

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.

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

FOR THE YEAR ENDED DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of **New Orleans Redevelopment Unlimited, Inc. (NORU)** which comprise the statement of financial position as of December 31, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

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

Auditors' Responsibility, Continued

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

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

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

Opinion

In our opinion, the financial statements previously referred to present fairly, in all material respects, the financial position of **NORU** as of December 31, 2013, and the changes in its net assets, functional expenses and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2014 on our consideration of NORU's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NORU's internal control over financial reporting and compliance.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2014

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013

ASSETS

Current assets:	
Cash (NOTE 3)	\$ 306,766
Land, unimproved land and structures (NOTE 4)	1,569,425
Current portion of loans receivable (NOTES 5 and 10)	16,600
Due from other funds, net	<u>44,926</u>
Total current assets	<u>1,937,717</u>
Noncurrent assets:	
Loans receivable (NOTES 5, 10 and 11)	<u>19,883</u>
Total noncurrent assets	<u>19,883</u>
Total assets	<u>\$1,957,600</u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Amounts payable (NOTE 14)	\$ 22,396
Deposits held for buyers (NOTE 13)	<u>1,445</u>
Total current liabilities	<u>23,841</u>
Noncurrent liabilities:	
Revolving loan (NOTES 5, 10 and 11)	<u>311,622</u>
Total noncurrent liabilities	<u>311,622</u>
Total liabilities	<u>335,463</u>
CONTINGENCIES (NOTE 8)	
Net assets:	
Restricted (NOTE 12)	44,000
Unrestricted	<u>1,578,137</u>
Total net assets	<u>1,622,137</u>
Total liabilities and net assets	<u>\$1,957,600</u>

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Revenues:		
Property donation		\$ 588,500
Interest income		210
Rental income		3,112
Forfeited deposits		3,975
Other income		548
Net proceeds from the disposition of real property		<u>27,200</u>
Total revenues		<u>623,545</u>
Expenses:		
Program services		112,177
Supporting services		<u>223,303</u>
Total expenses		<u>335,480</u>
Change in net assets		288,065
Net assets, beginning of year		<u>1,334,072</u>
Net assets, end of year		<u>\$1,622,137</u>

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total</u>
Professional fees and contract services	\$ 40,895	\$ -0-	\$ 40,895
Occupancy	-0-	6,402	6,402
Management fees	-0-	213,457	213,457
Property maintenance and insurance	65,855	-0-	65,855
Office expense	-0-	3,444	3,444
Other expenses	<u>5,427</u>	<u>-0-</u>	<u>5,427</u>
Total	<u>\$112,177</u>	<u>\$223,303</u>	<u>\$335,480</u>

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

Cash Flows used in Operating Activities:	
Change in net assets	\$ 288,065
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Donation of land, structure and unimproved land, net	(505,900)
Increase in accrued interest receivable	(9,584)
Decrease in amounts payable, net	(89,123)
Decrease in amounts receivable	28,408
Decrease in deposits held for buyers	(9,250)
Decrease in interfund, net	<u>107,610</u>
Net cash used in operating activities	<u>(189,774)</u>
Cash Flows from Investing Activities:	
Disbursement of loan proceeds, net	<u>(112,569)</u>
Cash used in investing activities	<u>(112,569)</u>
Cash Flows from Financing Activities:	
Proceeds from revolving loan	<u>109,043</u>
Cash provided by financing activities	<u>109,043</u>
Net decrease in cash	(193,300)
Cash, beginning of year	<u>500,066</u>
Cash, end of year	<u>\$ 306,766</u>
Interest paid	<u>\$ -0-</u>

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

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

NOTE 1 - BACKGROUND GENERAL DATA:

Background

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

The purposes of **NORU** include:

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

General

As of December 31, 2013, **NORU** is primarily engaged in the implementation of a Loan Fund pursuant to Section 105(a)(15) of the Housing and Community Development Act of 1974 for revolving construction loans to facilitate the construction of residential housing in a memorandum agreement with New Orleans Redevelopment Authority.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Estimates

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

Basis of Presentation

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

Statement of Cash Flows

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

Loans Receivable

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Land, Unimproved Land and Structures

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

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

Revolving Loan:

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

NOTE 3 - CASH:

At December 31, 2013 the carrying amount of **NORU's** deposits was \$306,766 and the cumulative bank balance was \$306,766. The cumulative collected bank balance at December 31, 2013 exceeds the \$250,000 Federal Deposit Insurance Corporation (FDIC) coverage limit. Custodial credit risk, is the risk that in the event of a failure by the financial institution, **NORU's** deposits may not be returned to it. **NORU** has a deposit policy for custodial credit risk. At December 31, 2013, \$56,766 of **NORU's** bank balance was exposed to custodial risk. Under state laws, these deposits which are primarily the result of pass-through Community Development Block Grant Construction loan awards must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent.

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

NOTE 4 - LAND, UNIMPROVED LAND AND STRUCTURES:

As of December 31, 2013, land, unimproved land and structures consisted of the following:

	Balance January 1, <u>2013</u>	<u>Addition</u>	<u>Deductions</u>	Balance December 31, <u>2013</u>
Structures	\$ 20,000	\$ -0-	\$ -0-	\$ 20,000
Land and unimproved land	<u>1,043,525</u>	<u>588,500</u>	<u>(82,600)</u>	<u>1,549,425</u>
Total	<u>\$1,063,525</u>	<u>\$588,500</u>	<u>\$(82,600)</u>	<u>\$1,569,425</u>

At December 31, 2013, land, unimproved land and structures consisted of properties donated to **NORU** from various sources including New Orleans Redevelopment Authority (NORA), and the City of New Orleans and are held in accordance with **NORU's** goals to rehabilitate, clear and redevelop slum and blighted properties.

NOTE 5 - LOANS RECEIVABLE:

At December 31, 2013, loans receivable consisted of the following:

Unsecured to a corporation at a rate of 2.5% per annum due in full in thirty-six (36) months commencing October 25, 2011. NORU is currently negotiating a settlement of the outstanding principal balance and accrued interest of \$462,289 (prior to the write-down of \$447,289) for an amount ranging between \$15,000 and \$20,000.	\$ 15,000
Loan to a corporation at a rate of 8% per annum; forgivable over five (5) years commencing January 2012 and secured by real property.	6,173
Loans to a nonprofit corporation. The loans are secured by real property. Payment is due upon sale, lease, other transfer of property or the fulfillment of prescribed requirements.	10,310
Loan to a nonprofit corporation. Payment is due upon sale of lease, other transfer of property or the fulfillment of prescribed requirements.	5,000
Less: current portion	<u>16,600</u>
Noncurrent portion	<u>\$ 19,883</u>

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

NOTE 6 - RISK MANAGEMENT:

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

NOTE 7 - CONCENTRATION OF CREDIT RISK:

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

NOTE 8 - CONTINGENCIES:

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

NORU is named in various suits. It is Counsel's opinion at December 31, 2013 and September 5, 2014, that outcomes of these matters will not have an adverse effect on the financial condition of **NORU**. Accordingly, no provision has been made in the financial statements for these contingencies except as further described in NOTE 5.

NOTE 9 - PER DIEM FOR DIRECTORS:

During the year ended December 31, 2013, no board member received per diem in his/her capacity as a Director.

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

NOTE 10 - REVOLVING LOAN:

Revolving loan at December 31, 2013 represents funds provided to **NORU** through a memorandum of understanding with **NORA**. The funds are to be used to implement a loan fund pursuant to section 105(a)(15) of the Housing and Community Development Act of 1974 for revolving construction loans to facilitate the construction of residential housing in accordance with policies and procedures and as otherwise approved by **NORU**. See NOTE 5, for additional discussion.

NOTE 11 - RELATED PARTY TRANSACTIONS:

NORU paid fees and made various reimbursements for cost incurred on **NORU**'s behalf totaling \$289,094 to **NORA** for the year ended December 31, 2013 of which management fees paid was \$222,083.

Further, during the year ended December 31, 2013, **NORU** continued to administer a construction lending fund contract totaling \$750,000 for construction projects on behalf of **NORA**. At December 31, 2013 the total amount disbursed was \$741,317 plus accrued interest earned of \$17,594 for a total revolving loan balance of \$758,911 prior to the effect of a write down as further described in NOTE 5.

NOTE 12 - RESTRICTED NET ASSETS:

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

NOTE 13 - DEPOSITS HELD FOR BUYERS:

At December 31, 2013, **NORU** held deposits in the amount of \$1,445 on behalf of potential buyers of its donated properties.

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

NOTE 14 - AMOUNTS PAYABLE:

At December 31, 2013, amounts payable consisted of the following:

Amounts payable - vendors	\$18,419
Amounts payable - others	<u>3,977</u>
	<u>\$22,396</u>

NOTE 15 - SUBSEQUENT EVENTS:

NORU is required to evaluate events or transactions that may have occurred after the statement of financial position date for potential recognition or disclosure in the financial statements. **NORU** performed such an evaluation through September 5, 2014, the date which financial statements were available to be issued, and noted no subsequent events or transactions that occurred after the statement of financial position date that required recognition or disclosure.

NOTE 16 - PROVISION FOR LOAN LOSS:

NORU participated with **NORA** (related party) in several real estate loan transactions resulting in the provision by **NORA** to the benefit of the respective home buyers forgivable mortgage loans totaling \$15,310 for the year ended December 31, 2013.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY INFORMATION**

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

Our report on the audit of the financial statements of **New Orleans Redevelopment Unlimited, Inc.** as of and for the year ended December 31, 2013, appears on page 1. The audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for the purposes of additional analysis and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2014

SCHEDULE I

**NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

<u>Program Grantor/Title</u>	<u>CFDA</u>	<u>Federal Expenditures</u>
PROGRAM FUNDED BY THE U.S. DEPARTMENT OF HOUSING <u>AND URBAN DEVELOPMENT</u>		
Pass-Through New Orleans Redevelopment Authority as Subgrantee of the State of Louisiana: Office of Community Development	14.228	<u>\$99,086</u>
Total U.S. Department of Housing and Urban Development		<u>\$99,086</u>

NOTE: Basis of Presentation: The accompanying Schedule of Expenditures of Federal Awards includes all Federal activity of NORU and is presented on a modified accrual basis of accounting.

See Independent Auditors' Report on Supplementary Information.



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

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

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America, the financial statements of **New Orleans Redevelopment Unlimited, Inc. (NORU)** which comprise the statement of financial position, as of December 31, 2013, and the related statements of activities, functional expenses and cashflows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 5, 2014.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting, Continued

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

A significant deficiency over financial reporting is a deficiency, or a combination of deficiencies in internal control over financial reporting, that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Summary Schedule of Findings and Responses as item 2013-02 to be a significant deficiency in internal control over financial reporting.

A material weakness over financial reporting is a deficiency or a combination of deficiencies in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of NORU's financial statements will not be prevented, or detected and corrected in a timely basis. We consider the deficiencies described in the accompanying Summary Schedule of Findings and Responses as items 2013-01 and 2013-03 to be material weaknesses as defined above.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NORU's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Summary Schedule of Findings and Responses as item 2013-04.

NORU's Response to Findings

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

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

Purpose of this Report

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

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2014

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

Section I - Summary of Auditors' Results

Financial Statements

Type of Auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? N/A
- Significant deficiency(ies) identified? N/A

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

N/A

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

N/A

*N/A - Not Applicable

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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>
N/A	

Dollar threshold used to distinguish between type A and type B programs:	N/A
--	-----

Auditee qualified as low-risk auditee?	N/A
--	-----

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II - Financial Statement Findings and Responses

Reference Number

2013-01

Criteria

Management must establish internal control objectives to provide reasonable assurance regarding the achievement of objectives in the areas of effective and efficiency of operations, and reliability of financial reporting.

Condition

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

- o Inadequate design of controls over significant general ledger accounts.
- o Failure to perform periodic reconciliations and analysis of significant general ledger accounts.
- o Incomplete accounting for all financial transactions.

Context

Total expenses for the year ended December 31, 2013 were \$335,480.

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; and
- o Potential for misappropriation of assets.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II - Financial Statement Findings and Responses, Continued

Reference Number, Continued

2013-01

Cause

Current design of the internal control over financial reporting.

Recommendation

Management should reassess the current internal control design to ensure its completeness in the effective and efficient operation of **NORU's** internal control over financial reporting.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and is reassessing the design of internal controls over financial reporting concurrently with the implementation of a new ERP system.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II - Financial Statement Findings and Responses, Continued

Reference Number

2013-02

Criteria

Management of **NORU** is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements as required by Board policy.

Condition

Our testing of donated real properties for the year ended December 31, 2013 revealed the following conditions:

- o Two (2) donated real properties totaling \$13,200 were not recorded at the point of donation to **NORU**.
- o In several instances, **NORU's** proposed adjustments to correct errors were incorrectly prepared and/or had inadequate supporting documents.
- o Two (2) of the nine (9) sales transactions tested involved properties adjusted to appraised values in prior year's audit. However, in the referenced instances the prior year's unadjusted property balances were used; consequently, the net proceeds from sales of real properties were incorrectly reported prior to the benefit of an audit adjustment.

Context

Total net proceeds from sales of real properties were \$27,200.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II- Financial Statement Findings and Responses, Continued

Reference Number, Continued

2013-02

Effect or Potential Effect

Incomplete financial statements provided to management and the Board for decision making coupled with the potential for misappropriation of assets.

Cause

Ineffective communication between all stakeholders to facilitate the timely and complete recordation of all transactions.

Recommendation

We recommend that management revisit with the current process to ensure the complete reporting of all economic transactions.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and has enhanced the current process to include more timely and effective communication between all stakeholders to ensure the complete reporting of all economic transactions.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II- Financial Statement Findings and Responses, Continued

Reference Number

2013-03

Criteria

Management of NORU is responsible for the establishment of effective and efficient processes and procedures for all financial transactions or economic events to ensure the complete and accurate preparation of its financial statements as required by Board policy.

Condition

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

- o Drawn down loan fund and subsequent disbursement of \$27,123, was omitted from both the loan receivable and revolving loan accounts until audited.
- o For forgivable portion of the loans, no amortization of the earned portion had been reflected on the records as of December 31, 2013.

Context

Total loans receivable at December 31, 2013 were \$36,483.

Effect or Potential Effect

Incomplete financial statements reporting.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II- Financial Statement Findings and Responses, Continued

Reference Number, Continued

2013-03

Cause

Inadequate system in place to facilitate the periodic analysis and reconciliation of significant general ledger accounts.

Recommendation

Management should re-visit with its current system of internal control over financial reporting to assess its completeness in ensuring reporting of all financial transactions on a timely basis.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and has implemented procedure such as a standard closing date to allow for the timely assessment and completeness of reporting of all financial transactions on a timely basis.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II- Financial Statement Findings and Responses, Continued

Reference Number

2013-04

Criteria

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

Condition

The audited financial statements as of and for the year ended December 31, 2013 were not published by June 30, 2014 (statutory due date).

Context

Federal award expended for the year ended December 31, 2013 was \$99,086.

Effect or Potential Effect

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

Cause

During the year ended December 31, 2013, **NORU** was impacted by several transitional challenges resulting from the resignation of a key member in the Finance department.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section II- Financial Statement Findings and Responses, Continued

Reference Number, Continued

2013-04

Recommendation

As NORU 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.

Management's Response and Planned Corrective Action

Management concurs with the recommendation and will continue to increase the emphasis on the key financial operating cycles in the alignment and restructuring of the financial section of its operations to ensure complete and accurate financial information reporting.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section III- Federal Award Findings and Questioned Costs

No federal award findings were reported for the year ended December 31, 2013.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section IV - Status of Prior Year's Findings and Responses

Reference Number

2012-01

Condition

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

The property inventory balance was incomplete:

- o Beginning inventory roll forward balance was incomplete due to errors in recording prior year's adjusting entries totaling \$44,721.
- o Donated properties totaling \$316,400 were unrecorded until detected during the audit, including two properties which we noted collection of earnest money pursuant to agreements to purchase and sell for properties not recorded in the accounting records.
- o Overstated property values totaling \$73,700 due to valuing properties at assessed value on the date of donation rather than the appraised value as required by accounting principles generally accepted in the United States of America.
- o An additional property was neither on the revised reconciled detail property listing nor the property roll forward schedule provided for our review.
- o Also, noted were properties totaling \$104,300 determined as not belonging to NORU.
- o Correcting entries in many cases were incorrectly prepared and/or improperly supported.
- o Also, noted appraisals provided to us for some properties preceded the date of donation.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number, Continued

2012-01

Recommendation

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

Current Status

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number

2012-02

Condition

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

- o Liquidated receivables totaling \$297,294 were incorrectly credited to the deferred revenue account.
- o A revolving loan balance totaling \$491,452 and accrued interest of \$12,286 were reported as deferred revenue.
- o Drawn down loan funds and subsequent disbursement of those funds totaling \$18,515 and \$133,435 were omitted from both the loan receivable and revolving loan accounts until audited.
- o Accrued interest was overstated by \$8,897 due to computing interest on the gross loan balance for the entire year rather than on the rolling balance outstanding each month.
- o Requests for draw down of loan funds submitted to **NORU** totaling \$70,506 in July 2012 and \$27,123 in December 2012 were not recorded until detected during the audit.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number, Continued

2012-02

Recommendation

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

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

Current Status

Unresolved. See current year's finding reference number 2013-03.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Numbers

2012-03 and 2012-09

Condition

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

The interfund balances were incomplete:

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

Recommendation

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

Current Status

Unresolved. See current year's other matters report reference number OM 2013-01.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number

2012-04

Condition

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

Recommendation

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

Current Status

Resolved.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number

2012-05

Condition

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

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

Recommendation

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

Current Status

Unresolved. See current year's finding reference numbers 2013-02 and 2013-03.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Numbers

2012-06 and 2012-10

Condition

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

Recommendation

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

Current Status

Unresolved. See current year's other matters report for reference number OM 2013-02.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

Section IV - Status of Prior Year's Findings and Responses

Reference Number

2012-07

Condition

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

- o Liquidated receivables totaling \$297,294 were incorrectly credited to the deferred revenue account.
- o A revolving loan balance totaling \$491,452 and accrued interest of \$12,286 were reported as deferred revenue.
- o Drawn down loan funds and subsequent disbursement of those funds totaling \$18,515 and \$133,435 were omitted from both the loan receivable and revolving loan accounts until audited.
- o Accrued interest was overstated \$8,897 due to computing interest on the gross loan balance for the entire year rather than on the rolling balance outstanding each month.
- o Requests for draw down of loan funds submitted to **NORU** totaling \$70,506 in July 2012 and \$27,123 in December 2012 were not recorded until detected during the audit.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number, Continued

2012-07

Recommendation

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

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

Current Status

Unresolved. See current year's finding reference number 2013-03.

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.
SUMMARY SCHEDULE OF FINDINGS AND RESPONSES, CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

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

Reference Number

2012-08

Condition

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

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

Recommendation

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

Current Status

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.

EXIT CONFERENCE

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

NEW ORLEANS REDEVELOPMENT UNLIMITED, INC.

Mr. Wayne Woods	--	Board President
Mr. Jeffrey P. Hebert	--	Executive Director
Ms. Brenda M. Breaux	--	Chief Operating Officer
Ms. Renee` Johnson, CPA, CCA	--	Interim Chief Financial Officer

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, MBA, CGFM	--	Partner
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Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

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

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

INDEPENDENT AUDITORS' REPORT ON OTHER MATTERS RELATED TO INTERNAL CONTROL

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

Management of **New Orleans Redevelopment Unlimited, Inc. (NORU)** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements of **NORU**, as of and for the year ended December 31, 2013 in accordance with auditing standards generally accepted in the United States of America, we considered **NORU's** internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion on the effectiveness of **NORU's** internal control. Accordingly, we do not express an opinion on the effectiveness of **NORU's** internal control.

As a part of our audit, we noted certain other matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on **NORU's** internal control in our report dated September 5, 2014. This letter does not affect our report dated September 5, 2014 on the financial statements or internal control of **NORU**.

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

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

(CONTINUED)

Current Year's Other Matters

2013

Our discussion of current year's other matters follows:

Reference Number

OM 2013-01

Condition

Interfund balances are not reconciled and reviewed periodically to ensure completeness.

Recommendation

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

Management's Response and Planned Corrective Action

Management concurs with the recommendation and has implemented procedures such as a standard closing date to allow for the timely assessment and completeness of reporting of all financial transactions on a timely basis.

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

(CONTINUED)

Current Year's Other Matters, Continued

2013

Reference Number

OM 2013-02

Condition

NORU did not provide us with a depository agreement and/or a collateral report for its bank account with deposits which are primarily the result of pass-through Community Development Block Grants construction loan awards. The collateral report presented to us makes specific reference to the New Orleans Redevelopment Authority. As such, we noted no evidence regarding the collateralization of funds in excess of the Federal Deposit Insurance Corporation (FDIC) insurance coverage limit of \$250,000.

Recommendation

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

Management's Response and Planned Corrective Action

NORU applied for a collateralization agreement but was not approved due to the fact that it is not a state or governmental entity. The NORU account continues to be collateralized under an existing NORA joint custody collateral account.

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

(CONTINUED)

Prior Year's Other Matters

2012

The current status of prior year's other matters follows:

Reference Number

OM - 2012-01

Condition

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

Recommendation

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

Current Status

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

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

(CONTINUED)

Prior Year's Other Matters, Continued

2012

Reference Number

OM - 2012-02

Condition

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

Recommendation

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

Current Status

Resolved.

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

(CONTINUED)

Prior Year's Other Matters, Continued

2012

Reference Number

OM - 2012-03

Condition

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

Recommendation

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

Current Status

Resolved.

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

(CONTINUED)

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

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

This report is intended solely for the information and use of management, the Board of Directors and is not intended to be and should be used by anyone other than these specified parties.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS
New Orleans, Louisiana

September 5, 2014