

CITY OF LAKE CHARLES, LOUISIANA

**UNIFORM GUIDANCE
SUPPLEMENTARY REPORTS**

YEAR ENDED SEPTEMBER 30, 2019

CITY OF LAKE CHARLES
LAKE CHARLES, LOUISIANA

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05005.000 Audit 9/30/2019 1100.005 single audit report

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

Honorable Mayor Nicholas Hunter
and City Council
City of Lake Charles
Lake Charles, 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 Audit Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Lake Charles, Louisiana's basic financial statements, and have issued our report thereon dated March 23, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Lake Charles, Louisiana's internal control over financial reporting (internal control) 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 the City of Lake Charles, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Lake Charles, Louisiana's internal control.

A *deficiency in internal control* 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 *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lake Charles, Louisiana's financial statements are free of 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control 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.

McElroy Quirk & Benoit

Lake Charles, Louisiana
March 23, 2020

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE

Honorable Mayor Nicholas Hunter
and City Council
City of Lake Charles
Lake Charles, Louisiana

Report on Compliance for Each Major Federal Program

We have audited the City of Lake Charles, Louisiana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Lake Charles, Louisiana's major federal programs for the year ended September 30, 2019. The City of Lake Charles, Louisiana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Lake Charles, Louisiana's major federal programs based on our audit of the types of compliance requirements referred to above. 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; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal*

Awards (Uniform Guidance). Those standards and the Uniform Guidance 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 the City of Lake Charles, Louisiana'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 on the City of Lake Charles, Louisiana's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Lake Charles, Louisiana 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 September 30, 2019.

Report on Internal Control Over Compliance

Management of the City of Lake Charles, Louisiana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Lake Charles, Louisiana'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 the Uniform Guidance, 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 City of Lake Charles, Louisiana's internal control over compliance.

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 material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lake Charles, Louisiana, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Lake Charles, Louisiana's basic financial statements. We issued our report thereon dated March 23, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 the Uniform Guidance. 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.

Mr. Elroy Quirk + Burch

Lake Charles, Louisiana
March 23, 2020

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Period Ending September 30, 2019

<u>Grant Type</u>	<u>Federal CFDA Number</u>
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT:	
Direct program:	
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Community Development Block Grant	14.218
Total CFDA Number 14.218	
Passed Through Louisiana Department of Administration:	
HUD Emergency Shelter Grant	14.231
HUD/HOME Grant Program	14.239
HUD/HOME Grant Program	14.239
HUD/HOME Grant Program	14.239
HUD/HOME Grant Program	14.239
HUD/HOME Grant Program	14.239
Total Passed Through Louisiana Department of Administration	
Total U.S. Department of Housing & Urban Development	
U.S. DEPARTMENT OF HEALTH AND HOSPITALS:	
Direct program:	
Beach Monitoring and Notification Program	66.472
U.S. DEPARTMENT OF HOMELAND SECURITY:	
Passed Through Louisiana Department of Military Affairs:	
Public Assistance Grant	97.036
Hazard Mitigation Grant Program	97.039
Port Security Grant	97.056
State Homeland Security Grant Program	97.067
Immigration and Customs Enforcement	97.067
Total U.S. Department of Homeland Security	

<u>Grant Number</u>	<u>Grant Period</u>		<u>Grant Receipts</u>	<u>Current Expenditures</u>
	<u>From</u>	<u>To</u>		
B-14MC-22-0004	10/1/18	9/30/19	\$ 7,245	\$ 7,245
B-15MC-22-0004	10/1/18	9/30/19	13,562	13,562
B-16MC-22-0004	10/1/18	9/30/19	272,755	272,755
B-17MC-22-0004	10/1/18	9/30/19	405,466	405,466
B-18MC-22-0004	10/1/18	9/30/19	294,307	294,307
			<u>993,335</u>	<u>993,335</u>
ESGP-2017-2019	10/1/18	9/30/19	4,463	4,463
B-14-MC-22-0208	10/1/18	9/30/19	3,830	3,830
B-15-MC-22-0208	10/1/18	9/30/19	35,911	35,911
B-16-MC-22-0208	10/1/18	9/30/19	69,940	69,940
B-17-MC-22-0208	10/1/18	9/30/19	142,774	142,774
B-18-MC-22-0208	10/1/18	9/30/19	133,547	133,547
			<u>390,465</u>	<u>390,465</u>
			<u>1,383,800</u>	<u>1,383,800</u>
I-10 Beach	10/1/18	9/30/19	<u>1,750</u>	<u>1,750</u>
FEMA-1972-DR-LA	10/1/18	9/30/19	10,179	10,179
FEMA-1786-022-0002	10/1/18	9/30/19	326,117	326,117
EMW-2018-PU-00018-S01	10/1/18	9/30/19	195,273	195,273
EMW-2017-SS-00058S01	10/1/18	9/30/19	22,475	22,475
0148H	10/1/18	9/30/19	<u>3,411</u>	<u>3,411</u>
			<u>557,455</u>	<u>557,455</u>

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Period Ending September 30, 2019
(Continued)

<u>Grant Type</u>	<u>Federal CFDA Number</u>
U.S. DEPARTMENT OF TRANSPORTATION:	
Direct Program:	
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Transit Administration	20.507
Federal Highway Administration	20.205
Total CFDA Number 20.507	
Federal Highway Administration	20.205
Federal Highway Administration	20.205
Total CFDA Number 20.205	
Passed Through Louisiana Highway Safety Commission:	
Highway Safety	20.600
Total U.S. Department of Transportation	
U.S. DEPARTMENT OF AGRICULTURE:	
Passed Through Louisiana Department of Education:	
Child Nutrition Summer Food Program	10.559
U.S. DEPARTMENT OF JUSTICE:	
Direct Program:	
COPS	16.710
Justice Assistance Grant	16.738
US Marshal Service	16.922
Bulletproof Vest Partnership Program	16.607
Total U.S. Department of Justice	
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:	
Passed Through Louisiana Volunteer Commission:	
AmeriCorps 2018-2019 Grant	94.006
AmeriCorps 2019-2020 Grant	94.006
Total for CFDA Number 94.006	
EXECUTIVE OFFICE OF THE PRESIDENT:	
HIDTA	95.001
U.S. DEPARTMENT OF THE INTERIOR:	
Historic Preservation Grants-In-Aid	15.904
TOTAL FEDERAL AWARDS	

<u>Grant Number</u>	<u>Grant</u> <u>From</u>	<u>Period</u> <u>To</u>	<u>Grant</u> <u>Receipts</u>	<u>Current</u> <u>Expenditures</u>
LA-2016-014	10/1/18	9/30/19	111,3990	111,390
LA-2017-023	10/1/18	9/30/19	606,763	606,763
LA-2019-001	10/1/18	9/30/19	1,216,135	1,216,135
LA-04002400	10/1/18	9/30/19	34,348	34,348
			<u>1,968,636</u>	<u>1,968,636</u>
H.007417	10/1/18	9/30/19	788,173	788,173
H.007416	10/1/18	9/30/19	435,930	435,930
			<u>1,224,103</u>	<u>1,224,103</u>
2019-30-35	10/1/18	9/30/19	33,339	33,339
			<u>3,226,078</u>	<u>3,226,078</u>
7CFR Part 25.7	10/1/18	9/30/19	477,311	505,613
2014UMWX0011	10/1/18	9/30/19	211,765	211,765
2017-DJ-BX-0817	10/1/18	9/30/19	41,698	41,698
JLEOTFS425302	10/1/18	9/30/19	14,204	14,204
2016-2018 BPV	10/1/18	9/30/19	21,540	21,540
			<u>289,207</u>	<u>289,207</u>
12AFHLA0010002	10/1/18	9/30/19	124,283	124,283
12AFHLA0010002	10/1/18	9/30/19	11,725	11,725
			<u>136,008</u>	<u>137,008</u>
G19GC001A	10/1/18	9/30/19	83,166	83,166
18-HP-16	10/1/18	9/30/19	6,250	6,250
			<u>\$ 6,161,025</u>	<u>\$ 6,189,327</u>

CITY OF LAKE CHARLES, LOUISIANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2019

Note A. Scope of Audit

The audit was performed pursuant to the *Single Audit Act of 1996* and the *Uniform Guidance*.

Summary of significant accounting policies:

The Schedule of Expenditures of Federal Awards has been prepared on the full accrual basis of accounting used by the City in preparation of the government wide financial statements that report these awards. The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The preparation of the Schedule of Expenditures of Federal Awards in conformity with accounting principles generally accepted in the United States of America requires management to make certain assumptions that affect the reported amounts of expenditures during the reporting period. Actual results could differ from those estimates.

Note B. Disbursements

Disbursements reported in the Schedule of Expenditures of Federal Awards cannot be traced, in every case, directly to the disbursements reported in the City's Comprehensive Annual Financial Report (CAFR). However, the detailed information regarding the disbursements reflected in both issued reports can be traced to the City's detailed general ledger with adjustments for any year-end financial statement accruals and reversals.

Note C. Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the City that were received directly from federal agencies or passed through other entities and governmental agencies.

The City has prepared this Schedule of Expenditures of Federal Awards to comply with the provisions of the Uniform Guidance. The Uniform Guidance stipulates that a Schedule of Expenditures of Federal Awards be prepared showing total expenditures of each federal award program as identified in the Catalog of Federal Domestic Assistance (CFDA) and for other federal financial awards that have not been assigned a catalog number.

Note D. Major Federal Awards Program

The City's major federal awards programs for the year ended September 30, 2019 were determined based on program activity. The City's major programs for the year ended September 30, 2019 consisted of 2 federally assisted high risk "Type A" programs and 1 high risk "Type B" program.

Note E. Department of Environmental Quality Loan

The Department of Environmental Quality (DEQ) Loan is a loan program through which the State of Louisiana receives federal money to then loan to municipalities to improve water treatment. The U.S. Environmental Protection Agency (USEPA) is the federal agency administering the grant. The Louisiana Department of Environmental Quality (LDEQ) is the pass-through agency. The City of Lake Charles received money from the State under the loan program. The City of Lake Charles entered into the loan agreement on June 23, 2011 for an amount not to exceed \$21,000,000. The DEQ loan disburses funds to the City of Lake Charles after the expenditure is made. Interest of .45% per annum on the outstanding balance is paid semi-annually. At September 30, 2019, the principal balance is \$15,642,000.

Note F. Subrecipient Payments

1. CDBG - Subrecipient payments in the amount of \$16,470 to Family and Youth Counseling.
2. CDBG - Subrecipient payments in the amount of \$43,578 to Catholic Charities.
3. CDBG - Subrecipient payments in the amount of \$3,826 to New Covenant Faith.
4. CDBG - Subrecipients payments in the amount of \$10,903 to The Open Door.
5. CDBG - Subrecipient payments in the amount of \$1,894 to Lake Charles North Redevelopment Authority.
6. CDBG - Subrecipient payments in the amount of \$1,275 to Southwest Louisiana Law Center.

7. CDBG - Subrecipient payments in the amount of \$11,284 to SWLA Area Health Education Center.

Note G. Subsequent Events

The City is required to evaluate events or transactions that may occur after the schedule of expenditures of federal awards date for potential recognition or disclosure in the notes to the schedule of expenditures of federal awards. The City performed such an evaluation through the date of the opinion, which is the date which the schedule of expenditures of federal awards was available to be issued, and noted no events or transactions that occurred after the schedule of expenditures of federal awards date requiring recognition or disclosure.

Note H. Indirect Cost Rate

The City elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended September 30, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: Unmodified
Internal control over financial reporting:
Material weakness identified? Yes X No
Significant deficiency identified not
Considered to be material weakness? Yes X None reported
Noncompliance material to financial statements
noted Yes X No

Federal Awards

Internal control over major programs:
Material weakness identified? Yes X No
Significant deficiency identified not
Considered to be material weakness? Yes X 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 the Uniform
Guidance? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Federal Highway Administration
14.218	Community Development Block Grant
97.039	Hazard Mitigation Grant Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X Yes No

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CITY OF LAKE CHARLES, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2019
(Continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings to report.

SECTION III - FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

No findings to report.

CITY OF LAKE CHARLES, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Year Ended September 30, 2019

No findings to report.