

Office of Inspector General

City of New Orleans

Urban Development Action Grants Agreed-upon Procedures

AR10AUP001

**E. R. Quatrevaux
Inspector General**

Issued June 22, 2012

OFFICE OF INSPECTOR GENERAL
CITY OF NEW ORLEANS



ED QUATREVAUX
INSPECTOR GENERAL

April 5, 2012

Aimee Quirk
Advisor to the Mayor for Economic Development
1340 Poydras St., Suite 1000
New Orleans, LA 70112

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Advisor to the Mayor for Economic Development, solely to assist in determining the amount of unused funds in the City's Urban Development Action Grant Fund (UDAG) and the outstanding loan receivable balance in that fund as of December 31, 2010. Management is responsible for its financial records, internal controls and compliance with the contractual requirements of UDAG. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the party specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below, either for the purpose for which this report has been requested or for any other purpose¹.

Our procedures and findings are as follows:

- 1. Procedure: Verified that the grant/loan award date and recipient information reported on the internal UDAG schedules as of December 31, 2010 matched the information contained in the original loan/grant documents.**

The auditors obtained the original documents for all grants and loans listed on the UDAG schedule at December 31, 2010 and compared them to the date and recipient information listed on the attached schedule.

Finding: *The award date and recipient information on the UDAG schedules agreed with the original documents tested.*

¹ Due to the nature of an agreed-upon procedures engagement, the auditors did not determine causes or make recommendations on the procedures performed.

2. Procedure: Verified that the amount awarded according to the original documents agreed with the UDAG schedules at December 31, 2010.

The auditors obtained the original documents for all grants and loans listed on the UDAG schedule at December 31, 2010 and agreed the information contained in those documents to the award amounts listed on the attached schedule.

Finding: *The amounts awarded on the UDAG schedules agreed with the original documents tested as of December 31, 2010².*

3. Procedure: Matched the interest rate, duration, and any other terms for the loans awarded to the original loan documents.

The auditors obtained the original documents for all loans listed on the UDAG schedule and agreed the information contained in those documents to the interest rate, duration, and any other terms of the loan listed on the attached schedule.

Finding: *The interest rate, duration, and other terms agreed with the original documents tested.*

4. Procedure: Compared the receivable balances on the Office of Economic Development's UDAG schedules to the balances in the City's general ledger software systems³.

The auditors compared the loans receivable and interest received balances per the attached report to the balance per AFIN and Great Plains at December 31, 2010.

Finding: *The auditors noted the following discrepancies:⁴*

- *Canal Place and Riverfront Market Place had differences of \$348,147 and \$208,376 respectively between the balances on the UDAG schedule, maintained internally in the Economic Development Department, and the general ledger balance, maintained in the City's accounting department, related to a period outside the scope of our procedures.⁵*
- *Maison St. Charles and Lafon Nursing Home each had loan receivable variances totaling \$9,630 as shown in Table 1. The City was unable to provide the auditors with information as to the nature of these differences.*

² See attached UDAG schedules for details.

³ AFIN is the financial system used by the City to track grants and capital projects. The information contained in AFIN is imported into Great Plains, the general ledger system used by the City.

⁴ See attached UDAG schedules for details.

⁵ The time period of testing for these agreed-upon procedures was November 1, 2002 to December 31, 2010. UDAG activity from inception to October 31, 2002 was previously tested by an independent auditing firm.

Table 1: Loan Receivable Variances

Loan Receivable	Variance
Maison St. Charles ⁶	\$ 29,500
Lafon Nursing Home ⁷	\$ (39,130)
Total	\$ (9,630)

- *Nine loans reflected differences totaling \$23,288 related to interest received as shown below. The City was unable to provide the auditors with information as to the nature of these differences.*

Table 2: Interest Received Variances

Awards	Variance
UDAG Schedule > General Ledger Balance:	
Castle Rock Pavers	\$ 11,292
Canal Street Development Pledge	\$ 67,850
New Orleans General Hospital	\$ 244
Subtotal	\$ 79,386
General Ledger > UDAG Schedule Balance:	
Maple Ridge Subdivision	\$ (7,490)
20 th Century	\$ (4,179)
Rue Bienvenue	\$ (8,320)
N.O. Property Dev. (Maison St. Charles)	\$ (23,421)
Lafon Nursing Home	\$ (55,982)
Neighborhood Restoration	\$ (3,282)
Subtotal	\$ (102,674)
Total	\$ (23,288)

- *AFIN and Great Plains contain an "Int Ern Misc" account with a balance of \$1,289,255 that the auditor was unable to tie into any particular loan or grant account. The City was unable to provide the auditors with the origin of this information.*
- *The total funds available were \$171,744 less than the amount in the general ledger when compared to the UDAG schedule maintained by the Economic Development Department.*

5. Procedure: Tested the disbursements of the awards on a sample basis.

As part of the grant/loan verification process, the auditors obtained support for all disbursements received between November 1, 2002 and December 31, 2010 and compared them to the attached schedule.

⁶ The balance in the UDAG schedule is greater than the general ledger balance.

⁷ The balance in the general ledger is greater than the UDAG schedule balance.

Finding: The auditors noted the following:⁸

- A second generation⁹ award to CJC (Meme Market) Resources for \$750,000 had been awarded but not disbursed. (See Table 3.)
- A second generation award to TAG for \$2,500,000 was still pending contract approval. (See Table 3.)
- The City issued purchase orders for third generation grants to Hard Rock Construction Company and ADP Title, LLC in the amounts of \$150,000 and \$15,000, respectively. The auditor noted that nothing had been disbursed on these grants. (See Table 3.)

Table 3: Undisbursed Loans/ Awards

Award	Award Amount
2nd Generation:	
CJC (Meme Market) Resources	\$ 750,000
TAG	\$ 2,500,000
3rd Generation:	
Hard Rock Construction Company	\$ 150,000
ADP Title	\$ 15,000
Total	\$ 3,415,000

6. Procedure: Tested the receipts from loans awarded on a sample basis.

The auditor tested randomly selected loan repayments from a list of all UDAG loan repayments received between November 1, 2002¹⁰ through December 31, 2010 and verified repayment.

Finding: The auditor verified all receipts selected for testing.

During loan repayment testing, the auditor noted that there was no activity for the two outstanding receivables in Table 4 since October 31, 2002.¹¹

Table 4: Outstanding Loans with Questionable Collectability

	Loan Amount	Outstanding Loan Receivable
1st Generation		
N.O. Property Development (Maison St. Charles)	\$ 970,000	\$ 238,765
Lafon Nursing Home	\$ 381,393	\$ 212,636
Total	\$ 1,351,393	\$ 451,401

⁸ See attached UDAG schedules for details.

⁹ All repayments from the original (1st Generation) UDAG loans could be loaned or granted as 2nd Generation awards subject to the same conditions as the 1st Generation awards.

¹⁰ Paillet, Meunier and LeBlanc, L.L.P. (Paillet) previously performed agreed-upon procedures on all UDAG activity through October 31, 2002, including loan repayments. For this reason, only repayments that occurred after the testing period of the Paillet report were tested.

¹¹ The end of the testing period for the Paillet agreed-upon procedures.

In addition, Maple Ridge Subdivision, 20th Century, Rue Bienvenue, Cypress Acres, Riverview Terrace, and Neighborhood Restoration awards¹² still had outstanding loan receivable balances as shown in table 5. These awards were over 20 years old.

Table 5: Conditional Grants with Outstanding Loans Receivable Balances

Award	Balance
Maple Ridge Subdivision	\$ 99,636
20th Century	\$ 904,567
Rue Bienvenue	\$ 558,501
Cypress Acres	\$ 855,778
Riverview Terrace	\$ 275,179
Neighborhood Restoration	\$ 597,196
Total	\$ 3,290,857

7. Procedure: Checked the mathematical accuracy of the UDAG schedules maintained in the Economic Development Department.

The auditor verified the mathematical accuracy of the schedules.

Finding: *The schedules were found to be mathematically correct.*¹³

Computer-processed data was provided and relied on during testing, which detailed information on UDAG activity. Although a formal reliability assessment of the computer-processed data was not performed, the auditors determined that hard copy documents reviewed were reasonable and generally agreed with the information contained in the computer-processed data. No errors were found that would preclude us from using the computer-processed data to meet the report’s objectives or that would change the findings of this report.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

The City provided a management representation letter regarding this engagement but refused or was unable to represent that “no events have occurred subsequent to December 31, 2010 that would require adjustment to or modification of the Urban Development Action Grant Fund.”

¹² These awards were *conditional grants for homeowners that only had to be repaid if the homeowner failed to meet certain conditions within a five-year period*

¹³ See attached UDAG schedules for details.

This report is intended solely for the information and use of the specified users listed above and is not intended to be and should not be used by anyone other than those specified parties. This report is a matter of public record, however, and its distribution will not be limited.



Eileen Shanklin-Andrus CPA, MBA, CFE, CIGA
First Assistant Inspector General Audit and Review

CITY OF NEW ORLEANS
URBAN DEVELOPMENT ACTION GRANT
Schedule of Activity
For the Period from Inception through December 31, 2010

1st Generation

Sum of Original Grants		\$ 36,116,218
Less Administrative Expenses		\$ (223,878)
Available to Grantee		<u>\$ 35,892,340</u>
Less 1st Generation Funds Drawn		
Loans		\$ (21,659,255)
Grants		<u>\$ (13,995,000)</u>
Remaining Funds 1st Generation		\$ 238,085

2nd Generation

Repayment to Fund From 1st Generation	\$ 34,349,419	
Available to Grantee		\$ 34,349,419
Less 2nd Generation Funds Drawn		
Loans		\$ (7,450,000)
Grants		\$ (16,328,306)
Pending Loans		<u>\$ (3,250,000)</u>
Remaining Funds 2nd Generation		\$ 7,321,113

3rd Generation

Repayment to Fund From		
2nd Generation	\$ 2,612,292	
Available to Grantee		\$ 2,612,292
Less 3rd Generation Funds Drawn		
Grants		\$ (1,695,168)
Pending Grants		<u>\$ (165,000)</u>
Remaining Funds 3rd Generation		\$ 752,124

Available Funds

Remaining Funds 1st Generation		\$ 238,085
Remaining Funds 2nd Generation		\$ 7,321,113
Remaining Funds 3rd Generation		\$ 752,124
Adjustments:		
Investment Interest Income	\$ 650,375	
Less: Service Charges	\$ (11,074)	
Total Adjustments		<u>\$ 639,301</u>
Total Available Fund Balance		\$ 8,950,623

Loans Receivable

		\$ 7,659,685
1st Generation	\$ 3,742,258	
2nd Generation	\$ 3,917,427	

CITY OF NEW ORLEANS
 URBAN DEVELOPMENT ACTION GRANTS
 UDAG Funding
 For the period from Inception through December 31, 2010

1st Generation	Date	Award Amount	Admin. Fees	Funds Available	Loan	Grant	Funds Received (Principal)	Funds Received (Interest)	Total Funds Received 12/31/10	Adjustments	Loans Receivable	Funds Available
Maple Ridge Sub.	a Jul-86	525,000	-	525,000	442,500	-	56,975	7,522	64,497	(285,889) h	99,636	36,116,218
20 th Century	a Oct-83	1,075,000	(20,000)	1,055,000	1,063,722	-	56,456	45,191	101,647	(102,699) h	904,567	
Rue Bienvenue	a Sep-82	668,000	(8,000)	660,000	660,000	-	81,162	66,657	147,819	(20,337) h	558,501	
Cypress Acres	a May-83	882,000	(25,000)	857,000	855,778	-	-	-	-	-	855,778	
Riverview Terrace	a Dec-83	374,435	(18,013)	356,422	377,388	-	13,104	-	13,104	(89,105) h	275,179	
Riverfront Marketplace	Aug-85	8,254,000	-	8,254,000	8,229,000	-	8,229,000	19,714,582	27,943,582	-	-	
N.O. Property Dev. (Maison St. Charles)	b Jan-81	1,000,000	(30,000)	970,000	970,000	-	731,235	338,709	1,069,944	-	238,765	
Exhibition Hall	Jan-80	14,000,000	(5,000)	13,995,000	-	13,995,000	-	-	-	-	-	
N.O. General Hospital	Apr-81	432,783	-	432,783	477,303	-	477,303	169,169	646,472	-	-	
Lafon Nursing Home	b Jun-82	410,000	(10,000)	400,000	381,393	-	168,757	206,691	375,448	-	212,636	
Canal Place	Nov-81	6,000,000	(92,865)	5,907,135	5,873,570	-	2,779,462	388,264	3,167,726	(3,094,108) i	-	
SFE Technologies	Apr-82	1,715,000	(15,000)	1,700,000	1,700,000	-	819,180	-	819,180	(880,820) j	-	
Neighborhood Restoration	a Aug-90	780,000	-	780,000	628,601	-	-	-	-	(31,405) k	597,196	
Total		36,116,218	(223,878)	35,892,340	21,659,255	13,995,000	13,412,634	20,936,785	34,349,419	(4,504,363)	3,742,258	

Less: Administrative Expenses
 Subtotal 1st Generation
 Less: 1st Generation Funds Drawn
 Remaining Funds 1st Generation

(223,878)
 35,892,340
(35,654,255)
238,085

CITY OF NEW ORLEANS
 URBAN DEVELOPMENT ACTION GRANTS
 UDAG Funding
 For the period from Inception through December 31, 2010

2nd Generation	Date	Approved But Not Disbursed	Loan	Grant	Funds Received (Principal)	Funds Received (Interest)	Total Funds Received 12/31/10	Adjustments	Loans Receivable	Funds Available
										34,349,419
Canal Street Dev. Pledge	1994		1,000,000	-	1,000,000.00	329,875.00	1,329,875.00	-	-	
Castle Rock Pavers	May-96		250,000	-	112,633.00	23,716.00	136,349.00	-	137,367	
Auditorium Improvements	Jan-97		-	2,200,000	-	-	-	-	-	
Venus Gardens	Oct-97		600,000	-	600,000.00	124,895.00	724,895.00	-	-	
Handel man	d Oct-97		250,000	-	-	-	-	-	250,000	
One Stop Shop	Jun-00		-	1,000,000	-	-	-	-	-	
American Can	c Feb-00		1,000,000	-	-	-	-	(13,804)	k 986,196	
NO Redevelopment	Jul-00		-	250,000	-	-	-	-	-	
NOBID Electrical	Oct-00		-	350,000	-	-	-	-	-	
Lake Forest Plaza	Oct-01		1,700,000	-	118,188.00	136,000.00	254,188.00	(1,581,812)	l -	
NOBID Enterprise Center	Oct-01		-	250,000	-	-	-	-	-	
Dykon	Apr-07		-	38,018	-	-	-	-	-	
Advanced Steel Homes, LLC	Aug-09		750,000	-	36,300.00	13,650.00	49,950.00	-	713,700	
Canseco's Elysian Fields LLC	Nov-09		750,000	-	52,981.00	21,183.00	74,164.00	-	697,019	
Mrs. Wheat's Fabulous Foods	Nov-09		750,000	-	-	19,135.00	19,135.00	-	750,000	
CJC (Meme Market)Resources	e Nov-09	750,000	-	-	-	-	-	-	-	
Greater N.O. Inc	Mar-09		-	655,000	-	-	-	-	-	
Zulu	Apr-10		-	400,000	-	-	-	-	-	
Zulu	Apr-10		400,000	-	16,855.00	6,881.00	23,736.00	-	383,145	
TAG	f Apr-10	2,500,000	-	-	-	-	-	-	-	
VA Hospital Project:										
MMG Inc. Environmental Site Assessment-VA	Apr-09		-	17,000	-	-	-	-	-	
NORA CEA	Apr-09		-	1,000,000	-	-	-	-	-	
Regional Planning CEA	Apr-09		-	3,000,000	-	-	-	-	-	
State of Louisiana	Apr-09		-	3,000,000	-	-	-	-	-	
Law Offices Beveridge & Diamond P.C.	Apr-09		-	200,000	-	-	-	-	-	
Peter J Hamilton Jr.	Apr-09		-	14,975	-	-	-	-	-	
R. Christopher Goodwin & Associates	Apr-09		-	44,290	-	-	-	-	-	
Funds used for Pic N Save HUD 108	Aug-97		-	3,909,023	-	-	-	-	-	
Total		3,250,000	7,450,000	16,328,306	1,936,957	675,335	2,612,292	(1,595,616)	3,917,427	
Less 2nd Generation Funds Drawn										(23,778,306)
Remaining Funds 2nd Generation										10,571,113

CITY OF NEW ORLEANS
 URBAN DEVELOPMENT ACTION GRANTS
 UDAG Funding
 For the period from Inception through December 31, 2010

3rd Generation	Date	Approved But Not Disbursed	Loan	Grant	Funds Received (Principal)	Funds Received (Interest)	Total Funds Received	Adjustments	Loans Receivable	Funds Available	
										2,612,292	
Katrina Memorial	Aug-07		-	1,000,000		-	-	-	-		
City Related Capital Expenditures			-			-	-	-	-		
Gulf South Business Systems-9th Floor	Jul-08		-	155,686		-	-	-	-		
Kipper-9th floor	Jun-08		-	7,755		-	-	-	-		
Catty Car Corner	Dec-08		-	67		-	-	-	-		
Elenora Barney c/o Latter & Blum	Sep-09		-	192,000		-	-	-	-		
Hard Rock Construction Company	g Sep-06	150,000	-			-	-	-	-		
Paul Watson	Jul-09		-	7,065		-	-	-	-		
Quick Hits			-			-	-	-	-		
Unlimited Services & Associates LLC	Mar-10		-	4,985		-	-	-	-		
Feret Street Festival	2008		-	4,000		-	-	-	-		
O.P.A. Graphics	Aug-08		-	19,100		-	-	-	-		
O.P.A. Graphics	Nov-09		-	12,975		-	-	-	-		
W.J. Bloecher Co., Inc	May-08		-	98,000		-	-	-	-		
French Market Corporation	May-08		-	120,000		-	-	-	-		
Appraisals			-			-	-	-	-		
Gayle H. Boudousquie-appraisals	Jul-08		-	9,000		-	-	-	-		
Gayle H. Boudousquie-appraisals	Feb-08		-	4,000		-	-	-	-		
Gayle H. Boudousquie-appraisals	Feb-08		-	4,000		-	-	-	-		
Gayle H. Boudousquie-appraisals	Nov-08		-	3,000		-	-	-	-		
Jimmie Thorns-appraisal	Jun-08		-	2,500		-	-	-	-		
Jimmie Thorns-appraisal	Nov-08		-	14,535		-	-	-	-		
Thorns Consulting, Inc	Aug-08		-	4,500		-	-	-	-		
Thorns Consulting, Inc	Aug-08		-	4,500		-	-	-	-		
Henry W. Tatje, III-appraisals	Aug-08		-	4,500		-	-	-	-		
Henry W. Tatje, III-appraisals	Mar-08		-	8,500		-	-	-	-		
ADP Title, LLC	g	15,000	-			-	-	-	-		
Henry W. Tatje, III-appraisals	May-09		-	4,000		-	-	-	-		
Albert Pappalardo	Mar-08		-	4,500		-	-	-	-		
Truax Robles & Baldwin			-	6,000		-	-	-	-		
Total		165,000	-	1,695,168	-	-	-	-	-		
Less 3rd Generation Funds Drawn										(1,695,168)	
Remaining Funds 3rd Generation										<u>917,124</u>	
Adjustments:											
Investments Interest Income										650,375	
Service Charges										(11,074)	
Grand Total				<u>29,109,255</u>	<u>32,018,474</u>	<u>15,349,591</u>	<u>21,612,120</u>	<u>36,961,711</u>	<u>(6,099,979)</u>	<u>7,659,685</u>	<u>12,365,623</u>

CITY OF NEW ORLEANS
URBAN DEVELOPMENT ACTION GRANTS
UDAG Funding
For the period from Inception through December 31, 2010

Key:

- a** These awards were conditional grants for homeowners. The repayment trigger covered a five-year period after the homeowner purchased the property. As this amount remains outstanding, OIG questions whether this receivable is actually valid.
- b** No payments have been made since 10/31/02. OIG questions the collectability of this receivable.
- c** Repayments are being made to HUD first, repayments to UDAG are not scheduled to begin until approximately 2020. This account is considered current.
- d** Repayments are not due until 2017 unless the building is sold before that time.
- e** Contract has been approved. Funds have not been disbursed.
- f** Contract has not been approved. Funds have not been awarded.
- g** Purchase order issued, nothing paid out.
- h** This adjustment reflects a write off for the Conditional grants for homeowners. These balances could only be written off if the homeowner met certain conditions (i.e. if they sold or refinanced the home within 5 years). These loans met those conditions and were written off.
- i** This adjustment is the result of bankruptcy proceedings.
- j** Spectrum Control bought SFE and negotiated a payoff. This adjustment reflects the difference between the negotiated amount and the original amount owed.
- k** This adjustment reflects a service charge.
- l** Lake Forest Plaza loan was determined to be uncollectible and written off.