety hazards. The program abates such nuisances on vacant lots and property with structures. The program advances the City and **NORA**'s shared goals of workforce development by employing hard-to-employ individuals.

Facade Renew **\$2.1M**

Facade Renew is a two-pronged initiative that will support the revitalization of commercial corridors throughout the City by stimulating public-private investments in high-quality improvements that enhance the appearance of retail storefronts, eliminate economic blight and address non-confirming design standards. All monies will be distributed by **NORA** functioning either as matching grants or direct corridor investment.

Construction Lending Program **\$3.6M**

NORA established a Housing Construction Loan Fund through its non-profit subsidiary, New Orleans Redevelopment Unlimited, Inc., (**NORU**), to financially assist developers in the Gentilly Woods and Pontchartrain Park neighborhoods in accelerating the redevelopment of vacant and blighted properties in these areas. The beneficiary area now includes the city's Housing Opportunity Zones (**HOZ**), and will be further expanded to include neighborhoods in New Orleans East, Gentilly and Algiers.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 26 - Loans Receivable.

At December 31, 2012, loans receivable were as follows:

Pontchartrain Park Community Development; 4% interest	\$ 550,000
Tulane Land Holdings; 0% interest due in full on November 18, 2016	750,000
St. Claude/St. Roch Revitalization LLC; 1% interest due and payable beginning December 10, 2010 with principal due on May 1, 2018	1,500,000
GCHP-MLK Leverage Lender, LLC 0% principal and interest payments due from March 31, 2011 through March 31, 2047	1,700,000
Reconcile New Orleans Interest accrues at 2.5% per annum; interest payments commence one year following receipt of temporary or final certificate of occupancy entire principal is payable on maturity	171,604
GCHP MLK Leverage Lender, LLC 0.5% interest due March 31, 2011 until the option date. Beginning on the option date, interest will accrue at the prime rate plus 1% adjusted monthly	1,900,000
Franz Building, LLC Interest accrues at 2 5% per annum, payable in monthly installments commence one year following receipt of temporary or final certificate of occupancy	186,000

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 26 - Loans Receivable, Continued:

OC Haley Development, LLC 2.5% interest	\$1,125,344
OC Haley Development, LLC February 11, 2013 for \$72,000; rest earlier of March 31, 2017 or sale of property	82,000
Providence Community Housing 0% interest; principal due upon sale of each property	98,800
Make it Right Foundation credit sale at 0% interest	11,665
Other	101,655
8518 Oak Street, LLC 0% interest due in full one (1) year after date of completion of construction January 1, 2013	<u>70,000</u>
Total loans	8,247,068
Less unamortized premium	<u>(102,993)</u>
Sub-total	<u>8,144,075</u>
Less: current year portion	<u>(70,000)</u>
Grant total	<u><u>\$8,074,075</u></u>

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 27 - Revolving Loans:

Revolving loans at December 31, 2012, represents funds provided to **NORA** for revolving loans to entities aimed at the rehabilitation and redevelopment within the City of New Orleans. See NOTE 26 for additional discussion.

NOTE 28 - Related Party Transactions:

NORU paid management fees in the amount of \$62,412 to **NORA** for the year ended December 31, 2012. Further reimbursable costs totaling \$123,021 were incurred by **NORA** on NORU's behalf.

Further, in 2011 **NORA** and NORU executed a contract for a construction project totaling \$750,000.

NOTE 29 - Restricted Net Assets:

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

NOTE 30 - Promissory Notes:

At December 31, 2012 **NORA** has executed, various promissory notes and Acts of Credit sale totaling \$2,865,976 at varying interest rates. These loans are subject to a waiver at the point of sale under the following conditions:

- (a) Purchaser sells the property to a purchaser with a family income which is less than or equal to 120% of the Area Median Income (AMI), calculated in accordance with 24 CFR Part 92.

NEW ORLEANS REDEVELOPMENT AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 30 - Promissory Notes, Continued:

- (b) The family income of the third party purchaser of the specific property is less than or equal to 120% of the Area Median Income (AMI), the Improvements on the property meet or exceed Builder's Challenge Standard, Enterprise Green Communities and NORA's Hazard Resilience Standards and have a HERS Index score of no greater than 70 or 50, as applicable. Improvements may also qualify if they are to meet comparable standards such as LEED or the National Home Builders.
- (c) Purchaser has provided sufficient information to seller to determine that the requirements above have been satisfied, and that purchaser has met its obligations under this Act of Credit Sale, including without limitation, completion of the work.
- (d) Seller determines that the benefits to the third party purchaser are commensurate with the amount waived.

NOTE 31 - Deferred Inflow of Resources:

At December 31, 2012 deferred inflow of resources represent grant funds and acquisitions that NORA must satisfy grant conditions prior to the recognition of revenue:

Program/Funded By

City of New Orleans	\$ 7,138,705
Louisiana Land Trust	13,102,832
NSP2	40,385
AHPP - Katrina Cottages	<u>125,057</u>
Total	<u>\$20,406,979</u>

SUPPLEMENTARY INFORMATION



Member
American Institute of
Certified Public Accountants
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Certified Public Accountants

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

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

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

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

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

Our report on our audit of the financial statements of the **New Orleans Redevelopment Authority (NORA)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-profit Organizations"* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and certain

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

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

additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule I 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 30, 2013

NEW ORLEANS REDEVELOPMENT AUTHORITY
COMBINING BALANCE SHEET—GENERAL FUND
DECEMBER 31, 2012

	<u>General</u> <u>Fund</u>	<u>Revolving</u> <u>Fund</u>	<u>Totals</u>
<u>ASSETS</u>			
Cash	\$ 105,191	\$ 22,500	\$ 127,691
Advance	40,000	-0-	40,000
Amounts receivable	89,164	-0-	89,164
Loan receivable	550,000	-0-	550,000
Accrued interest receivable	2,583	-0-	2,583
Due from other funds	3,503,349	809,367	4,312,716
Land and land improvements	12,360	-0-	12,360
Furniture and equipment, net	19,644	-0-	19,644
Leasehold improvement, net	55,365	-0-	55,365
Investments	<u>771,428</u>	<u>-0-</u>	<u>771,428</u>
Total assets	<u>\$5,149,084</u>	<u>\$831,867</u>	<u>\$5,980,951</u>
<u>LIABILITIES AND FUND BALANCE (DEFICIT)</u>			
Liabilities			
Bank overdraft	\$ -0-	\$427,908	\$ 427,908
Amounts payable	294,233	577	294,810
Recoverable grant	1,500,000	-0-	1,500,000
Line of credit	492,777	-0-	492,777
Salaries payable	24,392	-0-	24,392
Due to other funds	2,003,467	251,624	2,255,091
Revolving loans	850,222	-0-	850,222
Due to City of New Orleans	<u>-0-</u>	<u>151,758</u>	<u>151,758</u>
Total liabilities	<u>5,165,091</u>	<u>831,867</u>	<u>5,996,958</u>
Deferred inflow of resources	<u>491</u>	<u>-0-</u>	<u>491</u>
<u>Fund balance (deficit)</u>			
Unassigned	(28,858)	-0-	(28,858)
Nonspendable	<u>12,360</u>	<u>-0-</u>	<u>12,360</u>
Total fund balance (deficit)	<u>(16,498)</u>	<u>-0-</u>	<u>(16,498)</u>
Total liabilities and fund balances	<u>\$5,149,084</u>	<u>\$831,867</u>	<u>\$5,980,951</u>

See Independent Auditors' Report on Supplementary Information

NEW ORLEANS REDEVELOPMENT AUTHORITY
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND
 CHANGES IN FUND BALANCE—GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>General Fund</u>	<u>Revolving Fund</u>	<u>Total</u>
<u>Revenues</u>			
Interest income	\$ 8,725	\$ -0-	\$ 8,725
Donation	191,463	-0-	191,463
Other income	<u>2,500</u>	<u>-0-</u>	<u>2,500</u>
Total revenues	<u>202,688</u>	<u>-0-</u>	<u>202,688</u>
<u>Expenditures</u>			
Convention and travel	42	-0-	42
Contractual services	20,680	-0-	20,680
Telephone	78	-0-	78
Supplies	440	-0-	440
Postage and printing	673	-0-	673
Insurance	349	-0-	349
Interest expense and fees	50,073	-0-	50,073
Office furniture and equipment	79	-0-	79
Rent	848	-0-	848
Acquisitions/appraisal expense	104	-0-	104
Automobile expenses	28	-0-	28
Training	104	-0-	104
Construction and rehabilitation activities	97,032	-0-	97,032
Other	<u>3,743</u>	<u>-0-</u>	<u>3,743</u>
Total expenditures	<u>174,273</u>	<u>-0-</u>	<u>174,273</u>
Operating income	<u>28,415</u>	<u>-0-</u>	<u>28,415</u>
Change in fund balance	<u>28,415</u>	<u>-0-</u>	<u>28,415</u>
Fund balance (deficit), beginning of year	<u>(44,913)</u>	<u>-0-</u>	<u>(44,913)</u>
Fund balance (deficit), end of year	<u>\$(16,498)</u>	<u>\$ -0-</u>	<u>\$(16,498)</u>

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE--GENERAL FUND--
BUDGETED AND ACTUAL
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<u>Revenues</u>			
Interest income	\$ 8,725	\$ 8,725	\$ -0-
Donation	191,463	191,463	-0-
Other income	<u>2,500</u>	<u>2,500</u>	<u>-0-</u>
Total revenues	<u>202,688</u>	<u>202,688</u>	<u>-0-</u>
<u>Expenditures</u>			
Convention and travel	42	42	-0-
Contractual services	20,680	20,680	-0-
Telephone	78	78	-0-
Supplies	440	440	-0-
Postage and printing	673	673	-0-
Insurance	349	349	-0-
Interest expense and fees	50,073	50,073	-0-
Office furniture and equipment	79	79	-0-
Rent	848	848	-0-
Acquisitions/appraisal expense	104	104	-0-
Automobile expenses	28	28	-0-
Training	104	104	-0-
Construction and rehabilitation activities	97,032	97,032	-0-
Other	<u>3,743</u>	<u>3,743</u>	<u>-0-</u>
Total expenditures	<u>174,273</u>	<u>174,273</u>	<u>-0-</u>
Operating income	<u>28,415</u>	<u>28,415</u>	<u>-0-</u>
Change in fund balance	<u>28,415</u>	<u>28,415</u>	<u>\$ -0-</u>
Fund balance (deficit), beginning of year	<u>(44,913)</u>	<u>(44,913)</u>	
Fund balance (deficit), end of year	<u>\$(16,498)</u>	<u>\$(16,498)</u>	

See Independent Auditors' Report and Supplemental Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES REMOVAL PROGRAM FUND—ENTITLEMENT
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	\$1,000,000	\$1,000,000	\$997,532	\$ (2,468)
Total revenues	1,000,000	1,000,000	997,532	(2,468)
<u>Expenditures</u>				
Salaries and employee benefits	668,884	671,552	669,084	2,468
Contractual services	306,516	310,605	310,605	-0-
Equipment and property	8,500	8,395	8,395	-0-
Supplies and materials	16,100	9,448	9,448	-0-
Total expenditures	1,000,000	1,000,000	997,532	2,468
Net change in fund balance	\$ -0-	\$ -0-	-0-	\$ -0-
Fund balance, beginning of year			-0-	
Fund balance, end of year			\$ -0-	

See Independent Auditors' Report on Supplementary Information

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
BLIGHTED PROPERTIES REMOVAL PROGRAM FUND—TARGET ZONE
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	\$715,542	\$715,542	\$631,774	\$ 83,768
Program income	<u>-0-</u>	<u>59,733</u>	<u>134,858</u>	<u>(75,125)</u>
Total revenues	<u>715,542</u>	<u>775,275</u>	<u>766,632</u>	<u>8,643</u>
<u>Expenditures</u>				
Salaries and employee benefits	160,695	189,199	181,561	7,638
Contractual services	529,052	563,237	562,232	1,005
Equipment and property	24,200	22,633	22,633	-0-
Supplies and materials	<u>1,595</u>	<u>206</u>	<u>206</u>	<u>-0-</u>
Total expenditures	<u>715,542</u>	<u>775,275</u>	<u>766,632</u>	<u>8,643</u>
Net change in fund balance	\$ <u>-0-</u>	\$ <u>-0-</u>	-0-	\$ <u>-0-</u>
Fund balance, beginning of year			<u>-0-</u>	
Fund balance, end of year			\$ <u>-0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
NEIGHBORHOOD STABILIZATION PROGRAM 2
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance With</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>		<u>Favorable</u>
				<u>(Unfavorable)</u>
<u>Revenues</u>				
Grants	\$19,560,426	\$19,560,426	\$11,747,057	\$ 7,813,369
Program income	<u>-0-</u>	<u>-0-</u>	<u>2,684,491</u>	<u>(2,684,491)</u>
Total revenues	<u>19,560,426</u>	<u>19,560,426</u>	<u>14,431,548</u>	<u>5,128,878</u>
<u>Expenditures</u>				
Eligible A (Administrative)	1,649,918	1,649,918	1,337,550	312,368
Eligible B (Abandoned foreclosed)	2,482,884	2,482,884	2,174,665	308,219
Eligible C (Landbank)	474,835	474,835	347,868	126,967
Eligible D (Demolitions)	329,850	329,850	302,964	26,886
Eligible E (Vacant)	<u>14,622,939</u>	<u>14,622,939</u>	<u>10,268,501</u>	<u>4,354,438</u>
Total expenditures	<u>19,560,426</u>	<u>19,560,426</u>	<u>14,431,548</u>	<u>5,128,878</u>
Change in fund balance	\$ <u>-0-</u>	\$ <u>-0-</u>	-0-	\$ <u>-0-</u>
Fund balance, beginning of year			<u>-0-</u>	
Fund balance, end of year			\$ <u>-0-</u>	

See Independent Auditors' Report on Supplementary Information

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY
STATE OF LOUISIANA
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	<u>\$3,902,734</u>	<u>\$3,902,734</u>	<u>\$1,531,123</u>	<u>\$2,371,611</u>
Total revenues	<u>3,902,734</u>	<u>3,902,734</u>	<u>1,531,123</u>	<u>2,371,611</u>
<u>Expenditures</u>				
Construction lending	2,466,565	2,466,565	607,480	1,859,085
Oretha Castle Haley	731,754	731,754	631,754	100,000
Historic Property Rehab	417,566	417,566	81,024	336,542
Project Delivery cost	<u>286,849</u>	<u>286,849</u>	<u>210,865</u>	<u>75,984</u>
Total expenditures	<u>3,902,734</u>	<u>3,902,734</u>	<u>1,531,123</u>	<u>2,371,611</u>
Net change in fund balance	<u>\$ -0-</u>	<u>\$ -0-</u>	-0-	<u>\$ -0-</u>
Fund balance, beginning of year			-0-	
Fund balance, end of year			<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information.

NEW ORLEANS REDEVELOPMENT AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES
AND
CHANGES IN FUND BALANCE
BUDGETED AND ACTUAL
COMMUNITY DEVELOPMENT BLOCK GRANT - DISASTER RECOVERY
CITY OF NEW ORLEANS
(NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2012
(UNAUDITED)

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final</u>		
<u>Revenues</u>				
Grants	\$4,572,303	\$4,572,303	\$1,223,790	\$3,348,513
Program income	<u>-0-</u>	<u>-0-</u>	<u>63,056</u>	<u>(63,056)</u>
Total revenues	<u>4,572,303</u>	<u>4,572,303</u>	<u>1,286,846</u>	<u>3,285,457</u>
<u>Expenditures</u>				
Program delivery and administration	497,518	497,518	478,076	19,442
Gentilly Woods Mall	1,800,000	1,800,000	157,130	1,642,870
Oretha Castle Haley Corridor	1,877,785	1,877,785	651,640	1,226,145
Rehab Mitigation	97,000	97,000	-0-	97,000
St. Claude Corridor	<u>300,000</u>	<u>300,000</u>	<u>-0-</u>	<u>300,000</u>
Net change in fund balance	<u>\$4,572,303</u>	<u>\$4,572,303</u>	<u>1,286,846</u>	<u>\$3,285,457</u>
Fund balance, beginning of year			<u>-0-</u>	
Fund balance, end of year			<u>\$ -0-</u>	

See Independent Auditors' Report on Supplementary Information

SCHEDULE I

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

<u>Program Grantor/Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<u>PROGRAMS FUNDED BY THE U S DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Neighborhood Stabilization Program 2	14 256	\$14,431,548
Neighborhood Initiative Grant	14 251	<u>40,930</u>
Sub-total		<u>14,472,478</u>
<u>Pass Through CDBG Funds as Subgrantee of the City of New Orleans</u>		
Blighted Properties Program - Entitlement	14 218	997,532
Blighted Properties Program - Target	14 218	766,632
Blighted Properties Program - Disaster	14 218	1,286,846
Blighted Properties Program - Expanded Quick Take	14 218	<u>2,001</u>
Sub-total pass through funds		<u>3,053,011</u>
<u>Pass Through CDBG Funds as Subgrantee of the State of Louisiana.</u>		
CDBG - State LRA - Blighted Properties Program	14.228	<u>1,531,123</u>
Sub-total pass through funds		<u>1,531,123</u>
<u>Pass Through Funds as Subgrantee of State of Louisiana/City Of New Orleans:</u>		
4 Party CEA - Land Assembly	14.228	<u>67,082,890</u>
Sub-total pass through funds		<u>67,082,890</u>
<u>PROGRAMS FUNDED BY U S SMALL BUSINESS ADMINISTRATION</u>		
Small Business Administration	59 xxx	<u>250,000</u>
Sub-total pass through funds		<u>250,000</u>
<u>PROGRAMS FUNDED BY FEDERAL EMERGENCY MANAGEMENT ASSOCIATION</u>		
<u>Pass Through Funds as Subgrantee of State of Louisiana.</u>		
Hazard Mitigation Program	97 039	606,099
Alternative Housing Pilot Program		<u>2,229,459</u>
Sub-total pass through funds		<u>2,835,558</u>
Total all programs		<u>\$89,225,060</u>

NOTE Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of NORA 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 Commissioners
New Orleans Redevelopment Authority
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 the governmental activities, the business type activities, each major fund, the aggregate discretely presented component units information, and the aggregate remaining funds of **New Orleans Redevelopment Authority (NORA)** as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise **NORA's** basic financial statements, and have issued our report thereon dated September 30, 2013.

Our report includes reference to other auditors who audited the financial statements of St Bernard Project, Inc., Unity of Greater New Orleans, Inc., and subsidiaries, Lower 9th Ward Neighborhood Empowerment Network Association, Project Home Again Foundation, Gulf Coast Housing Partnership, LLC, and Jericho Road Episcopal Housing Initiative, LLC in connection with funding for rehabilitation/development of blight projects. This report does not include the results of the other auditors' testing of internal control over financial reporting and compliance and other matters that are reported on separately by those auditors.

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

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

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 weakness and significant deficiencies.

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 2012-05 to be a significant deficiency in internal control over financial reporting.

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

Internal Control Over Financial Reporting, Continued

A *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 the NORA'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, 2012-03 and 2012-04 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORA'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 2012-02.

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)

NORA's Response to Findings

NORA'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". NORA'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.

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 NORA'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 NORA's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 30, 2013



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

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

Report on Compliance for Each Major Federal Program

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

Our report includes reference to other auditors who audited the financial statements of St. Bernard Project, Inc., Unity of Greater New Orleans, Inc., and subsidiaries, Lower 9th Ward Neighborhood Empowerment Network Initiative, LLC, Project Home Again Foundation, Gulf Coast Housing Partnership, LLC and Jericho Road Episcopal Housing Initiative, LLC. This report does not include the results of the other auditors' testing for compliance for each major program and on internal control over compliance that are reported on separately by those auditors.

Management's Responsibility

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

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NORA's major federal programs 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 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 NORA'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 each major federal program. However, our audit does not provide a legal determination of NORA's compliance.

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are 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 items 2012-06 through 2012-20 and 2012-24. Our opinion on each major federal program is not modified with respect to these matters.

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

NORA's Response to Findings

NORA'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". NORA'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 NORA 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 NORA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NORA'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 NORA'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 deficiencies in internal control over compliance that we consider to be material weaknesses.

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

Report on Internal Control Over Compliance, Continued

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.

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 2012-21 through 2012-23 to be material weaknesses, as defined above.

NORA's Response to Findings

NORA's response to the internal control over compliance 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". NORA'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 EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133
(CONTINUED)

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 30, 2013

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

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? | None Reported |

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 AUTHORITY
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 (Community Development Block Grant)
14.256	Neighborhood Stabilization Program 2
14.218	Blighted Properties Program (Community Development Block Grant) Entitlement, Target, Zone Disaster and Expanded Quick Take
Dollar threshold used to distinguish between type A and type B programs:	\$300,000
Auditee qualified as low-risk auditee?	No

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

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

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations.

Condition

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

- o Inadequate design of controls over significant general ledger accounts.
- o Inadequate documentation of the components of internal control.
- o Employees lack adequate training to fulfill their assigned functions.
- o Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Inadequate oversight of the various financial reporting processes.
- o Incomplete accounting for all financial transactions, and accounting treatment afforded in some instances not in accordance with accounting principles generally accepted in the United States of America.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Questioned Costs

None.

Context

Total amount of federal award expended for the year ended December 31, 2012 was \$89,225,060.

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.
- o Potential for misappropriation of assets.

Cause

Significant growth in the operation of NORA, level of supervisory oversight coupled with the technical capacity within the Finance department.

Recommendation

NORA should undertake a complete risk assessment of its operations aimed at the re-design, documentation and determination of the level of resources needed to include the appropriate training to ensure the implementation of an effective and efficient design and operation of its internal control over financial reporting.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Management's Response and Planned Corrective Action

Management concurs with the recommendations and will take steps to conduct a risk assessment of its operations and ensure supervisory oversight functions are performed. Currently, management is in the process of restructuring the finance department to ensure that the staff has the required skill set to perform the necessary accounting functions. Management is confident that the increased capacity and restructured design will ensure effective and efficient operation of internal controls over financial reporting.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

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

Criteria

Louisiana Revised Statute 24:513 requires the submission of audited financial statements within six (6) months of year end or within an approved extension request.

Condition

The audited financial statements as of and for the year ended December 31, 2012 were not published by June 30, 2013 (statutory due date).

However, the report was submitted in accordance with an approved extension request.

Questioned Costs

None.

Context

Federal award expended for the year ended December 31, 2012 was \$89,225,060.

Effect or Potential Effect

Noncompliance with the statutory due date requirement of Louisiana Audit Law.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Cause

During the year ended December 31, 2012, NORA was impacted by several transitional challenges resulting from the resignation of key staff members in the Finance department to include the hiring of a new Chief Financial Officer in August 2012.

Recommendation

As NORA continues to restructure the financial section of its operations, greater emphasis should be placed on the key financial operating cycles to ensure complete and accurate financial information reporting.

An enhanced coordination between the various key departments and the Finance department staff should ensure the timely and complete analysis of significant accounts, economic events and the periodic preparation of financial statements for management's review, etc.

Furthermore, an enhanced level of oversight is necessary to ensure the timely, accurate preparation and delivery of financial information.

Management's Response and Planned Corrective Action

Management continues to develop systems and seek levels of efficiencies that will increase the accuracy and timeliness of financial reporting on a monthly basis. Regular meetings are held and departmental reports shared to ensure the proper transfer of information to the Finance department. The restructure of the Finance department along with the continued emphasis on cross validation of information between departments and the financial operating cycle will allow for greater oversight and detailed review.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

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

Criteria

Management is responsible for the maintenance of reliable financial information.

Condition

Our audit of capital assets either acquired and/or received via donation, revealed several instances where capital assets were not recorded on the general ledger. Further, we noted instances where the recorded assets were later identified as not belonging to NORA. Finally, we noted instances where the basis for recordation of real property was the value listed on the City of New Orleans Assessor's website.

Questioned Costs

None.

Context

Total capital assets at December 31, 2012 were \$284,453.

Effect or Potential Effect

Potential misstatement or incomplete financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Cause

Inadequate oversight and incorrect accounting treatment afforded to financial transactions.

Recommendation

Management should revisit with its current financial transaction processes to ensure its completeness in the recordation of all transactions and pursuant to the requirements of accounting principles generally accepted in the United States of America.

Management's Response and Planned Corrective Action

Management is currently implementing an enhanced property transaction process. NORA has developed a detailed real property data base that is validated with the financial reporting and is in the process of working with the City in the development of a property tracking software - LAMA, Land Management.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

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

Criteria

Management of **NORA** is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Condition

During the course of the audit, we continued to note that the financial statements as prepared by **NORA** required significant adjustments to fairly state account balances. For the current audit, we proposed significant audit adjustments to impact accounts such as capital assets, receivables, revenues and expenses, net position, etc. as of and for the year ended December 31, 2012.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2012 was \$89,225,060.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Deficiencies in NORA's current internal control system provide for an environment that is conducive to the misstatement of financial statements.

Cause

Inadequate supervisory oversight, skill-set of personnel assigned to the accounting function and transitional challenges encountered during the year.

Recommendation

We recommend that management continue to re-evaluate its internal control design, develop and implement revised and/or new procedures and processes as necessary to minimize, if not eliminate, the potential risk associated with the described condition. The review should include NORA's personnel capacity and current software processing system to ensure the completeness and integrity of resulting financial statements.

Management's Response and Planned Corrective Action

Management continues to develop systems and seek levels of efficiencies that will increase the accuracy and timeliness of financial reporting on a monthly basis. NORA is in the process of restructuring the Finance department. Additionally, NORA has entered into a contract with New World Systems for the implementation of an ERP system.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Alternative Housing Pilot Program (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the Cooperative Endeavor Agreement (CEA) between NORA and the State of Louisiana, "the Contracting Party shall provide residential lots with free and clear title in the name of the Contracting Party or the Louisiana Land Trust (LLT) on which the State will construct single family residential homes in accordance with EXHIBIT A".

Condition

Our testing of real properties sold during the year ended December 31, 2012 by NORU (NORA's component unit) revealed one (1) instance where a Katrina Cottage Property funded and developed by the State of Louisiana through a Federal Emergency Management Association grant award was sold without the benefit of a free and clear title from NORU to NORA as required by the CEA.

As such, no program income was recognized in the records of NORA for the year ended December 31, 2012.

Questioned Costs

\$101,000.

Context

Total expenditures of federal awards for the Alternative Housing Pilot Program for the year ended December 31, 2012 were \$2,229,459

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Effect or Potential Effect

Noncompliance with the title transfer requirement of the agreement.

Cause

Lack of due diligence in performing the requirements of the executed CEA agreement.

Recommendation

We recommend that management establish monitoring systems for contract compliance and to provide to staff knowledge of grant award requirements and level of oversight necessary to ensure compliance with all requirements.

Management's Response and Planned Corrective Action

Management has taken steps necessary to establish a system to ensure title transfers are in compliance with the agreements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-06

Federal Award Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to the reporting requirements of the Disaster Recovery Grant Reporting System (DRGR), NORA is required to report requested information including key line items.

Condition

The DRGR report submitted for the quarter ended September 30, 2012 (quarter judgementally selected for testing) reflected reported obligation and drawdown key line items on the submitted report for which we were unable to independently verify to supporting documents provided to us.

Questioned Costs

None.

Context

Neighborhood Stabilization Program 2 funds expended for the year ended December 31, 2012 were \$14,431,548.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-06

Effect or Potential Effect

Noncompliance with the reporting requirements of DRGR.

Cause

The lack of an effective system in place to ensure the completeness of all external reports filed.

Recommendation

Management should revisit with its current report preparation and submission process to ensure completeness in all submitted reports.

Management's Response and Planned Corrective Action

Management will take steps to ensure that a quarterly reconciliation is prepared to validate the DRGR report to the NORA financials.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-07

Federal Award Program

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

Pursuant to 24 CFR sections 135.3(a), 135.90 and 570.487(d), the prime recipient must submit Form HUD 60002 for grants over \$200,000 that involve housing rehabilitation, construction or other public construction.

Condition

The original Form HUD 60002, Section 3 report submitted for the year ended December 31, 2012 was incomplete in terms of certain key line items.

It is our understanding based on discussion with management, that NORA has filed a revised HUD Form 60002.

Questioned Costs

None.

Context

Total expenditures of federal award for the Neighborhood Stabilization Program 2 for the year ended December 31, 2012 were \$14,431,548.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Effect or Potential Effect

Noncompliance with the requirements of CFR 24 section 135.3(a) et al regarding the complete filing of Form HUD 60002.

Cause

Lack of a complete review and/or reconciliation process in place to ensure alignment of all supporting documents to prepared reports prior to filing of such reports.

Recommendation

Revisit with the current practice regarding the level of review afforded to completed reports prior to submission.

Management's Response and Planned Corrective Action

Management will ensure the proper supervisory review is performed to ensure accuracy prior to submission of Form HUD 60002

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Neighborhood Stabilization Program 2 (see Schedule of Expenditures of Federal Awards).

Criteria

Management of NORA is responsible for ensuring the completeness of the Section 1512 ARRA financial and compliance reporting information.

Condition

We were unable to agree the financial information (federal funds earned and costs incurred) as reported for the third quarter of 2012 under the requirements of Section 1512 ARRA grants to NORA's general ledger information provided to us.

Questioned Costs

None.

Context

Total Neighborhood Stabilization Program 2 federal award expenditures for the year ended December 31, 2012 were \$14,431,548.

Effect or Potential Effect

Incompleteness of reported financial information to third parties.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Cause

Lack of an on-going coordination between the Finance and Program departments in the preparation of periodic reports.

Recommendation

The financial aspect of all filed reports should be reviewed and concurred to by the Finance department to ensure completeness and alignment with underlying records.

Management's Response and Planned Corrective Action

Management will ensure that proper supervisory review is performed to ensure accuracy prior to submission of Section 1512 ARRA report.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

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

Criteria

Pursuant to the requirements of OMB Circular A-87 :

- (1) "Charges to Federal awards for salaries and wages, whether treated as direct or indirect costs, will be based on payroll documented in accordance with generally accepted practice of the governmental unit and approved by a responsible official(s) of the government unit.
- (2) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first hand knowledge of the work performed by the employee.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Criteria, Continued

- (3) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity or equivalent documentation which meets the standards listed under item 4 below. Such documentary support will be required where employees work on:
 - a) More than one (1) federal award;
 - b) A federal award and a non-Federal award;
 - c) An indirect cost activity and a direct cost activity;
 - d) Two or more indirect activities which are allocated using different allocation basis, or
 - e) An unallowable activity and a direct or indirect cost activity.

- (4) Personnel activity reports or equivalent documentation must meet the following standards:
 - a) They must reflect after the fact distribution of the actual activity of each employee;
 - b) They must account for the total activity for which each employee is compensated;
 - c) They must be prepared at least monthly and must coincide with one or more pay periods, and
 - d) They must be signed by the employee.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Condition

NORA's current payroll practice requires the submission of timesheets by all employees. However, we noted no documented certifications in accordance with the requirements of OMB Circular A-87. Further, it is our understanding based on discussions with management that all timesheets are electronically signed by employees.

Questioned Cost

None.

Context

Total federal award expended for the year ended December 31, 2012 was \$89,225,060.

Effect or Potential Effect

Potential noncompliance with the requirements of OMB Circular A-87 resulting in the potential for questioned costs.

Cause

Lack of an established procedure to ensure compliance with the requirements of OMB Circular A-87.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Recommendation

Management should revisit with its current practice to facilitate compliance with the requirements regarding planned certification to include evidence of employee signatures.

Management's Response and Corrective Action

NORA utilizes an electronic timecard submission system in which employees enter their time allocating to each specific grant which they work on noting the activity performed. Time is allocated to applicable grants per the requirements of OMB Circular A-87. Management will implement certification procedures to ensure compliance.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

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

Criteria

Federal award assistance is defined by the Single Audit Act to include assistance in the form of property, cooperative agreements, etc.

Condition

The Schedule of Expenditures of Federal Awards for the year ended December 31, 2012 provided to us by management did not include all federal financial assistance.

Questioned Costs

None.

Context

Total federal award assistance received by NORA for the year ended December 31, 2012 was \$89,225,060.

**NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Incomplete Schedule of Expenditures of Federal Awards.

Cause

Misinterpretation of the composition of Federal financial assistance.

Recommendation

Management should ensure completeness in the preparation of its Schedule of Expenditures of Federal Awards on a continuous basis .

Management's Response and Planned Corrective Action

Management will ensure that staff is properly trained in the preparation of the Schedule of Expenditures of Federal Awards for all grant fund expenditures.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-11

Federal Award Program

Blighted Properties Program Entitlement and/or Target Zone (see Schedule of Expenditures of Federal Awards).

Criteria

In accordance with the executed CEA between the City of New Orleans and NORA:

1. **NORA** is to provide the City of New Orleans with a list of anticipated acquisitions;
2. Provide the City of New Orleans with a list of all properties within its inventory and for which it performs interim nuisance abatement services;
3. Provide approximately 200 blighted properties in target areas available for transformation into "active out door space" or other City initiatives such as its soft second mortgage program;
4. Within thirty (30) days of execution of the referenced agreement, **NORA** was to provide a project management plan consisting of strategies, procedures, and executed agreements to ensure effective monitoring, land use policy consistency, timely completion of blight remediation, and remedies for noncompliance with conditions of blight abatement undertaken pursuant to the CEA;

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-11

Criteria, Continued

5. Within sixty (60) days of execution of the CEA, **NORA** was to provide a land assembly and land management plan for those properties within **NORA**'s possession, control, or jurisdiction and which **NORA** has determined shall be redeveloped in accordance with the City's overall redevelopment strategy including the Master Plan.
6. Within thirty (30) days of the expiration of the CEA, **NORA** was to provide a comprehensive inventory of all properties acquired and disposed of during this CEA's term.

Condition

Our initial review of supporting documentation provided to us by **NORA**, to verify accomplishment of **NORA**'s performance measures were incomplete. Based on supporting documentation provided to us, eight (8) properties versus one hundred (100) anticipated were referenced as acquired. Likewise, we noted supporting documentation to evidence soft second mortgages for only sixty-six (66) of the two hundred (200) blighted properties referenced in criteria 3 above.

We were unable to independently verify submission of referenced plans and supporting documents cited above within the required timeline for numbers 4 through 6 listed under the criteria section of this report.

Likewise, the report provided for criteria 6 was incomplete. We noted that one (1) property owned and sold by **NORU** was reported as a disposition of **NORA**.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-11

Condition, Continued

Additionally, we noted inconsistencies between property acquisitions and dispositions reported on the "Monthly Reporting Form - Target Zone" and acquisitions and dispositions reported on the inventory and sales detail.

Also, noted differences between property values for the same properties reported on the comprehensive inventory listing provided to the City of New Orleans and the inventory detail recorded in NORA's general ledger.

On Tuesday, August 22, 2013, subsequent to our initial test work, NORA provided additional data to support NORA's "Monthly Reporting Form for Entitlement dated January 1, 2012 through December 31, 2012". Based on our review, we noted no change in the acquisition of eight (8) versus one hundred (100) targeted properties.

One (1) of twenty-two (22) properties appraised and reported for sale on the "Monthly Reporting Form for Entitlement" was owned and sold by NORU. Additionally, we noted no appraisals for two (2) of eight (8) properties reported as having signed purchase agreements.

Further, we noted no change in the status on the sixty-six (66) soft second mortgages issued versus the two hundred (200) properties targeted.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-11

Condition, Continued

We were unable to independently verify submission dates for Exhibits H and H-1.

Likewise, on Tuesday, August 22, 2012, subsequent to our initial testwork, NORA provided additional data to support NORA's "Monthly Reporting Form - Target Zone" dated January 1, 2012 through December 31, 2012. Based on our review of the additional data, we noted no change in the reconciliation of the number of properties acquired and disposed of and the related monetary values reported during the CEA's term and the same reported on related inventory and sales details.

Management provided us with a request to the City of New Orleans and the City's response approving a change in NORA's acquisition strategy.

Context

Total expenditures of Federal awards for the Blighted Program Entitlement and Target Zone for the year ended December 31, 2012 were \$1,764,164.

Questioned Costs

None.

Effect or Potential Effect

Potential noncompliance with contractual obligation for deliverables, timeliness and reporting requirements of the CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-11

Cause

Inadequate system in place to ensure completeness of documents used for reporting to include its accumulation and retention

Recommendation

Management should revisit with its current documentation trail and retention practices to ensure they facilitate an effective and efficient independent review relative to verification of contract compliance. Pursuant to the requirements of its CEA with the City of New Orleans, **NORA** is required to provide adequate supporting documentation to facilitate measurement of its deliverables.

Management's Response and Planned Corrective Action

NORA received approval to shift its acquisition strategy under the CEA to:

- 1) Transfer of non-functioning donation of adjudicated properties from various entities such as ACRON Housing Corporation and New Orleans Affordable Home ownership.
- 2) Strategic non-Road Home blighted property acquisition in concert with the Mayor's Place-Based Development programs; and
- 3) Return to commerce of properties acquired by **NORA**.

This resulted in the transfer of properties from ACRON & NOAH in 2012, the transfer of blighted properties in the Algiers place-based area in 2013, and the transfer of **NORA** owned property in 2012 to be used in the development of the City owned Sanchez Center and a City owned fire station.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-12

Federal Award Program

Neighborhood Stabilization Project 2 and Blighted Properties Program - Disaster (see Schedule of Expenditures of Federal Awards).

Criteria

The Davis Bacon Act requires that:

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

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-12

Condition

Based on our review of four (4) projects (judgementally selected) we noted the following conditions:

- o We were unable to determine compliance for three (3) of seven (7) contractors/subcontractors for a selected project as no certified payroll records were included for our review. We were unable to determine the basis for a listing of names on a status report provided to us.
- o Also, we were unable to independently determine the completeness of payroll records as there was no checklist or control sheet listing all contractors/subcontractors associated with the projects.
- o We were unable to verify and conclude on the completeness of certified payroll records in instances where certified payroll records were not provided for the entire month.
- o The statement of compliance for the pay period which ended October 1, 2012 for one (1) contractor was dated more than seven (7) days after the required date to be received by NORA.
- o Additionally, we were unable to determine whether the "Statements of Certification" were received within the required seven (7) days of the payroll date for all contractors/subcontractors reviewed as the statements were not date stamped when received.
- o We noted inconsistent information in support of documentation provided.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-12

Condition, Continued

- o Also, we were unable to determine the completeness of "Certificate From Contractor Appointing Officers or Employee to Supervisor Payment of Employees" forms as the forms, were not available for review in all cases.
- o Finally, the files provided were not organized to facilitate an efficient review by an independent third party.

Questioned Costs

None.

Context

Total federal award expended for the Neighborhood Stabilization Project 2 and Blighted Properties Program - Disaster for the year ended December 31, 2012 were \$15,718,394.

Effect or Potential Effect

Potential noncompliance with the requirements of the Davis Bacon Act.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-12

Cause

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

Recommendation

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

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will strengthen internal control to ensure consistency and standardization of monitoring, enforcement and oversight of compliance with the requirements of the Davis Bacon Act.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-13

Federal Award Program

Blighted Properties Program - Disaster and Blighted Properties Program Entitlement and/or Target Zone (see Schedule of Expenditures of Federal Awards).

Criteria

Sub-recipient agrees to provide quarterly written reports to the Disadvantaged Business Enterprise (DBE) Compliance Officer on all expenditures made to achieve compliance with the DBE participation goals for this agreement, Exhibit F. The report shall, at a minimum include the following:

- I. The name and business address of each DBE involved in the contract;
- ii. A description of the work performed and/or the product or service supplied by each DBE;
- iii. The date and amount of each expenditure made to a DBE; and
- iv. Such other information as may assist the DBE Compliance Officer in determining NORA's compliance with the DBE Program and the status of any DBE performing any portion of the contract.

Condition

We were unable to independently verify compliance with the above DBE requirements as no information was provided for our review.

However, we noted that NORA has developed and presented to its Board of Commissioners its global DBE accomplishments.

Questioned Costs

None.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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
2012-13

Context

Total expenditures of Federal Awards for the Blighted Properties Program - Disaster and Blighted Properties Program Entitlement and Target Zone for the year ended December 31, 2012 were \$3,051,010.

Effect or Potential Effect

Potential noncompliance with contract reporting requirements relative to DBE deliverables.

Cause

Lack of an established system to capture and report contract deliverables.

Recommendation

Management should ensure the retention of all supporting documents to evidence compliance with reporting requirements.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will ensure quarterly reporting in accordance with the respective CEA.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-14

Federal Award Program

Blighted Properties Program - Disaster (see Schedule of Expenditure of Federal Awards).

Criteria

NORA is expected to 1) identify quarterly, a minimum of 1 property to be considered for appraisal along the selected commercial corridor (total of 4 properties for the 2011-2012 program year); 2) complete and fund a minimum of 2 appraisals located within the selected approved commercial corridor during the term of this agreement in accordance with the performance schedule and in compliance with the Uniform Relocation Act.

Condition

We noted no activity during the 2011-2012 program year to support compliance with the above criteria to identify quarterly, a minimum of one (1) property to be considered for appraisal along the selected commercial corridor. Likewise, we noted no completed and funded appraisals located within the selected approved commercial corridor during the term of the agreement in accordance with the performance schedule.

Additionally, no documentation was provided to support the loss of funds to other projects as cited by a NORA representative. It is our understanding through discussion with management that the City re-allocated the resources to other blight projects.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-14

Questioned Costs

None.

Context

Total expenditures of federal awards for the Blighted Properties Program - Disaster for the year ended December 31, 2012 were \$1,286,846.

Effect or Potential Effect

Potential noncompliance with program deliverables in the respective CEA between the City of New Orleans and NORA.

Cause

Lack of adequate supervisory oversight to ensure contract compliance and/or failure to secure, file and retain supporting contract modifications.

Recommendation

We recommend that management strengthen its oversight and monitoring efforts to ensure compliance with its supporting document accumulation and retention as dictated by contract performance requirements.

Management's Response and Planned Corrective Action

Management will take steps to enhance oversight to ensure compliance with contract deliverables and ascertain that all supporting documentation is retained in a manner that is easily accessible for independent review.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-15

Federal Award Program

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

Criteria

The 2011-2012 CEA between **NORA** and the City of New Orleans relative to O.C. Haley and St. Claude Commercial Corridors reflected deadline dates for completion of loan obligations dated October 20, 2012.

Condition

Our review of the status of CEA milestones revealed all loan funds were neither obligated as of October 20, 2012 nor were approved changes to completion deadlines documented and retained.

Questioned Costs

None.

Context

Total expenditures for the Blighted Properties Program - Disaster for the year ended December 31, 2012 were \$1,286,846.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-15

Effect or Potential Effect

Potential noncompliance with contract deliverables.

Cause

Lack of oversight to ensure compliance with contract deliverables or lack of oversight to ensure completeness of compliance package provided for independent review.

Recommendation

Management should ensure the retention of all supporting documents to evidence compliance with deliverables.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will take steps to ensure retention of supporting documents to support deliverables.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-16

Federal Award Program

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

Criteria

Pursuant to the CEA between **NORA** and the City of New Orleans for Gentilly Woods Shopping Center project, **NORA** was to acquire properties and rehabilitate or demolish/redevelop the existing structure. In addition, **NORA** was to sell the property (ies) to a potential buyer as part of this project no later than March 2012.

Condition

We were provided with incomplete information on the Gentilly Woods Shopping Center project. Based on information provided for review, we noted an agreement to purchase property dated January 2012. However, based on documentation provided to us, we noted no evidence of acquisitions of properties by March 24, 2012 and/or evidence to suggest a waiver.

Questioned Cost

None.

Context

Total expenditures for the Blighted Properties Program - Disaster for the year ended December 31, 2012 were \$1,286,846.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-16

Effect or Potential Effect

Potential noncompliance with contract deliverables and document retention.

Cause

Inadequate system in place to ensure the accumulation and retention of documents to support program deliverables and challenges.

Recommendation

Management should strengthen enforcement of monitoring and oversight efforts to ensure completeness of information generated to support accomplishment of program deliverables.

Management's Response and Planned Correction Action

Management will take steps to enhance oversight to ensure compliance with contract deliverables to include the retention of all supporting documentation in a manner that is easily accessible for independent review.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-17

Federal Award Program

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

Criteria

As a prerequisite to payment, the sub-recipient agrees to provide the assigned Disaster - CDBG Project Manager 1340 Poydras Street, 9th Floor, New Orleans, Louisiana on the tenth (10th) working day of each month one (1) hard copy and one(1) electronic copy, PDF file preferred, of their monthly report to be submitted with monthly request for reimbursement. NORA will use the format provided by the City and will be required to generally report on sub-recipient's progress towards the schedule and deliverables in EXHIBIT A1-6.

Condition

The monthly report for the St. Claude Corridor for September 2012 (month judgementally selected for testing) was more than two months overdue. Additionally, our testing of cost statements for the month of September 2012 revealed differences between line items charged to the grant and the respective costs in the general ledger. Also, the report was approximately seven months past due.

Questioned Costs

None.

Context

Total expenditures of federal awards for the Blighted Properties Program - Disaster for the year ended December 31, 2012 were \$1,286,846.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-17

Effect or Potential Effect

Noncompliance with reporting requirements.

Cause

Ineffective monitoring systems in place to ensure overall program compliance.

Recommendation

Management should establish a global system to ensure timely submission and retention of all reports.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will establish deadlines to facilitate sharing of financial and compliance data between departments to ensure timely preparation and submission of all required reports.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-18

Federal Award Program

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

Criteria

Sub-recipient is to develop and implement a marketing plan and provide information via brochures (and other outreach materials) to community residents and builders with findings and recommendation identified in the study. Deadline for completion noted as October 20, 2012.

Condition

Information provided for our review reported this task as dropped from the project scope with funds reallocated to Disaster CDBG projects in 2013 CEA. We were unable to independently verify this as no support documentation was provided for our review.

Questioned Costs

None.

Context

Total expenditures for the Blighted Properties Program - Disaster for the year ended December 31, 2012 were \$1,286,846.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-18

Effect or Potential Effect

Potential noncompliance with contract deliverables and document retention.

Cause

Inadequate systems in place to ensure the accumulation and retention of documents to support modification of program deliverables.

Recommendation

Management should provide for and/or cause for documentation support, program deliverables and/or modifications made to executed contracts.

Management's Response and Planned Corrective Action

Management continues to strive to ensure validation and compliance with program deliverables. As such management will continue to evaluate documentation accumulation and retention systems to ensure that all supporting documentation is retained in support of the program deliverables.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-19

Federal Award Program

Louisiana Recovery Act Grant (see Schedule of Expenditures of Federal Awards).

Criteria

Grantee shall submit to the Office of Community Development (OCD) no less than quarterly on a schedule and dates to be provided by OCD, a report of the project progress and beneficiary data in a format to be provided by OCD.

Condition

We noted incomplete reporting between the cumulative amount spent in construction Lending Gentilly Woods fourth quarter ended December 31, 2012 and the cumulative amount spent per audit work at December 31, 2012.

Questioned Costs

None.

Context

Total expenditures for the Louisiana Recovery Act Grant for the year ended December 31, 2012 were \$1,531,123.

Effect or Potential Effect

Incomplete reporting of program data.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-19

Cause

Ineffective monitoring system to ensure completeness of reporting.

Recommendation

Management should strengthen its current reporting system to ensure completeness of information submitted to support contract deliverables.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will establish deadlines to ensure timely, accurate preparation and submission of program reports. Management continues to develop systems and seek levels of efficiencies that will increase the accuracy and timeliness of all reporting.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-20

Federal Award Program

Blighted Properties Program - Disaster Recovery Program through the Road Homeowner Assistance Program (see Schedule of Expenditures of Federal Awards)

Criteria

Grantee shall be responsible for ensuring that the Project considers and proposes a mitigation plan to minimize damage in the event of future floods and/or hurricanes.

Condition

We noted a proposed mitigation plan to minimize damage in the event of future floods and/or hurricanes that was limited to the Pontchartrain and Gentilly Woods areas only.

Questioned Costs

None.

Context

The expenditures for the Blighted Properties Program - Disaster Recovery Program through the Road Homeowner Assistance Program for the year ended December 31, 2012 was \$67,082,890.

Effect or Potential Effect

Potential noncompliance with contract requirements and inadequate systems in place to ensure contract compliance.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-20

Cause

Lack of staff familiarity with contract requirements and inadequate systems in place to ensure contract compliance.

Recommendation

We recommend that management continue its restructuring efforts to establish systems that will ensure contract compliance.

Management's Response and Planned Corrective Action

Management complied with the agreement in that it is proposing implementing a mitigation plan to minimize damage in future floods and/or hurricanes in Pontchartrain Park and Gentilly as per the agreement. Management has developed numerous models to implement such strategies.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-21

Federal Award Program

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

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable contracts, laws and regulations

Condition

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

- o Inadequate design of controls over significant general ledger accounts.
- o Inadequate documentation of the components of internal control.
- o Employees lack adequate training to fulfill their assigned functions.
- o Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Inadequate oversight of the various financial reporting processes.
- o Incomplete accounting for all financial transactions, and accounting treatment afforded in some instances not in accordance with accounting principles generally accepted in the United States of America.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-21

Questioned Costs

None.

Context

Total amount of federal award expended for the year ended December 31, 2012 was \$89,225,060.

Effect or Potential Effect

The potential effect of the referenced condition includes:

- o Incomplete financial statements from which management and the board will rely on to make informed decisions.
- o Potential for misappropriation of assets.

Cause

Significant growth in the operation of NORA, level of supervisory oversight coupled with the technical capacity within the Finance department.

Recommendation

NORA should undertake a complete risk assessment of its operations aimed at the re-design, documentation and determination of the level of resources needed to include the appropriate training to ensure the implementation of an effective and efficient design and operation of its internal control over financial reporting.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-21

Management's Response and Planned Corrective Action

Management concurs with the recommendations and will take steps to conduct a risk assessment of its operations and ensure supervisory oversight functions are performed. Currently, management is in the process of restructuring the finance department to ensure that the staff has the required skill set to perform the necessary accounting functions. Management is confident that the increased capacity and restructured design will ensure effective and efficient operation of internal controls over financial reporting.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-22

Federal Award Program

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

Criteria

Management is responsible for the maintenance of reliable financial information.

Condition

Our audit of capital assets either acquired and/or received via donation, revealed several instances where capital assets were not recorded on the general ledger. Further, we noted instances where the recorded assets were later identified as not belonging to NORA. Finally, we noted instances where the basis for recordation of real property was the value listed on the City of New Orleans Assessor's website.

Questioned Costs

None.

Context

Total capital assets at December 31, 2012 was \$284,453

Effect or Potential Effect

Potential misstatement or incomplete financial statements.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-22

Cause

Inadequate oversight and incorrect accounting treatment afforded to financial transactions.

Recommendation

Management should revisit with its current financial transaction processes to ensure its completeness in the recordation of all transactions and pursuant to the requirements of accounting principles generally accepted in the United States of America.

Management's Response and Planned Corrective Action

Management is currently implementing an enhanced property transaction process. NORA has developed a detailed real property data base that is validated with the financial reporting and is in the process of working with the City in the development of a property tracking software - LAMA, Land Management.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-23

Federal Award Program

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

Criteria

Management of NORA is responsible for the documentation of the components of internal control to include the implementation of a design and operation of internal control to ensure the accuracy in financial reporting.

Condition

During the course of the audit, we continued to note that the financial statements as prepared by NORA required significant adjustments to fairly state account balances. For the current audit, we proposed significant audit adjustments to impact accounts such as capital assets, receivables, revenues and expenses, net position, etc. as of and for the year ended December 31, 2012.

Questioned Costs

None.

Context

Total federal award expended for the year ended December 31, 2012 was \$89,225,060.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-23

Effect or Potential Effect

Deficiencies in NORA's current internal control system provide for an environment that is conducive to the misstatement of financial statements.

Cause

Inadequate supervisory oversight, skill-set of personnel assigned to the accounting function and transitional challenges encountered during the year.

Recommendation

We recommend that management continue to re-evaluate its internal control design, develop and implement revised and/or new procedures and processes as necessary to minimize, if not eliminate, the potential risk associated with the described condition. The review should include NORA's personnel capacity and current software processing system to ensure the completeness and integrity of resulting financial statements.

Management's Response and Planned Corrective Action

Management continues to develop systems and seek levels of efficiencies that will increase the accuracy and timeliness of financial reporting on a monthly basis. NORA is in the process of restructuring the Finance department. Additionally, NORA has entered into a contract with New World Systems for the implementation of an ERP system.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-24

Federal Program

Blighted Properties Removal Program Fund (see Schedule of Expenditures of Federal Awards)

Criteria

Pursuant to Section I of the scope of services of the contractual grant agreement (Annual Grant) between NORA and the City of New Orleans, NORA is required among other responsibilities to accomplish certain benchmarks in connection with its management of the Blighted Properties Program.

Condition

Based on our review of the cumulative activities progress reports submitted pursuant to its agreement with the City of New Orleans for its Annual Grant, we noted the following:

- o NORA took possession of 265 of required 2,500 Louisiana Land Trust properties during 2009.
- o NORA did not specifically conduct meetings in planning districts; however, NORA's staff attended 334 meetings during 2009
- o NORA's sold through the review Lot Next Door Program 99 of required 150 properties.
- o Based on our review of inspection reports performed by NORA's inspectors on September 30, 2009, April 5, and April 12, 2010, we noted selected property addresses that were not recorded on the respective inspector trip log.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-24

Condition, Continued

- o We were unable to review documentation to support a judicial proceeding rescinding the sale of property not in compliance with the 270 days condition of sale.

However, we noted an e-mail communication from NORA's Compliance Manager to legal counsel regarding non-compliance on the buyer's part necessitating a rescission.

- o We were not provided with evidence to support NORA's compliance with its contract with the City of New Orleans regarding submission within thirty (30) days after the executed agreement, reports to indicate the status of all properties acquired with CDBG funds.
- o NORA expropriated 80 of the 250 required properties during 2008.
- o NORA's responsibility to improve enforcement of laws that pertain to the treatment of blighted and abandoned properties has not been fulfilled for 2008.
- o NORA inspected 91 of the 200 NORA sold properties during 2008; and
- o No properties were disposed during 2008 from the Louisiana Land Trust (LLT).

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

2012-24

Questioned Costs

Unable to determine.

Context

The federal award expended for Blighted Properties Removal Program Fund for the year ended December 31, 2009 was \$9,973,489

Effect or Potential Effect

Noncompliance with the contractual agreement with the City of New Orleans.

Cause

Timing of contract execution.

Recommendation

Management should seek resolution to this finding with the City of New Orleans.

Management's Response and Planned Corrective Action

Management will establish communication with the City of New Orleans in an effort to seek resolution to this finding.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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

Reference Numbers

2011-01 and 2011-05

Condition

At December 31, 2011 **NORA** developed for its NSP2 program, a tracking templete in an excel software format that depicts information such as project category (B, C, E, etc.), budgeted amount, expended to date, monthly actual and projected expenditures, etc.

Further, management provided for our review, NSP2 project managers summary minutes dated June 19, 2012.

Also, an adjustment for \$1,700,000 was proposed to reflect a loan based on a response to our audit request for information from a consortium partner.

In addition, the accounting department proposed in connection with the audit, an adjustment in the amount of \$1,000,000.

Recommendation

Management should continue to enhance its current tracking data base and re-evaluate the need to re-align the level of communication and coordination with all stakeholders to minimize any absorption of cost by the General Fund and to ensure the timely and complete recordation of all activities. As the program approaches its completion date and coupled with the impact of program income, such enhancement to the current practice becomes imperative in order to ensure **NORA's** timely communication and coordination of events in response to any challenges to all stakeholders.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2011-02

Condition

During 2011 NORA submitted to HUD for its review and approval, an Indirect Cost Rate Plan.

Currently, NORA has been granted an eighty (80) percent rate pending final approval of its cost rate plan. Further, NORA used for the year ended December 31, 2011, the provisional rate in the allocation of cost to all programs. At December 31, 2011 the remaining twenty (20) percent cost had not been billed.

Recommendation

Management should assess the potential financial impact of the unbilled cost.

Further, management should re-evaluate the base used in its cost allocation to ensure its maximum benefit to NORA. For example square footage should be considered in the allocation of occupancy.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2011-03

Condition

The Form HUD 60002, Section 3 report submitted for the year ended December 31, 2011 was incomplete in terms of all key line items. Subsequent to the receipt of the form filed by NORA's staff, we were provided with additional forms that appear to have been prepared by various consortium partners and developers. Again some of the individual reports provided to us were incomplete and not in accordance with the instructions for filing the report.

Recommendation

Staff should be provided with additional training on the complete preparation of the Form HUD 60002.

Current Status

Unresolved. See current year's finding referenced number 2012-07.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2011-04

Condition

We were unable to agree the financial information (federal funds earned and costs incurred) as reported for the third quarter of 2011 under the requirements of Section 1512 ARRA grants to NORA's general ledger.

Recommendation

The financial aspect of all file reports should be reviewed and concurred to by the Finance department to ensure completeness and alignment with underlying records.

Current Status

Unresolved. See current year's finding reference number 2012-08.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers

2010-02 and 2010-06

Condition

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

- o In one (1) instance, we noted where a listed check signer is no longer employed by NORA.
- o A wire transfer transaction tested revealed the lack of documented authorization by the designated staff; however, a supporting e-mail requesting the transfer of funds was attached.
- o A cash receipt totaling \$300 for payment toward property was receipted and deposited on August 31, 2010, but was not recorded in the August 2010 deposit detail. The amount was subsequently recorded in the September 2010 deposit detail.

We noted the lack of documented reconciliation of all cash receipt tickets issued for our test month August 2010 to the deposit detail. Further, we noted that the reconciliation of the receipt book was not a part of NORA's monthly reconciliation process.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers, Continued

2010-02 and 2010-06

Condition, Continued

- o A difference of \$1,245 was noted between the cash register balance dated August 31, 2010 on the bank reconciliation and the ending general ledger balance for the same test period. The difference is due to including two checks voided on August 17, 2010 (check numbers 14572 and 14590) as outstanding as of August 31, 2010.
- o Four (4) checks totaling \$4,684 violated NORA's stale dated check policy of one hundred and eighty (180) days outstanding. Three (3) of the four (4) totaling \$4,409 were more than two years outstanding.
- o Two (2) of twenty-nine (29) cash disbursement transactions tested were not supported with a vendor invoice.
- o One (1) of twenty-nine (29) cash disbursement transactions tested did not include an attached request for and authorization for payment.
- o Six (6) of the twenty-nine (29) cash disbursement transactions tested were not canceled or stamped "paid" to prevent future use.
- o One (1) of twenty-nine (29) cash disbursement transactions tested reflected no evidence of mathematical verification.
- o One (1) of twenty-nine (29) cash disbursement transactions tested revealed an instance where the invoice attached and request for payment lacked evidence of approval by the Department Director.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers, Continued

2010-02 and 2010-06

Condition, Continued

- o Our testing of credit card purchases revealed instances where receipts for the expenditures were missing invoices, not canceled to prevent future use, the business purpose was not identified, and the lack of evidence of management's approval for payment.
- o For payroll tested, we noted where the employer certification and signature section on one of four 1-9's was not completed.
- o We noted no approved overtime request for 2.5 hours of retroactive overtime paid during the pay period ended August 18, 2010.
- o The allocations of time charged for one (1) of five (5) timesheets tested reflected errors in amount allocated to the respective programs.

Recommendation

We recommended that management and the Board continue to provide the necessary level of oversight in all key internal control areas. Also, as NORA continues to expand its operations, greater emphasis should be placed on its program, accounting and financial reporting processes to include effective monitoring of compliance with all aspects of its grant management.

Also, the necessary updates to its financial and program policies and procedures should be evaluated to ensure continuous alignment with its growth and completeness.

Current Status

Unresolved. See current year's findings reference numbers 2012-01, 2012-09, and 2012-21. Also see, OM 2012-02, 2012-04, and 2012-08.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers

2010-04 and 2010-08

Condition

Currently, NORA does not have a centralized and complete listing of all inventory of real property for all real properties purchased using CDBG funding. Such a schedule should include at a minimum, physical address, the cost of acquisition, date of acquisition and funding source.

Further, NORA's executed CEA with the City requires at a minimum, semi-annual reconciliation of its physical inventory of unexpendable property acquired with City funds for submission to the City within ten days of such reconciliation. The agreement also requires that non-expendable property acquired vest in the City upon delivery. It is our understanding that a report was submitted to the City in September 2010.

Recommendation

We recommended that NORA prepare and update on a timely basis, a listing to include the physical address, cost and date of acquisition, funding source etc.

The listing should reconcile to NORA's general ledger after the effect of GASB 34 reporting requirements. Further, the necessary physical inventory periodic reporting of its non-expendable property should be undertaken pursuant to the CEA.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2010-09

Condition

Currently, NORA does not have an approved Indirect Cost Rate for its NSP2 grant.

Recommendation

NORA should develop the necessary proposal and related supporting documents for approval by HUD.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2010-10

Condition

Our review of selected construction contracts revealed the lack of compliance with the requirements of the Davis Bacon Act. Further, we noted no comprehensive system in place to ensure effective and efficient monitoring of the Act for contracts executed with subrecipients.

Recommendation

Management should evaluate its current practice to ensure compliance with the requirements of the Davis Bacon Act.

Current Status

Unresolved. See current year's finding reference number 2012-12.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2010-11

Condition

The HUD Form 60002 (Section 3 Summary Report) provided by NORA for review in connection with our audit was incomplete in terms of construction costs incurred and other requested information (such as dollar award, code, contracts awarded, etc.) in other sections of the report.

Recommendation

We recommended that management evaluate its current practices to ensure timely and adequate coordination of information between the program and financial sections to facilitate the submission of complete information.

Current Status

Unresolved. See current year's finding reference number 2012-07.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2010-12

Condition

Based on our testwork of twenty-nine (29) cash disbursements, we noted an instance where the charge for professional services involving research of Disadvantage Business Enterprise (DBE) for each of NORA's stream of funding was charged 100% to one program.

Recommendation

We recommended that management review its current shared cost allocation plan and processes to ensure its completeness.

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2010-13

Condition

The report submitted under the requirements of Section 1512, ARRA grant for the quarter ended September 30, 2010 (selected test month), did not agree to NORA's general ledger recorded amount for federal funds earned and disbursed for the reported period.

Recommendation

We recommended that management enhance its coordination and oversight processes to ensure completeness of all submitted reports.

Current Status

Unresolved. See current year's finding reference number 2012-08.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2010-14

Condition

During the year ended December 31, 2010, NORA requested and received \$40,384 in funds used in the acquisition of rights in several tax sale properties. The requisitioned funds at December 31, 2010, were drawn in contradiction to the immediate needs requirement of the CFR.

Recommendation

We recommended that management minimizes the drawdown of funds in advance of its immediate needs.

Current Status

Unresolved. See current year's section of the other matters report for reference number OM 2012-12.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers

2009-05 and 2008-06

Condition

Based on our review of the cumulative activities progress reports submitted pursuant to its agreement with the City of New Orleans for its Annual Grant, we noted the following:

- o NORA took possession of 265 of required 2,500 Louisiana Land Trust properties during 2009.
- o NORA did not specifically conduct meetings in planning districts; however, NORA's staff attended 334 meetings during 2009.
- o NORA sold through our review of Lot Next Door Program, 99 of the required 150 properties.
- o Based on our review of inspection reports performed by NORA's inspectors on September 30, 2009, April 5, and April 12, 2010, we noted selected property addresses that were not recorded on the respective inspector trip log.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers, Continued

2009-05 and 2008-06

Condition, Continued

- o We were unable to review documentation to support a judicial proceeding rescinding the sale of property not in compliance with the 270 days condition of sale.

However, we noted an e-mail communication from NORA's Compliance Manager to legal counsel regarding non-compliance on the buyer's part necessitating a rescission.

- o We were not provided with evidence to support NORA's compliance with its contract with the City of New Orleans regarding submission within thirty (30) days after the executed agreement, reports to indicate the status of all properties acquired with CDBG funds.
- o NORA expropriated 80 of the 250 required properties during 2008.
- o NORA's responsibility to improve enforcement of laws that pertain to the treatment of blighted and abandoned properties has not been fulfilled for 2008.
- o NORA inspected 91 of the 200 NORA sold properties during 2008; and
- o No properties were disposed during 2008 from the Louisiana Land Trust (LLT).

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Numbers, Continued
2009-05 and 2008-06

Recommendation

Management should explore language revision in its future contracts to facilitate compliance with all requirements of its contract with the City of New Orleans.

Current Status

Unresolved. See current year's finding reference 2012-24.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

2009-06

Condition

During 2009 NORA executed Cooperative Endeavor Agreements (CEA) for the use of Community Development Block Grant funds in various blight acquisition, land assembly, redevelopment and management activities.

The CEA's required specific deliverables and timelines upon execution of the agreements and throughout the term of the agreements.

Based on our discussions with management and review of status reports prepared by NORA to include other documents provided to us, we noted the following:

- Various e-mail memoranda and communications directing changes in the scope and funding allocation and/or reallocation of the referenced agreements;
- Evidence of periodic meetings with designated personnel of the City of New Orleans and State, as applicable; and

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number, Continued

2009-06

Condition, Continued

- Noted based our review of the October 21, 2009, CEA, language in the agreement relative to the status of projects and criteria for acceptable performance compliance.

Because of the level of coordination required at the City, State and Federal levels to accomplish certain goals within the agreements, **NORA** should re-evaluate its current process and monitoring system in an effort to ensure that all aspects of its compliance with the agreements are adequately documented to include a process for all revisions to contracted scopes and deliverables to ensure an effective and efficient audit trail. Such a system should also aid in an efficient and effective close-out audit.

Recommendation

Management should revisit with its current processes and monitoring system to assess its effectiveness in capturing and managing all program activities on a timely basis.

Current Status

Unresolved. See current year's findings reference numbers 2012-11 through 2012-16.

NEW ORLEANS REDEVELOPMENT AUTHORITY
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, Continued

Reference Number

98-3 and 97-1

Condition

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

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis nor are interfund activities reconciled on a monthly basis.

Recommendation

Management should continue to explore additional sources of funding to minimize the need for interfund activities.

Current Status

Unresolved. See current year's section of our other matters report for reference number OM 2012-13.

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

Section V - Status of Prior Year's Other Findings/Reviews

The Department of Housing and Urban Development's Office of Inspector General on April 8, 2011, issued its report (2011-A0-1004) resulting from an audit of the Neighborhood Stabilization Program 2 awarded to NORA.

Reference Number

HUD 2010-17

Condition

"The Authority did not always use its NSP2 funds in accordance with Federal regulations. Specifically, NORA did not always (1) comply with NSP2 regulations and/or its written policies and procedures under its NSP2 ongoing activities, (2) comply with procurement regulations when obligating NSP2 funds, (3) provide its NSP2 quarterly performance reports to HUD with accurate information, or (4) ensure that its NSP2 expenditures were eligible and supported for 16 of 21 NSP2 expenditures. These conditions occurred because the Authority (1) did not have adequate controls and/or policies and procedures to effectively administer its NSP2 funds, (2) did not follow its own policies and procedures, and (3) was not always aware of its responsibilities as a HUD grantee under NSP2. As a result, it could not provide reasonable assurance that it had adequately fulfilled the requirements of its agreement with HUD, with respect to its ongoing activities and reports to HUD, and the Authority and one of its consortium members improperly procured eight contracts. In addition, the Authority expended \$178,148 in questioned costs. Further, given the nature of the deficiencies identified, at least \$8,101,539 of the remaining funds is at risk of being misspent."

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

Section V - Status of Prior Year's Other Findings/Reviews, Continued

Recommendation

"We recommend that HUD's Director of Community Planning and Development require the Authority to—

- 1G. Revise its cost allocation plan, within sixty (60) days of the report issuance date, and submit the revised plan to HUD for review and approval. The revised cost allocation plan should include additional information/documentation, but is not limited to—
- A brief description of programs and funding sources, including amounts;
 - A list of expenses associated with costs for each program and funding source;
 - A clear identification of the method used to distribute the costs to each program and/or funding source;
 - A schedule showing the allocation of each program and funding source; and
 - Documentation such as (1) an organization chart which is sufficiently detailed to show operations and (2) a certification that the plan was prepared in accordance with OMB Circular A-87, contains only allowable costs, and was prepared in a manner that treats similar costs consistently among the various Federal awards and between Federal and non-Federal awards/activities.

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

Section V - Status of Prior Year's Other Findings/Reviews, Continued

Recommendation, Continued

- 1N. Support the cost reasonableness of Environ, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$344 in unsupported costs identified due to the lack of invoice documentation.
- Should the Authority support the cost reasonableness of this contract, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$344 in unsupported costs identified due to the lack of invoice documentation.
- 1O. Support the cost reasonableness of the Trumpet Group, LLC contract or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds the \$39,648 disbursed during the scope of our review. In addition—
- Should the Authority support the cost reasonableness of this contract, it should then support or repay any amounts it cannot support to the U.S. Treasury from non-Federal funds \$35,997 in unsupported costs identified due to the lack of invoice documentation.
- 1P. Support the cost reasonableness of the Terry Phillis consultant contract or repay any amounts that it cannot support to the U.S. Treasury from non-Federal funds the \$4,957 disbursed during the scope of our review.

Current Status

A letter dated September 26, 2013 resulting from an on-site monitoring suggests that all final corrective actions have been taken and completed and the New Orleans HUD Field Office will provide official notification of closure.

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

Section VI - Other Findings/Reviews

The Legislative Auditor for the State of Louisiana issued on July 3, 2013, a best practices assessment of **NORA** covering the period July 2010 through April 2013. The findings, recommendations and management's response follows:

Reference Number

LA - 2012-01

Condition

NORA has a written personnel policy, an Employee Guide Book; however, it was last updated in December 2009.

Recommendation

NORA's management should annually review, update, and adopt the Employee Guide Book to ensure that it agrees with current policies, regulations, and exceptions.

Management's Response and Planned Corrective Action

NORA will annually review and update its Employee Guide Book to ensure that it is consistent with its current policies, regulations and expectations. **NORA** will submit the Employee Guide Book to its Board of Commissioners for adoption.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012-02

Condition

NORA does not have a written ethics policy.

Recommendation

NORA's management should develop an official written ethics policy. NORA's management should also require annual signed certifications from each employee and board members attesting to his/her understanding of and compliance with the ethics policy.

Management's Response and Planned Corrective Action

NORA's existing Human Resources Policies and Procedures mandate that each employee complete at least one (1) hour of training on ethics and professionalism.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012 -03

Condition

NORA's Finance Committee and senior management have not developed an audit charter which includes specific functions and responsibilities of the internal audit department.

Recommendation

NORA's Finance Committee or audit committee should develop an audit charter.

Management's Response and Planned Corrective Action

The internal audit charter has since been approved by the Board at the June 10, 2013 meeting.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012-04

Condition

NORA implemented its 2012 internal audit plan; however, it was not approved by the Audit Committee or in this case the Finance Committee who acted as the Audit Committee until April 8, 2013.

Recommendation

NORA's Finance Committee or audit committee should annually review the internal audit plan to ensure it covers all risk of financial exposure or potential for loss. The Finance Committee or audit committee should also approve the plan in a timely manner.

Management's Response and Planned Correction Action

The internal audit plan is reviewed by representatives of both management and NORA's Finance Committee prior to implementation and approval. NORA will ensure that the internal audit plan is approved in a timely manner.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012-05

Condition

Our review of a sample of 242 employee time sheets revealed the following:

- o Three time sheets did not contain either an employee signature or an approval signature.
- o One time sheet did not contain an approval signature.
- o Fifteen time sheets did not contain an employee signature but were approved by a supervisor.

Recommendation

NORA's management should strengthen controls over payroll and enforce its own policy to ensure that employee time sheets are signed by the employee and reviewed and approved by the employee's immediate supervisor.

Management's Response and Planned Corrective Action

NORA's management continues to review timecards for proper authorization. Any adjustments required will be made prior to the subsequent pay period.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012-06

Condition

During our assessment of NORA's controls, we noted that sick and annual leave was not consistently allocated to grants. NORA provided a leave allocation spreadsheet; however, it did not systematically allocate employee leave to the various grants that each employee worked on.

Recommendation

NORA's management should develop a system that equitably and consistently allocates leave time to the various federal grants it receives funding from. That system must conform to the requirements outlined in OMB Circular A-87. In addition, NORA management should develop policies and procedures to ensure that its implementation is monitored.

NORA management should verify that previous leave allocations were applied correctly. If misallocations of leave is detected. NORA should retroactively make the corrections.

Management's Response and Planned Corrective Action

All draw submissions for reimbursement are reviewed for accuracy by NORA's management and the Grantor. Any improper allocations which have been reviewed and detected will be adjusted accordingly.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012-07

Condition

R.S. 44:36 requires public bodies to exercise diligence and care in preserving public records. A records retention schedule is an important part of an organization's document management policies.

Recommendation

NORA management should develop a records retention schedule. Management should ensure that records are retained in accordance with the schedule.

Management's Response and Planned Corrective Action

NORA receives the majority of its funding through grants and awards from federal, state, local and private sources. There is usually a records retention requirement for each award made to **NORA** by the funding source. **NORA** follows the records requirement prescribed by the funding source or regulatory authority. **NORA** concurs with the recommendation and will develop and implement a records retention schedule.

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

Section VI - Other Findings/Reviews, Continued

Reference Number

LA - 2012-08

Condition

NORA's management did not enter into a memorandum of understanding with the City of New Orleans delineating the responsibilities of each party in the partnered information systems services.

Recommendation

NORA management should enter into a memorandum of understanding with the City of New Orleans that clearly delineates NORA's and the City's responsibility for systems (hardware, software, accesses, network configuration, locations and physical access, backup and recovery, etc.).

Management's Response and Planned Corrective Action

NORA concurs with the recommendation and is working to solidify an agreement with the City of New Orleans' Department of Information Technology and Innovation.

NEW ORLEANS REDEVELOPMENT AUTHORITY

EXIT CONFERENCE

An exit conference was held with representatives of NORA. 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 AUTHORITY

Ellen M. Lee	-- Finance Committee Chair
James M. Singleton	-- Board Chair
Toni Hackett Antrum	-- Finance Committee Vice Chair
Jeffrey Hebert	-- Executive Director
Brenda M. Breaux	-- Chief Operating Officer
*Michelle Calachino	-- Chief Financial Officer

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

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

*Primary responsible party for the corrective action plans



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 Hebert, Executive Director
New Orleans Redevelopment Authority
New Orleans, Louisiana

Management of New Orleans Redevelopment Authority (NORA) is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of NORA 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 NORA'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 NORA's internal control. Accordingly, we do not express an opinion on the effectiveness of NORA's internal control.

As a part of our audit, we noted certain other matters that are opportunities for strengthening internal control and operating efficiency. Also, we reviewed with management, the status of prior year's other matters. We previously reported on NORA's internal control in our report dated September 30, 2013. This letter does not affect our report dated September 30, 2013 on the financial statements or internal controls of NORA.

We will review the status of these other matters during our next audit engagement. We have already discussed these other matters with NORA'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 current year's other matters follows:

Reference Number

OM - 2012-01

Condition

Our review of the December 31, 2012 financial statements presented to the Board of Commissioners revealed the need for financial clarity in the format and content

Recommendation

We recommend that management continue to revisit with its financial statements delivery format and content. Such a review, should be aimed at the ease in an independent assessment of the complete financial health, budget to actual status (month-to-month, month to date and projected year to date) for the respective programs and/or activities to include projected or anticipated financial outcomes.

Management's Response and Planned Corrective Action

Management is working with the Finance Committee to continue to improve and streamline the financial reporting package.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-02

Condition

In one (1) of fifty-two (52) cash disbursement transactions tested, we were unable to independently verify the completeness of cost charged to a project totaling \$2,975. The referenced cost reflected two physical addresses for which management was unable to provide information to support the charge.

Recommendation

Management should continue to work towards the completeness in its supporting documents for all cost incurred.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will continue to work toward ensuring that all supporting documentation is maintained for cost incurred.

**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 the year ended December 31, 2012, the General Fund absorbed disallowed and/or unallowable program costs resulting in a cumulative unassigned fund deficit of \$103,867. Further, we noted that NORA currently does not have an established written policy to address among other things, the timely accounting for disallowed costs.

Management's efforts during 2012 to address unrestricted funding resulted in the receipt of restricted and unrestricted donations. The donations received and cost containment efforts undertaken by management resulted in a decrease in fund deficit from \$44,913 at December 31, 2011 to \$16,498 at December 31, 2012.

Recommendation

We recommend that NORA establishes a written policy that addresses the treatment and source of funding for disallowed and/or unallowable program costs. Such a policy will serve to provide guidance and consistency in the application of accounting treatment afforded in those circumstances.

Further, management should continue in its efforts to enhance the level of funding from unrestricted sources other than cost reimbursement programs.

Management's Response and Planned Corrective Action

Management is currently revising its process for the tracking and treatment of disallowed program costs to ensure timely recognition. The process will include an aggressive approach to minimize disallowed and/or unallowable costs on its cost reimbursement programs. In addition, NORA continues to explore opportunities for unrestricted revenues and to contain cost to positively impact its financial resources accommodation.

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

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-04

Condition

In one (1) of the fifty-two (52) cash disbursement transactions tested, we noted an instance where the current cash disbursement system allowed for duplicate payments by both NORA and its Building Management company. The transaction remained undetected until identified by the service provider.

Recommendation

Management should continue to provide oversight in its cash disbursement policies and practice to minimize, if not eliminate, the reoccurrence of the referenced condition.

Management's Response and Planned Corrective Action

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

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-05

Condition

During our testing of internal control over financial reporting for the month of September 2012, (month judgementally selected for testing), we noted no independent verification and/or approval in one (1) instance of two (2) voided transactions.

Subsequent to our testwork, we noted that the Finance Policy and Procedure document was revised to require the completion of a voided check approval form.

Recommendation

Management should continue to assess risk in its internal control over financial reporting and revise and/or develop and implement procedures accordingly.

Management's Response and Planned Corrective Action

Management implemented a void check policy which requires review and signatory authorization and will ensure all staff members are trained accordingly.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-06

Condition

Our review of four (4) credit card transactions revealed the following conditions:

- o In two (2) of the four (4) transactions, we were unable to independently verify the basis for charge to specific programs, as requested supporting documentation was not provided for our review.
- o We noted no sign in and sign out in the vehicle log in accordance with NORA's policy and procedure manual for vehicle use.

Recommendation

Management should provide an enhanced oversight to ensure compliance with established policy and procedure.

Management's Response and Planned Corrective Action

Management has designed an enhanced policy which requires sign-in and sign-out for vehicle keys in addition to the vehicle log.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-07

Condition

We tested eight (8) payroll transactions for compliance with established internal controls. The allocation of time for one (1) employee of the eight (8) was different from the allocation reflected on the timesheets for two pay periods during the month of September 2012. Further, we noted no supervisory approval in one (1) of eight (8) transactions tested.

It is our understanding through discussion with management that the approval process is electronically performed.

For additional testing of labor charges (indirect cost) for the months of March, July and September 2012, we noted where the Labor Distribution report for March 2012 did not add to the total recorded amount of 2,256.25 hours. A re-computation of gross earnings on the Labor Distribution report for distribution revealed a variance between the amount reflected on the Labor Distribution report and as re-computed by us for September 2012 payroll.

Recommendation

Management should enhance its oversight of its payroll processes to ensure its completeness.

Management's Response and Planned Corrective Action

Management has enhanced its review process over timecard approval and implemented changes in payroll allocation and upload to increase accuracy and afford additional review and validation.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-08

Condition

Our testing of fifty-two (52) cash disbursement transactions for the month September 2012 (month judgementally selected for testing) revealed the following conditions:

- o Thirty-nine (39) of fifty-two (52) transactions were either not stamped paid or cancelled to prevent reuse or a support document other than the invoice was cancelled.
- o We were unable to verify the performance of mathematical verification in thirteen (13) of the fifty-two (52) transactions tested.
- o We were unable to verify proper approval in two (2) of four (4) credit card purchases in accordance with established policy and procedure due to either a missing pre-approved credit expense approval form or expense report.
- o One (1) of fifty-two (52) transactions was incorrectly classified in terms of cost object in the general ledger.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number, Continued

OM 2012-08

Condition, Continued

- o Eleven (11) of fifty-two (52) disbursement transactions involved differences between amounts paid and the AIA, Certification of payments. While we noted no documentation to support the variance, we also noted no instance in which the AIA document exceeded amount paid.
- o Noted an instance where the expense recorded was in excess of the supporting documentation provided in one (1) of fifty-two (52) transactions tested.
- o We were unable to verify the correct period charged for one (1) of fifty-two (52) transactions as supporting invoices were incomplete.
- o Seven (7) of fifty-two (52) transactions involved incomplete authorizations due to:
 - o Revision of cost charged to the project without the benefit of a revised original AIA signed by the architect in five (5) instances;
 - o Noted no AIA in one (1) instance; and
 - o Lack of an executed supporting resolution by the Board of Directors, correct agreement, limited power of attorney, title insurance documentation in one (1) of the referenced transactions.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number, Continued
OM 2012-08

Recommendation

Management should enhance its supervisory oversight over its control system over cash disbursement transactions.

Management's Response and Planned Corrective Action

Management will continue to take steps to enhance supervisory oversight and control over cash disbursement transactions to ensure the validity and accuracy of the expenditure.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-09

Condition

The December 31, 2012 payroll bank account reconciliation included an invalid reconciling item.

A transaction listed as outstanding for \$5,345.87 on the December 2012 payroll bank account reconciliation represented a credit card payment via an "ACH" transaction and should not have been reflected as payroll or a reconciling item.

Also, noted that the transaction was not corrected until February 2013 as a deletion. Finally, we noted a difference of \$1,081 in the reconciled bank account balance and the general ledger amount.

Recommendation

Management should enhance its review of staff work effort for completeness. Further, the audit trail report generated by the Quickbooks software should be reviewed by management to identify any and all unauthorized changes.

Management's Response and Planned Corrective Action

Management continues to enhance its oversight and review while implementing added controls to ensure accuracy. The General Ledger report is included as backup to the reconciliation to ensure accuracy.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-10

Condition

The current accounting practice does not address the complete accounting for all real estate auction sales proceeds collected by third parties on **NORA's** behalf.

Recommendation

Develop and implement a formal procedure to address the accounting for all funds collected on behalf of **NORA**. The referenced procedure should include funds held by closing attorneys, title companies, etc.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will implement a process to properly record all funds collected on behalf of **NORA** to include funds held by closing attorneys and title companies.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-11

Condition

Our testwork performed on executed transactions involving REALM properties for the year ended December 31, 2012, revealed instances where real estate sales were not properly accounted for to ensure the completeness in recorded amounts in NORA's general ledger and to the respective program without the benefit of audit and client adjustments. Property transactions were misclassified between land bank and CDBG funded activities.

Recommendation

All real estate transactions should be adequately reviewed to ensure the completeness of information from all departments. Such a process should facilitate the propriety in recorded amounts particularly in instances where the transactions involves program income.

Management's Response and Planned Corrective Action

Management has created a real estate data base which continues to be validated against the financial reporting of real property to ensure proper classification of real property funding sources.

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

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-12

Condition

A confirmation received directly from U.S. Department of Housing and Urban Development reflects a collection in the amount of \$138,298.35 from NORA's N.I. Grant program. We noted a receipt of requisitioned funds on May 18, 2012 and a return of such funds via a check dated May 30, 2012 which cleared the bank on June 5, 2012.

Recommendation

Management should ensure the completeness of all requisitions for alignment to the respective project.

Management's Response and Planned Corrective Action

Management will review all draw requests for completeness and proper designation prior to submission.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-13

Condition

NORA has for several years through its current period maintained a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only major funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis. At December 31, 2012 interfund balances are out of balance due in part to the nature of accounting for interfund transactions.

Recommendation

On a monthly basis all interfund activities should be reconciled and any differences immediately investigated and resolved.

Management should review all receivables and payables currently recorded on NORA's general ledger to ascertain the collectibility of the receivables and/or validity of the payables. Furthermore, the review should ensure the completeness in the classification of all interfund activity.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number, Continued
OM 2012-13

Management's Response and Planned Corrective Action

Management concurs with the recommendation and is implementing monthly reconciliation of the interfund account coupled with research and review of all outstanding balance sheet items.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-14

Condition

Currently, NORA has requested of its development partners and contractors participating in its NSP2 program, submission of audit reports prepared under the requirements of OMB Circular A-133.

Recommendation

We recommend management's continued efforts to obtain the referenced audits as a part of its monitoring efforts.

Management's Response and Planned Corrective Action

Management has requested and received copies of audit reports from its development partners in its NSP2 program annually. Report submissions are tracked and reviewed. Follow up is conducted until the requested audit reports are received.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number
OM 2012-15

Condition

Noted during our review of indirect cost, the lack of consistency in the allocation of cost to the various programs managed by NORA.

It is our understanding that currently indirect costs are allocated on a consistent basis.

Recommendation

Management should formalize its cost allocation methodology to ensure a consistent treatment over all programs.

Management's Response and Planned Corrective Action

NORA's indirect cost rate received approval by HUD in October 2012. This rate was approved retroactive to 2009. Prior to final approval, NORA had an interim approval to submit 80% of the submitted rate.

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

Current Year's Other Matters, Continued
2012

Reference Number

· OM 2012-16

Condition

NORA and its related entity New Orleans Redevelopment Unlimited do not have a formalized policy regarding the donation of real properties acquired with Federal funds.

Recommendation

NORA should formalize via Board action a written real property donation policy specifically, for real properties acquired with Federal funds.

Such a policy should address issues such as reversion of assets and the use of CDBG funds to meet the national objectives pursuant to CFR section 507.208, as applicable. Further, the policy should address donation to both related and unrelated parties of real properties from both federal and other funding sources.

Management's Response and Planned Corrective Action

NORA's donation of properties is consistent with the Constitution of Louisiana, Article VII, Part 1, 14. Management will develop a comprehensive policy that addresses the transfer of real properties acquired from both federal and other funding sources to both related and unrelated parties.

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

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-17

Condition

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

Recommendation

We recommend the development and implementation of a policy to address the requirements of the escheat law of the State of Louisiana.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and is implementing a monthly reconciliation process coupled with research and review of all outstanding balance sheet items.

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

(CONTINUED)

Current Year's Other Matters, Continued
2012

Reference Number

OM 2012-18

Condition

The general ledger at December 31, 2012 does not reflect all construction lending transactions (forgivable and unforgivable loans).

Recommendation

Management should establish a procedure to ensure that all loan transactions (forgivable and unforgivable) are tracked through a general ledger recordation.

Management's Response and Planned Corrective Action

Management has initiated a process to facilitate accounting for all loan transaction beginning with the 2013 fiscal year.

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

(CONTINUED)

Status of Prior Year's Other Matters
2011 and Prior

Our discussion of the status of prior year's other matters follows:

Reference Number

OM 2011-01

Condition

NORA continues to be impacted with disallowed costs involving its contract with the City of New Orleans.

Recommendation

Management should revisit with its current cost allocation process involving its programs and plan to minimize, if not eliminate, the potential for disallowed costs.

Current Status

Unresolved. See current year's other matters section of this report for OM 2012-03.

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

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2011-02

Condition

Currently, NORA has individuals assigned to monitor compliance with the Davis Bacon Act and procurement on various projects. We noted through discussions that all non-compliance issues arising from the monitoring of each project are documented with a copy to the respective vendors. However, we noted no documented global reporting for all eligible projects to facilitate management's effective and efficient oversight on an on-going basis for all projects/contracts.

Further, based on our review of payroll records for ten (10) sub-contractors, we noted where in three (3) instances the associated social security amount and in one (1) instance the associated fringe benefit amount for payroll were not computed correctly by the sub-contractor.

We were unable to determine resolution because of the nature of recordkeeping.

Recommendation

We recommend that management revisit with its current practice with an aim towards the implementation of a global reporting matrix. Further, in the development of a system, management should consider an "upload" of all payroll and procurement documents by the respective vendors for NORA's review, analysis and to facilitate follow-up efforts on exceptions noted. Also, this process should ensure that all payments to vendors are in full compliance with the Act.

Current Status

Unresolved. See current year's finding reference number 2012-11.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2011-03

Condition

Our testwork performed on executed transactions involving REALM properties for the year ended December 31, 2011, revealed instances where real estate sales were not properly accounted for to ensure the completeness in recorded amounts in NORA's general ledger and to the respective program without the benefit of audit and client adjustments. Property transactions were misclassified between land bank and CDBG funded activities.

Recommendation

All real estate transactions should be adequately reviewed to ensure the completeness of information from all departments. Such a process should facilitate the propriety in recorded amounts particularly in instances where the transactions involves program income.

Current Status

Unresolved See current year's finding reference number 2012-03.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2011-04

Condition

Our review of eighteen (18) cash receipt transactions revealed in one (1) instance where the amount of an interbank transfer initiated and executed by the same individual did not agree to the supporting documents provided to us. The transfer was for \$5,767.62 compared to the supporting documented amount of \$4,847.62.

Recommended

All interbank transfers should be supported with complete documents. Further, internal controls should be enhanced to segregate the initiation and execution process.

Current Status

Resolved.

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

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2011-05

Condition

For the year ended December 31, 2011, the General Fund absorbed disallowed costs for the 2009 and 2010 fiscal years totaling approximately \$60,000 for the Annual and Target Zone Programs; cost for title and surveys of approximately \$26,000 and \$41,267 in cost incurred for the Neighborhood Initiative Program.

In addition, the timing in reimbursement from its grantors (City and State) resulted in interest and fees totaling \$217,000 on borrowed funds needed to fund operations.

The cumulative effect of the referenced transactions from prior years to the current year was a fund deficit of \$44,913 at December 31, 2011.

Recommendation

Management should continue to revisit with its planned activities and operations with an enhanced focus in the areas of disallowed costs, renegotiating the timing of its reimbursements for cost incurred for managed programs, and enhance the level of funding from unrestricted sources.

Current Status

Unresolved. See current year's section of this report reference number OM 2012-03.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Numbers

OM 2010-01 and 2009-02

Condition

NORA for the year ended December 31, 2010 had disallowed and questioned costs respectively totaling approximately \$230,000 for the its CDBG Annual and Target Zone programs and \$180,000 for the Neighborhood Stabilization Program 2 (NSP2).

Currently, all disallowed costs are under review and discussion with NORA's funding source for the NSP2 grant award.

The disallowed costs are being absorbed in the current year by NORA's unrestricted funds.

For 2009, disallowed cost was \$124,694 coupled with other losses absorbed of \$223,597.

Recommendation

Management should evaluate the causes for the level of questioned and disallowed costs and plan to minimize, if not eliminate, the potential for disallowed and/or questioned costs.

Current Status

Unresolved. See current year's findings reference numbers OM 2012-03 and 2012-05.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2010-02

Condition

NORA and its related entity New Orleans Redevelopment Unlimited do not have a formalized policy regarding the donation of real properties acquired with Federal funds.

Recommendation

NORA should formalize via Board action a written real property donation policy specifically, for real properties acquired with Federal funds.

Such a policy should address issues such as reversion of assets and the use of CBDG funds to meet the national objectives pursuant to section 507.208, as applicable. Further, the policy should address donation to both related and unrelated parties of real properties from both federal and other funding sources.

Current Status

Unresolved. See current year's section of this report for reference number OM 2012-16.

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

(CONTINUED)

Status of Prior Year's Other Matters
2011 and Prior

Reference Number
OM 2009-01

Condition

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

- o For two (2) of fifteen (15) bank accounts (Revolving Fund and NORU) reviewed, we noted that the beginning and ending cash balances did not agree to the amount reflected in the general ledger provided to us. For one (1) (Blight) the beginning balance did not agree to the amount reflected on the general ledger for December 31, 2009.
- o We noted several staled dated checks with dates in excess of NORA's void policy of one hundred and eighty days.
- o The workmans' compensation insurance coverage maintained by NORA did not include the City of New Orleans as co-insured in accordance with its agreement with NORA.
- o Journal entries prepared and posted for the month of July 2009 (month judgementally selected for testing) lacked evidence to support the performance of supervisory review and/or approval prior to input into NORA's general ledger. It is our understanding through discussion that the journal entries other than correcting entries have been subjected to NORA's disbursement and approval process; and

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number, Continued

OM 2009-01

Condition, Continued

- o While **NORA** continues to enhance its policies and procedures the current accounting policies and procedural manual used by **NORA** does not reflect all current practices or the need for revised policies in areas such as capital asset activities, investment, financial reporting, account analysis, financial transactions recordation and treatment in accordance with applicable accounting standards and principles, etc.
- o One (1) of thirteen (13) deposit transactions selected and reviewed lacked supporting documentation in the form of a validated deposit ticket. However, we reviewed the applicable bank statement noting deposit of amount;
- o The current accounting policies and procedural manual used by **NORA** does not reflect all current practices and/or revised policies such as financial reporting, account analysis, financial transactions recordation and treatment in accordance with applicable accounting standards and principles, etc;
- o In three (3) of twenty-six (26) cash disbursements vouched, we noted where the check dates were prior to the check request and approval date;
- o In three (3) of twenty-six (26) cash disbursements selected and reviewed, **NORA** was unable to locate the supporting documents for expenses incurred;
- o In two (2) of the four (4) employees selected and reviewed, we noted the absence of payroll and benefit deduction authorizations;

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number, Continued

OM 2009-01

Condition, Continued

- o In all four (4) personnel files reviewed, we noted that the timesheets for the pay period reviewed lacked evidence of supervisory review and approval; and
- o In one instance, we noted that an employee's gross payroll was miscalculated because of the use of an incorrect hourly rate. The miscalculation resulted in an overpayment to the employee in the amount of \$61.54 for the selected payroll.
- o No performance of verification of mathematical accuracy of paid invoices in seven (7) of twenty (22) transactions tested;
- o Two (2) of twenty-two (22) transactions reviewed, did not agree to the supporting documents as a result of handwritten changes; and

Recommendation

Management should continue to provide the necessary level of supervisory oversight to minimize, if not eliminate the referenced conditions.

Further, we recommend that all journal entries prepared should be reviewed and approved at a level above the preparer prior to input.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number, Continued

OM 2009-01

Recommendation, Continued

The current accounting policies and procedural manual should be updated to accommodate current practices and/or policies to include financial reporting, account analysis, etc. Finally, all required personnel documents authorizing compensation benefits by management and deductions authorized by respective employees should be filed in the respective personnel file.

Finally, management should re-evaluate the current payroll processing system in place to ensure its full integrity.

Current Status

Unresolved. See the current section of this report for reference number OM 2012-07.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2009-03

Condition

NORA uses various software systems through the City of New Orleans' computer server to accumulate accounting and program information on a regular basis. However, we noted no formal written plan in place to augment the City of New Orleans' System that provides for the offsite storage of all pertinent accounting, and program data.

Furthermore, we noted no established formal procedure in place to ensure a periodic review of the adequacy of insurance coverage for NORA based on its risk assessment.

Recommendation

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

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

Current Status

Resolved.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2008-01

Condition

Our review of NORA's current year's financial operations for the year ended December 31, 2008, reflects a budget overrun in its unrestricted fund.

Recommendation

We recommend that NORA's monthly reporting processes include a review of its budgeted to actual and/or projected budgeted to actual costs in order to minimize unfavorable budget variances.

Current Status

Resolved

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2008-02

Condition

The accompanying financial statements include amounts totaling \$172,235 previously classified as interfund activities.

While the amounts have account descriptions other than "due to", the classification over several years resulted in an interfund out of balance condition.

Recommendation

Management should review all amounts receivables and payables currently recorded on NORA's general ledger to ascertain the collectibility of the receivables and/or validity of the payables. Furthermore, the review should ensure the completeness in the classification of all interfund activity.

Current Status

Unresolved. See current year's section of this report for reference number OM 2012-13.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2007-02

Condition

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

Recommendation

We recommend the development and implementation of a policy to address the requirements of the escheat law of the State of Louisiana.

Current Status

Unresolved. See current year's section of this report for reference number OM 2012-17.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number

OM 2007-03

Condition

NORA does not have a formal written policy to address its custodial credit risk that results from deposits of funds held by others on its behalf in excess of \$100,000 (Federal Deposit Insurance Corporation limit now \$250,000). However, NORA maintains a collateral agreement with its banker and reviews its adequacy on a periodic basis.

Recommendation

We recommend the establishment of a deposit policy to address all deposits of funds with NORA's banker for funds in excess of the Federal Deposit Insurance Corporation (FDIC) limit.

Also, the periodic review of the adequacy of collateral maintained should be evidence by the reviewers initial.

Current Status

Resolved.

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

(CONTINUED)

Status of Prior Year's Other Matters, Continued
2011 and Prior

Reference Number
OM 2007-05

Condition

NORA has for several years through its current period maintained a primary operating account through which a significant amount of its receipts and disbursements are handled. Furthermore, because NORA is on a cost reimbursement basis with its only major funding source, a significant amount of transactions undertaken by NORA results in the recordation of interfund activities in anticipation of reimbursement.

The process results in interfund advances not being reimbursed by the borrowing fund in a timely basis.

Recommendation

We recommend that management continue the review and netting of interfund activities' process to the extent that it is practical to minimize the work effort related to the number of interprogram and intergovernment balances on NORA's general ledger.

Current Status

Unresolved. See current year's section of this report for referenced number OM 2012-13.

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

NORA'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" and/or "Current Status". We did not audit NORA'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 Board of Commissioners, management, the City of New Orleans, Legislative Auditor for the State of Louisiana, and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised State 24:513, this report is distributed by the Legislative Auditor as a public document.

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New Orleans, Louisiana

September 30, 2013