

**WATERWORKS DISTRICT NO. 8 OF WARDS 3 AND 8 OF
CALCASIEU PARISH, LOUISIANA
COMPONENT UNIT FINANCIAL REPORT
DECEMBER 31, 2023**

WATERWORKS DISTRICT NO. 8
OF WARDS 3 & 8

LAKE CHARLES, LOUISIANA

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Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA
David M. DesOrmeaux, CPA
Samuel W. Harrison, CPA, CVA
Caitlin D. Guillory, CPA, CFE

Robert M. Gani, CPA, MT

Paula J. Thompson, CPA

MT - Masters of Taxation
CVA - Certified Valuation Analyst
CFP - Certified Financial Planner
CFE - Certified Fraud Examiner

INDEPENDENT AUDITOR'S REPORT

Governing Authority
Waterworks District 8 of Wards 3 and 8
Of Calcasieu Parish, Louisiana
Lake Charles, Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying component unit financial statements of the business-type activities of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, a component unit of the Calcasieu Parish Police Jury, as of and for the six months ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana as of December 31, 2023, and the respective changes in financial position for the 6 months then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, a component of the Calcasieu Parish Police Jury and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, a component of the Calcasieu Parish Police Jury's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's basic financial statements. The Schedule of Compensation, Benefits and Other Payments to the President of the Board of Commissioners is presented for the purpose of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relate 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 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 Schedule of Compensation, Benefits and other Payments to the President of the Board of Commissioners is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2024, on our consideration of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana'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 solely 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 the effectiveness of the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's 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 Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting and compliance.

Mr. Elroy Quirk - Bush

Lake Charles, Louisiana
June 27, 2024

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

STATEMENT OF NET POSITION
December 31, 2023

ASSETS

Cash and cash equivalents	\$ 652
Receivables, net of allowance for uncollectibles	
Accounts	9,465
Water Sales	111,472
Unbilled Water Sales	24,974
Ad Valorem Taxes	170,301
Restricted assets:	
Cash and cash equivalents	18,138
Capital assets	
Plant and distribution system	9,475,842
Furniture, fixtures, and equipment	471,668
	9,947,510
Less accumulated depreciation	<u>(6,099,643)</u>
	3,847,867
Land	21,150
Total assets	<u>4,204,019</u>

LIABILITIES

Accounts payable	127,643
Accrued payroll and sales tax payable	50,831
Payable from Restricted Assets	
Accrued interest	3,144
Current portion of revenue bonds	113,000
Customer deposits	100,180
Noncurrent liabilities:	
Due in more than one year	<u>1,579,000</u>
Total liabilities	1,973,798

NET POSITION

Investment in capital assets, net of related debt	2,177,017
Restricted	14,407
Unrestricted	<u>38,797</u>
Total net position	2,230,221
Total liabilities and net position	<u>4,204,019</u>

See accompanying notes to financial statements.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the six months ended December 31, 2023

OPERATING REVENUES:

Water sales, fees, and late charges	\$ 710,038
Tap fees	<u>13,300</u>
Total operating revenues	<u>723,338</u>

OPERATING EXPENSES

Accounting and audit	11,750
Legal fees	4,468
Misappropriation of funds	81,550
Office supplies and postage	44,094
Plant supplies and maintenance	153,094
Miscellaneous	11,275
Insurance	101,998
Truck expense	26,147
Telephone	9,607
Utilities	28,279
Salaries and payroll taxes	278,557
Depreciation	147,801
Uniforms and cleaning	2,349
Dues and subscriptions	16,090
Retirement expenses	6,996
Loss on sale of assets	<u>5,745</u>
Total operating expenses	<u>929,800</u>

Operating (loss) (206,462)

NON-OPERATING REVENUES (EXPENSES)

Ad valorem taxes	177,757
State revenue sharing	5,215
Interest income	47
Interest and fiscal charges	<u>(18,865)</u>
Total Non-Operating revenues	<u>164,154</u>

Change in net position (42,308)

Net position at beginning of six months - as restated 2,272,529

Net position at end of six months 2,230,221

See accompanying notes to financial statements.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

STATEMENT OF CASH FLOWS
For the six months ended December 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 712,587
Cash payments to suppliers for goods and services	(390,450)
Cash payments to employees and benefits	<u>(262,155)</u>
Net cash provided by operating activities	<u>59,982</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest income received	<u>47</u>
Net cash provided by investing activities	<u>47</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of fixed assets	(2,311)
Principal paid on bonds	(110,000)
Interest paid	(18,865)
Ad valorem taxes received	<u>15,705</u>
Net cash (used in) capital and related financing activities	<u>(115,471)</u>

Net (decrease) in cash and cash equivalents (55,442)

Cash and cash equivalents:

Beginning of period	<u>74,232</u>
End of period	<u>\$ 18,790</u>

Cash and cash equivalents at end of period consisted of:

Unrestricted cash	\$ 652
Restricted cash	<u>18,138</u>
	<u>\$ 18,790</u>

(continued on next page)

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

STATEMENT OF CASH FLOWS
For the six months ended December 31, 2023

RECONCILIATION OF OPERATING (LOSS) TO NET CASH	
PROVIDED BY OPERATING ACTIVITIES	
Operating (loss)	\$ (206,462)
Adjustments to reconcile operating (loss) to net cash	
provided by operating activities:	
Depreciation	147,801
Loss on sale of assets	5,745
Changes in assets and liabilities:	
(Increase) in accounts receivable and other receivables	(10,751)
Decrease in prepaid expenses	26,137
(Decrease) in accounts payable and other accrued expenses	97,512
Total adjustments	<u>266,444</u>
Net cash provided by operating activities	<u>\$ 59,982</u>

See accompanying notes to financial statements

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2023

Note 1 - Summary of Significant Accounting Policies

The accounting policies of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guides set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of the more significant policies:

A. Financial Reporting Entity

This report includes all funds which are controlled by or dependent on the District. Control by or dependence on the District was determined on the basis of budget adoption, taxing authority, authority to issue debt, election or appointment of governing body, and other general oversight responsibility.

Based on the foregoing criteria, Waterworks District No. 8 has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana. The District is a component unit of the Calcasieu Parish Police Jury.

B. Fund Accounting

The accounts of the district are organized on the basis of a proprietary fund, which is considered a separate accounting entity or enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Basis of Accounting

The District has implemented GASB Statement No. 34, "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments".

The District uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales and services. The District also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

C. Cash, Cash Equivalents and Investments

The District considers all demand deposits, interest-bearing demand deposits, time deposits, and short-term investments with an original maturity of three months or less to be cash equivalents. Under state law, the district may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States. Investments are limited by Louisiana Revised Statute (R.S.) 33:2955.

D. Accounts Receivable

Accounts receivable are stated at cost less an allowance for uncollectibles. Accounts are considered delinquent when 30 days past due (based on days since last payment). The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situations that might affect the user's ability to repay, and current economic conditions. The need for an adjustment to the allowance is considered at year end. Amounts charged-off that are subsequently recovered are recorded as income.

E. Capital Assets

All capital assets of the proprietary fund are recorded at historical costs. Depreciation of all exhaustible fixed assets greater than \$500 is charged as an expense against their operations.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. The following estimated useful lives and methods are used to compute depreciation:

Plant and distribution system	15 - 40 Years	Straight Line
Furniture, fixtures and equipment	5 - 15 Years	Straight Line

Depreciation expense amounted to \$147,801 for the six months ended December 31, 2023.

F. Net Position

Net position is displayed in three components:

1. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, constructions, or improvement of those assets.
2. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or law or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net position - Net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

G. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and 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 estimates.

Note 2. Cash, Cash Equivalents, and Investments

At December 31, 2023, the District had cash and cash equivalents (book balances) totaling \$18,591, all of which is in demand deposits.

Under Louisiana Revised Statutes 39:2955, the District may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal offices in Louisiana.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties.

Additionally, Louisiana statues allow the District to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

The District has not formally adopted deposit and investment policies that limit the District's allowable deposits or investments and address the specific types of risk that the District may be exposed.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of bank failure, the District's deposits may not be returned. As of December 31, 2023, the District had \$203,125 in demand deposits (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$203,125 of federal deposit insurance.

Note 3. Restricted Assets

Restricted assets consist of cash and investments restricted for the retirement of the District's revenue bonds and repayment of refundable customer deposits. Restricted assets, as of December 31, 2023 consists of the following:

Customer Deposits	\$ 3,731
Debt Service Funds	<u>14,407</u>
	\$ 18,138

Note 4. Allowance for Uncollectibles

The changes in allowance for doubtful accounts during the six months ended December 31, 2023 follow:

	<u>Water Sales</u>
Balance at July 1, 2023	\$ 1,000
Additions	<u>91,648</u>
Balance at December 31, 2023	<u>\$ 92,648</u>

Note 5. Ad Valorem Taxes

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the District in September or October and are actually billed to the taxpayers in November. Billed taxes become delinquent on January 1 of the following year.

For the six months ended December 31, 2023, taxes of 6.76 mills were levied on property with net assessed valuations of approximately \$26,650,190. Total taxes earned, net of pension funds, was \$177,757. The 6.76 mills were dedicated as follows:

Maintenance fund	6.76 mills
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Note 6. Capital Assets

Capital asset activity for the six months ended December 31, 2023, was as follows:

	Beginning of Period	Additions	Deletions	End of Period
Capital assets not being depreciated:				
Land and Right of Ways	\$ 21,150	\$ -	\$ -	\$ 21,150
Construction in progress	-	-	-	-
Total capital assets not being depreciated	21,150	-	-	21,150
Capital assets being depreciated:				
Plant and Distribution System	9,475,842	-	-	9,475,842
Furniture, fixtures, & equipment	484,164	2,311	14,807	471,668
Total capital assets being depreciated	9,960,006	2,311	14,407	9,947,510
Less accumulated depreciation	5,956,654	147,801	4,812	6,099,643
Capital assets, being depreciated, net	4,003,352	145,490	9,995	3,847,867
Capital assets, net	4,024,502	145,490	9,995	3,869,017

Note 7. Accumulated Vacation and Sick Leave

Employees are entitled to certain compensated absences based on their length of employment. Compensated absences either vest or accumulate and are accrued when they are earned.

Note 8. Changes in Long-Term Debt

The following is a summary of bond payable transactions of the District for the six months ended December 31, 2023:

	Revenue Bonds	Total
Outstanding at June 30, 2023	\$ 1,802,000	\$ 1,802,000
Bonds issued	-0-	-0-
Bonds retired	(110,000)	(110,000)
Outstanding at December 31, 2023	\$ 1,692,000	\$ 1,692,000

Long-term debt at December 31, 2023 consists of the following:

Water Revenue Bonds, Series 2009A, B & C; dated August 4, 2009; Due in annual installments including interest at 2.95% of \$10,526 to \$39,885 through the year 2029	\$223,000
Water Revenue Bonds, Series 2018; dated May 8, 2018; Interest at 1.95%; maturity December 1, 2038	<u>\$1,469,000</u>
Total	<u>\$1,692,000</u>

The annual requirements to amortize all debt outstanding as of December 31, 2023, are as follows:

<u>Revenue Bonds</u> <u>Period Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	113,000	35,225	148,225
2025	116,000	32,651	148,651
2026	118,000	30,010	148,010
2027	123,000	27,328	150,328
2028	125,000	24,520	149,520
2029 - 2039	<u>1,097,000</u>	<u>130,914</u>	<u>1,227,914</u>
Total	<u>1,692,000</u>	<u>280,648</u>	<u>1,972,648</u>

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana. In the event of a default, the District agrees to pay to the Purchaser, on demand, interest and principal on any and all amounts due by the District under bond agreements.

The revenue bonds are to be retired from the income and revenues derived from the operation of the System of Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana.

Note 9. Deferred Compensation

The District has adopted a Simple IRA Plan that covers most of their employees with over one year of service. The employee deferrals and employer matching contributions are fully vested and non-forfeitable. The District follows the policy of funding the retirement plan contributions as accrued. The matching contributions by the district were \$6,996 for the six months ended December 31, 2023.

Note 10. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Note 11. Board of Commissioners' Fees

Members of the Board of Commissioners are paid a per diem allowance for attending board meetings. The total expenses for meetings attended during the six months ended December 31, 2023 are as follows:

Deborah Fontenot	\$ 600
Leroy Pronia	600
Bernard Habetz	600
Dosa Guillory	600
Helen Duhon	600
Total	<u>\$ 3,000</u>

Note 12. Restatement of Net Position

The beginning net position for the Waterworks District 8 of Wards 3 & 8, as reflected on the Statement of Revenues, Expenses, and Changes in Net Position, has been restated to reflect the following adjustments:

Balance at June 30, 2022	\$ 1,990,852
Restatement of customer deposits payable that were no longer outstanding at the beginning of the period	98,840
Restatement of accrued compensation payable for correction to the beginning balance calculation	<u>182,837</u>
Balance at July 1, 2023, as Restated	<u>\$ 2,272,529</u>

Note 13. Subsequent Events

As of January 14, 2024, the Board of the Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of the governing authority of the District.

On April 5, 2024, the Calcasieu Parish Police Jury notified the Louisiana Legislative Auditor of alleged misappropriations of funds that occurred at the District, in periods including the period of this audit. The results of the Police Jury's investigation have also been submitted to the Calcasieu Parish Sheriff's Office and the Calcasieu Parish District Attorney's Office.

Subsequent events have been evaluated through June 27, 2024, the date the financial statements were available to be issued.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

Schedule of Compensation, Benefits, and Other Payments
To the President of the Board of Commissioners
six months ended December 31, 2023

Agency Head: Deborah Fontenot, Board President

<u>Purpose</u>	<u>Amount</u>
Commissioner Fees	\$ 600

Note: This schedule is included as supplementary information.

Mollie C. Broussard, CPA
Jason L. Guillory, CPA
Greg P. Naquin, CPA, CFP™
Billy D. Fisher, CPA
Joe G. Peshoff, II, CPA, CVA
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MT - Masters of Taxation
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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

Governing Authority
Waterworks District No. 8 of
Wards 3 and 8 of Calcasieu Parish, Louisiana
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 Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana as of and for the six months ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's basic financial statements and have issued our report thereon dated June 27, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control over financial reporting (internal control) as a basis for designing 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 Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, 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 District'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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and responses that we consider to be material weaknesses (items 2023a-001, 2023a-005, 2023a-006, 2023a-007, 2023a-008, 2023a-010, and 2023a-013).

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Waterworks District No. 8 of Wards 3 and 8 of Calcasieu Parish, 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2023a-002, 2023a-003, 2023a-004, 2023a-005, 2023a-006, 2023a-007, 2023a-008, 2023a-009, 2023a-010, 2023a-011, 2023a-012, and 2023a-013.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit as described in the accompanying schedule of findings and responses. The District's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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 District'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 District'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.

Mr. Elroy Quirk + Burch

Lake Charles, Louisiana
June 27, 2024

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness identified?

 X Yes No

Significant deficiency identified not
considered to be material weakness?

 Yes X None reported

Noncompliance material to financial statements
noted?

 X Yes No

SECTION II - FINANCIAL STATEMENT FINDINGS

2023a-001 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Cause: The District's staff size was insufficient to design and implement proper segregation of duties.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: As of January 14, 2024, the Board of Commissioners was suspended and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include the proper segregation of duties.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

2023a-002 Bond Covenants

Condition: The District did not meet bond covenants for the six months ended December 31, 2023.

Criteria: The revenue bonds of the District have various covenants that are required to be met in accordance with the bond agreement with issuers of the bonds.

Effect: Non-compliance with bond covenants.

Cause: The District did not have adequate cash on hand to maintain proper bank balances.

Recommendation: As soon as available, the District should replenish bond reserves and review water rates.

Response: As of January 14, 2024, the Board of Commissioners was suspended and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will work to replenish all restricted accounts as quickly as fiscally possible.

2023a-003 Failure to Maintain Custody of Customer Security Deposits

Condition: As of December 31, 2023, the District had an outstanding customer security deposit liability of \$100,180. However, the District's balance of cash in the customer security deposit cash account only had a balance of \$3,731.

Criteria: Cash security deposits received from utility system customers are required to be maintained as restricted cash until customers are no longer active.

Effect: The District failed to exercise its fiduciary duty to safeguard customer security deposits and was at risk for not having sufficient funds to refund customer deposits due to customers.

Cause: The District used customer security deposits to fund other activities.

Recommendation: The District should make every effort to replenish the Customer Security Deposit and any other restricted cash accounts.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

Response: As of January 14, 2024, the Board of Commissioners was suspended and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will work to replenish all restricted accounts as quickly as fiscally possible.

2023a-004 Failure to Maintain Accounting Records

Condition: During the audit, we conducted a test of a total of forty-five (45) cash and credit card disbursements. Of those transactions, seventeen (17) lacked supporting documentation.

Criteria: Local governments are required to maintain accounting records sufficient to support the receipts and disbursements of all public funds.

Effect: Unsupported transactions may be indicative of instances of fraud or abuse.

Cause: The District kept poor accounting records and documentation, possibly in an effort to conceal misappropriations of cash.

Recommendation: All transactions of the District should be adequately supported by appropriate documentation and such documentation should be retained according to record retention statutes.

Response: In January 2024, the management of the District was assumed by the Calcasieu Parish Police Jury and will ensure that all transactions are properly supported by appropriate supporting documentation.

Findings 2023a-005 through 2023a-013

Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. This transition was one of the first steps in the process of consolidating the District with other Calcasieu Parish Water Districts. Effective that day, day-to-day operations of the District were placed under the Parish's Division of Public Works and Engineering. The Parish's Division of Finance was tasked with incorporating the accounting activities of the District into the Parish's accounting processes.

During the transition process, Parish Finance staff immediately noticed several financial related issues and requested access to all accounting

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

software and banking sites. A full review of the financial activity of the District was immediately undertaken by the Parish staff, resulting in the identification of the loss of cash collections, the identification of improper and possibly illegal disbursement activities and numerous other instances of suspected fraud and abuse which are described in the subsequent findings.

On April 5, 2024, the Calcasieu Parish Police Jury notified the Louisiana Legislative Auditor of the alleged misappropriations of funds discovered as part of their investigation. The investigation's results were also submitted to the Calcasieu Parish District Attorney's office and Calcasieu Parish Sheriff's Office.

On May 20, 2024, we were engaged to conduct the audit of the District for the six-month period ended December 31, 2023. This represented the "gap" period between the District's previous fiscal year end of June 30th and its new fiscal year end of December 31st, as part of the Calcasieu Parish Police Jury. Prior to the engagement, we were informed of the Parish's investigation into the District's finances for the calendar years 2020-2023. In response to our audit and fraud inquiries, we were given access to their investigation's results. That information was utilized to plan and perform our audit for the six-month period ended December 31, 2023. To the extent that items noted during their investigation occurred during the audit period, those items were specifically tested and tests were reperformed as necessary. The results of our testwork were consistent with the results of the investigation performed by Calcasieu Parish Police Jury.

The following findings, 2023a-005 through 2023a-013 include activity during the entire timeframe of the Parish's investigation, 2020-2023. To provide context for the magnitude and seriousness of the items we felt that it would be misleading to only present transactions which occurred during the audit period and to exclude known instances of suspected fraud. We are presenting results of the Parish's investigation relating to prior periods since these have not been reported in previous audit reports.

2023a-005 Cash Collections

Condition:	It is estimated that the District has incurred a loss of cash collections for billing and security deposit payments in the amount of \$481,439 for the periods 2020 through 2023. It is probable that this loss is higher and extends into periods prior to 2020. In addition to the estimated \$481,439 loss for billing and security deposit cash collections, there is another estimated loss of \$15,265 related to the return of collections of bank accounts that were closed or had insufficient funds for water billing payments made by check or automatic withdrawal during 2020 through 2023.
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WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

The loss was discovered by the Parish's Division of Finance when the Division of Finance was preparing to transition the accounting and financial activities of the District into the Parish's accounting and financial system. This transition to the Parish's financial system was in anticipation of the Parish becoming the governing authority for Waterworks District No. Eight of Wards Three and Eight ("District") effective January 14, 2024 which was one of the first steps in the process of consolidating the District with other Calcasieu Parish Water Districts.

While the day-to-day oversight of the District operations was placed under the Parish's Division of Public Works and Engineering effective January 14, 2024, the Division of Finance was responsible for incorporating the accounting activities of the District into the Parish's accounting processes. In preparation for this transition, the Parish Finance staff began meeting with District personnel on January 9, 2024. The Parish Finance staff immediately noticed several financial related issues and requested access to all accounting software and banking sites. A full review of the financial activity of the District was immediately undertaken by Parish staff, resulting in the identification of the loss of cash collections and numerous other issues.

As background for the procedures established by the District, when cash or check payments are received at the District Office for either water billing payments, initial security deposits, or other one-time payments, the cashier accepted the payments and tracked all receipts. The cashier entered the water sales related receipts in Sequoyah Accounts Receivable Software so that the individual billing accounts are kept up to date on a daily basis and issued a manual cash receipt for other non-water sales deposits.

At the end of each day, the cashier counted the collections and segregated the cash collected into an envelope with the daily amount and cashier's initials written on the outside of the envelope while the checks collected were accumulated, placed into a different envelope with the date, amount and cashier's initials denoted on the outside of the second envelope. The Office Manager or the Plant Manager would recount the funds with the cashier and one of the three would then place the funds in the safe located in the District Office. On occasions the Office Manager or Plant Manager were not available, another office employee would count the drawers with the cashier.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

As stated previously, all check payments were segregated from cash payments since those payments were deposited using a remote deposit scanner by another office employee. These transactions are reflected in the bank account as remote deposit capture items. All cash water sale payments and non-cash water sale payments were deposited separately using a bank deposit slip. Because (1) credit cards settle to the bank through the credit card processing company, (2) ACH payments (i.e. pre-authorized payments on customer accounts) were only processed once a month and denoted separately by the bank, and (3) checks were deposited via a remote deposit scanner and were denoted with a remote deposit notation by the bank, the Parish Division of Finance and Division of Public Works and Engineering were able to pull banking data by type of payment and then further analyze the data in order to quantify the missing funds.

On a daily basis, the Cashier entered the payment information in the Quickbooks Accounting System as separate entries by payment type (i.e. credit card, cash, or check payments) via the "Make Deposits" function. According to the District employees, the Office Manager was responsible for preparing the deposit slips to be given to the Plant Manager who would take the deposit to the bank. Bank reconciliations were performed by the Office Manager. Any cash deposits entered into the Quickbooks Accounting System that were not deposited at the bank had to be deleted, or adjusted, in order to reconcile the bank account and the accounting software general ledger entries. The Office Manager has admitted to deleting the cash entries made by the Cashiers in the Quickbooks Accounting System.

In addition to the daily entries made into Sequoyah AR System and Quickbooks Accounting Software, the Cashier also logged the daily payment amounts and types into a manual log system referred to as the "Blue Book." This log tracks the date received, the amount of cash, the amount of checks, and the amount of credit cards processed by the Cashier on that day. Monthly utility billings are entered as a total into the "Blue Book" and then the daily payments are subtracted from this amount. While the balance denoted in the Blue Book is not representative of the existing accounts receivable balance in the Sequoyah Accounts Receivable Software due to the fact that not all billing adjustments are logged and the running balance was simply adjusted to the billing amount on a monthly basis, the daily payment listing itself was useful from a secondary reasonableness test perspective when the Parish was identifying missing deposits. This "Blue Book" is a manual,

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

contemporaneous log of collection activity which does not appear to have been manipulated.

Funds related to new service accounts would not be included in the daily deposit procedures above. The Cashiers would simply put the new security deposits in an envelope with the name of the individual, service location, and the amount of the deposit denoted on the outside of the envelope. These envelopes would be given to the Office Manager pending the set-up of the billing account and connection of service. Several of these envelopes (without funds) were located in both the Plant Manager's office and the Office Manager's desk. There was at least one envelope that had partial funds for regular billing sales collections located in the Office Manager's desk when the Parish transitioned financial activities.

With respect to returns by the bank of prior collections (check, ACH, etc.) for insufficient funds, unable to locate accounts, or closed accounts, the customer would be contacted by the Office Manager and required to come and pay the returned payment as well as an additional fee of \$25. These payments were required to be made in cash within 2-3 days or the water meter would be locked. The Cashier would collect the cash payment and then put the funds in an envelope with the customer information on the outside and give the envelope to the Office Manager. With the exception of 6 individual collections, these returned payments were not deposited into the District's bank account for the period 2020 through 2023.

The Parish located approximately \$18,000 in checks in the District Office that were not timely deposited. Two of them totaled \$9,240 and were cashiers' checks related to a 2022 sale of a vehicle and the 2022 closing of another District account. The other checks related to a 2022 state reimbursement check for disaster related expenses, two 2023 state revenue sharing checks and various refunds of business activity. The Parish was able to negotiate the deposit of the majority of the checks, however there are a few that were too old. Cash in the amount of \$2,695 was located in the Office and was immediately deposited into the District's bank account.

Criteria:

Proper segregation of duties and internal controls prevent one employee from having the ability to impact all aspects of the accounting cycle. When segregation of duties is difficult to achieve due to any entity's size, it is paramount that the Management and/or the Board of Commissioners provide proper

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

review and oversight in order to fulfill the District's fiduciary responsibility to the citizens of the District.

In accordance with Louisiana Revised Statute (La. R.S.) 42:1461 all officials, both appointed and elected, as well as employees of any "public entity" assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or anything of value belonging to or under the custody or control of the public entity in which they hold office or are employed.

Effect: All of the data obtained by the Parish has been turned over to law enforcement agencies for further analysis and review. However, it appears that the Plant Manager and/or the Office Manager may have violated LA R.S. 42:1461, as well as other criminal statutes, with the alleged misappropriation of the customer payments related to security deposits and monthly water usage billing. In addition, these actions compromised the District's ability to properly operate the water system.

Cause: As a result of poor internal controls and a lack of oversight, it is alleged that the District Plant Manager and/or Office Manager were able to misappropriate large amounts of cash. While the Office Manager has admitted to the theft of a much smaller amount of cash than indicated in this report, she has implicated the District Plant Manager in misappropriation of the cash as well. The District Plant Manager has denied any wrongdoing even though he was the only employee that brought the cash to the bank. In the Plant Manager's interview, he knew that the deposits were not being made but simply stated that he cannot take the deposits to the bank until the Office Manager prepares the deposits. This statement does not appear to be reasonable given that from July 1, 2023 to December 31, 2023, the District had no cash deposits during the months of July, August, or September 2023 and the only cash deposits made were on 10-12-23, 11-27-23 and 12-14-23. Law enforcement is currently reviewing this matter.

Recommendation: Proper internal controls should not allow one employee to perform incompatible duties. Incompatible duties with respect to cash collections would be the receipt of the deposit, the recording of the deposit in the accounting software (including later deleting the transaction), and the reconciliation of the bank accounts.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include the above recommended segregation of duties.

2023a-006 Disbursement Activity

Condition: It is estimated that the District has incurred a loss of approximately \$291,758 related to District funded disbursement activity that appears to be related to personal activity of the Plant Manager or related parties of the Plant Manager. The period of time for this loss was focused on 2020 to 2023 but the Parish was able to locate some activity in 2019. There is also another estimated loss of \$4,761 related to District funded disbursement activity that appears to be related to personal activity of the Office Manager.

As stated in Finding 2023a-005, the loss was discovered by the Parish's Division of Finance when the Division of Finance was preparing to transition the accounting and financial activities of the District into the Parish's accounting and financial system. This transition to the Parish's financial system was in anticipation of the Parish becoming the governing authority for Waterworks District No. Eight of Wards Three and Eight ("District") effective January 14, 2024 which was one of the first steps in the process of consolidating this District with other Calcasieu Water Districts.

While the day-to-day oversight of the District operations was placed under the Parish's Division of Public Works and Engineering effective January 14, 2024, the Division of Finance was responsible for incorporating the accounting activities of the District into the Parish's accounting processes. In preparation for this transition, the Parish Finance staff began meeting with District personnel on January 9, 2024. The Parish Finance staff immediately noticed several financial related issues and requested access to all accounting software and banking sites. A full review of the financial activity of the District was immediately undertaken by Parish staff resulting in the identification of improper and possibly illegal disbursement activities along with numerous other issues.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

While the Parish focused on the period 2020 to 2023, it is probable that this loss is higher and extends into periods prior to 2020. The Parish had to reconstruct a lot of the disbursement activity since the District's system for requiring and maintaining proper documentation of disbursements was extremely antiquated and limited. It is unknown as to whether the lack of proper documentation was intentional or not. At the end of the Parish review, there were some disbursement records that could not be located or requested from the appropriate vendor. As a result, the estimated loss could be significantly higher.

Debit and credit card documentation is a prime example of this lack of documentation. The Plant Manager and Office Manager had access to bank debit and credit cards while not requiring proper documentation be maintained at the time of the use of the card. There appeared to be no oversight on this unlimited access or use of debit and credit cards by others in the District including the Board of Commissioners. The documentation related to numerous debit and credit card charges could not be located and because of the nature of the charges, the Parish was not able to obtain documentation from the vendors. An example would be internet vendors, especially those accounts set up by the Plant Manager or Office Manager in their names. The Parish would not have access to those accounts. Regular vendor account documentation was also problematic but the Parish was able, in some cases, to obtain invoices from the vendors.

The questioned disbursement costs attributed to the Plant Manager appear to be indicative of the Plant Manager's financing, using District funds, of the following suspected personal activities, which of course have been referred to the appropriate law enforcement agencies for further review and confirmation since the Parish review had some limitations:

- operating a salvage vehicle business,
- funding various activities or repairs of personally owned vehicles and equipment,
- funding various home improvements or home furnishings,
- funding operations of a separate legal entity,
- disbursing funds to himself, or related parties, for questionable District service invoices, some of which were altered in Quickbooks accounting system, or other District staff questioned completion of work,
- funding personal hunting or other recreational endeavors, and
- funding personal or related party medical expenditures.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

Additional questioned costs, included in the estimated \$291,757 above, that are attributed to the Plant Manager include automated teller machine (ATM) withdrawals and sales of scrap metal.

There are additional payments of \$10,838 that were made payable to the Plant Manager that are clear violations of the State Ethics law prohibiting contracting with your agency but that were initially excluded from the \$291,758 calculation. Because there were no invoices, descriptions in Quickbooks, and other staff could not comment on specifics, these amounts were moved to a state law violation listing. Regardless as to whether the disbursements were classified initially as questionable from a fraudulent standpoint or listed as a verified ethics violation, the District experienced a loss that needs to be reimbursed.

The questioned costs attributable to the Office Manager are estimated to be \$4,761 and relate to Hurricane Laura personal evacuation expenses, a perfume purchase, and payments on personal capital one and chase credit card payments. Because the Parish could not obtain the details of the personal credit card statements and there was no supporting documentation indicating any business purpose, these amounts are being questioned and turned over to the appropriate law enforcement agency for further review and confirmation.

With respect to the Hurricane Laura personal evacuation expenses, credit card purchases for three hotel rooms for the Office Manager, and a related party to the Office Manager, were incurred along with purchases at the Dallas/Grapevine Target and Bass Pro Shop while the Office Manager was evacuated. The third room included one night's cancellation fee and was assumed to be for another related party of the Office Manager since all three rooms were registered under the Office Manager's name.

The Parish reviewed the Hurricane Laura activity as it relates to the Office Manager's evacuation credit card charges, and denoted that there were employees, tasked with keeping the water system operational, who remained at the facility during the disaster. There did not appear to be a valid reason for the District to pay for a hotel room to evacuate the Office Manager, much less for two hotel rooms for family members of the Office Manager. Payroll time of the Office Manager for those days that she stayed in the hotel also indicated that the Office Manager did not work during the hotel stay (no overtime was paid) so there does not appear to be business

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

need for her hotel room or the other two rooms for family members.

Criteria: In accordance with La. R.S. 42:146.1, all officials, both appointed and elected, as well as employees of any "public entity" assume "a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or anything of value belonging to or under the custody or control of the public entity in which they hold office or are employed."

In addition, La. R.S. 14:140 states that public contract fraud is committed "when any public officer or public employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership of which he is a member, or to any corporation of which he is an officer, stockholder, or director."

Effect: All of the data obtained by the Parish has been turned over to law enforcement agencies for further analysis and review. However, it appears that the Plant Manager and the Office Manager may have violated La. R.S. 42:146.1, and La. R.S. 14:140, as well as other criminal statutes, by using District funds to purchase or fund the activities identified in this section. The alleged actions of these individuals compromised the District's ability to properly operate the water system.

Cause: As a result of poor internal controls and a lack of oversight, it is alleged that the District Plant Manager and Office Manager were able to misappropriate District assets for personal benefit.

Recommendation: The District Board should provide better oversight of District finances, ensuring their fiduciary duty to the citizens of the District is properly accomplished. All disbursement documentation, including debit and credit card documentation, should be obtained, reviewed and properly maintained in the District's record system.

Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include the proper segregation of duties and disbursement reviews and approvals.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

2023a-007 Alterations of Public Documents

Condition: As denoted in Findings 2023a-005 and 2023a-006, the Office Manager and the Plant Manager altered public documents for their benefit. The Office Manager altered public documents with respect to entries in Quickbooks Accounting System initiated and posted by the Cashiers for daily cash collections (See Finding 2023a-005). The Office Manager deleted the entries in order to reconcile the monthly bank account to the accounting system since cash deposits were not made. The Plant Manager denoted improper equipment/vehicle unit numbers on invoices that were later determined to be for personal purchases.

The Office Manager, possibly at the direction of the Plant Manager, altered public documents in in the Quickbooks Accounting Software to reflect different payees in the Quickbooks Accounting System than what the invoice or cancelled check endorsement reflected. These disbursements were flagged as questionable personal activity because of this alteration. The following disbursements were altered:

- (a) Check 18785 - \$260 - Quickbooks payee was a Hoffpauir Brothers, LLC. The invoice was from Hoffpauir Brothers, LLC. The canceled check was endorsed by the Plant Manager. Two different entities.
- (b) Check 19209 - \$3,500 - Quickbooks payee was to Plant Manager for road repairs but the Quickbooks entry had a reference "Per Hoffpauir Brothers, LLC." The invoice was from Hoffpauir Brothers, LLC. The canceled check reflects that payee was Hoffpauir Brothers, LLC but the endorsement is the Plant Manager. Two different entities.
- (c) Check 19256 - \$3,700 - Quickbooks payee was to Hoffpauir Brothers, LLC. The invoice was from Hoffpauir Brothers, LLC. The canceled check reflects that payee was Hoffpauir Brothers, LLC but the endorsement is the Plant Manager. Two different entities.
- (d) Check 19298 - \$3,652 - Quickbooks shows Payee as Chet's Electrical Service. The invoice was for Chet's Electric. Canceled check reflects that payee and endorsement were Plant Manager. Two different entities.
- (e) Check 19301 - \$4,000 - Disbursement entry was posted in Quickbooks to Maricio Santacalonn but the canceled check shows that the payee is the Plant Manager. Two different entities.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

- (f) Check 19339 - \$1,400 - Quickbooks payee was to Plant Manager for road repairs but the Quickbooks entry has a reference "Per Hoffpauir Brothers, LLC." An invoice was not located. The canceled check reflects that payee was Hoffpauir Brothers, LLC but the endorsement is the Plant Manager. Two different entities.
- (g) Check 19669 - \$5,000 - Quickbooks originally showed Payee as Chet's Electrical on Check 19664 but that check was voided and Check 19669 was reissued to reflect payee as Chet Hoffpauir. The invoice is from Chet's Electric. Two different entities.

Criteria: La. R.S. 14:133 states that *"Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) any forged document, (2) any wrongfully altered document, (3) any document containing a false statement or false representation of a material fact."*

Effect: The Office Manager and Plant Manager appear to have violated La. R.S. 14:133. The actions of these individuals compromised the District's ability to properly operate the water system and to fund the District's other operating expenditures.

Cause: As a result of poor internal controls and a lack of oversight, it is alleged that the District Plant Manager and Office Manager were able to misappropriate District assets for personal benefit and to avoid detection of those actions by altering documentation.

Recommendation: The District Board should provide better oversight of District finances, ensuring their fiduciary duty to the citizens of the District is properly accomplished. All disbursement documentation should be obtained, reviewed and properly maintained in the District's record system.

Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include the proper segregation of duties and disbursement reviews and approvals including those prohibited by state ethics rules.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

2023a-008 Private Development

Condition: During the transition of the District's accounting and financial system to the Parish's accounting and financial system, the Parish identified issues with a private development (Sugarcane Towne Utilities LLC) in the District boundaries. At this point, the full extent of the financial impact between the District and the private development is not known but is continuing to be reviewed and the findings will be turned over to the appropriate law enforcement agency.

The issues that have been identified thus far are:

- (a) Meter Supplies - Various water meter supplies (meters, curb stops, etc.) appear to have been ordered and paid for by the District but were used in the private development. The Board of Commissioners approved in its July 2, 2019 meeting that a master meter would be utilized for this development. Yet the individual meters and supplies were ordered on a District account. There is a corresponding deposit for a portion of the amount of those supplies identified. However, that partial reimbursement does not change the fact that the District's tax-exempt status was used for a private development. Employees have also stated that there were at least two shipments of product that were stored on District premises for this development and that one group of the supplies was actually delivered to the development by two District employees at the request of the Plant Manager.
- (b) Plant Manager's Business Operations - In addition to the supply issue, the Plant Manager's business (Hoffpauir Brothers LLC) appears to have been contracted to do work inside this development even though the Plant Manager has admitted that his business is not properly licensed to do that type of work. One of the District employees stated that he assisted the Plant Manager on a job in the development while on District time. The Plant Manager denies using the District employee on his job.

The District's Level 4 Operator was performing the water testing for this development that was reported to Louisiana Department of Health so there may be additional unreported District revenue related to the water sample testing.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

It also appears that the Office Manager was assisting in the preparation of various billings for items related to the Plant Manager's business operations with this private development. The following billings were located:

- (a) 10 meters and supplies (\$5,931).
- (b) Auto flusher installation and 5-meter installations on Lots 2, 3, 4, 7 and 8 (\$2,600)
- (c) DHH approved auto flusher (\$2,700).
- (d) Meter installations and road bores for Lots 57, 58, 59, 60, 70, 85, 86 and 87, 5 DHH sample stations' parts and installation (\$5,903.50).
- (e) Invoice 3652 - meter installations and road bores for Lots 4, 5, 88, 89, 90, 91 and 92 (\$1,900).
- (f) Invoice 3682 - meter installations and short side work for Lots 71, 72, 73, 74, 75, 77, 78, and 79 (\$1,600).
- (g) Invoice 3684 - meter installations, road bores, and repairs for Lots 90, 81, 82, 83 and 84 (\$1,125).
- (h) Parts for bore, 1"water, electrical labor and installation of 5 DHH sample stations (\$2,350) - this could be a duplication of the \$5,903.50 invoice).

As reported in Finding 2023a-007 - Alterations of Public Documents, at least a portion of the work that the Plant Manager performed for the development was paid through the District. Check 19301 - \$4,000 was posted in Quickbooks to Maricio Santacalorn but the canceled check shows that the payee is the Plant Manager with a reference to "SugarCane Installations." A billing invoice from Hoffpauir Brothers LLC to the development in the amount of \$35,101.50 was located on the Office Manager's computer. This billing is comprised of a Lafayette Winwater invoice of \$31,101.50 for 50 meters and supplies dated February 14, 2023 and the \$4,000 check denoted above. On March 6, 2023 Hoffpauir Brothers, LLC wrote a check to the District for \$29,000 with a reference "meters." On this transaction alone, the District is still unreimbursed \$6,101.50. Lafayette Winwater is the District's main water meter and supply vendor.

In addition to the \$31,101.50 invoice denoted in the previous paragraph, there were two District invoices located in District files that totaled \$14,350 from Lafayette Winwater that had a notation which appears to

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
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SCHEDULE OF FINDINGS AND RESPONSES
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be the Plant Manager's handwriting, "Paid by Blake Hines." Blake Hines was another contractor working for this private development. It appears that the Plant manager allowed not only his company to order supplies from a District Vendor utilizing the District account but he also allowed other vendors to have the same benefit.

On June 21, 2022, the Plant Manager on behalf of the District and Hoffpauir Brothers, LLC sent a letter to the development's owner that the District would be disconnecting water service on June 23, 2023 if the past due water billing of \$2,551.68 was not paid and the District would be returning all meters and supplies that were located at District office. The District employees would no longer have any affiliation with this privately owned system. This correspondence validated the employees' statements that there were at least two shipments of meters and supplies made to the District and stored for the development (see second paragraph of this finding). The Hoffpauir Brothers, LLC correspondence stated that they would no longer be affiliated with the development due to nonpayment of an auto flusher (\$2,600) and numerous repairs made after hours.

- (c) Billing of Development Water Usage - The development was purchasing water from the District. The Sequoyah billing account reflected meter reading activity in January 2022 with the first billing occurring in June 2022. The meter reading usages from January 2022 to the end of May 2022 totaled \$2,651.55 and were written off via an adjustment in Sequoyah. The Plant Manager sent the development correspondence dated June 13, 2022 notifying the development that the District has to establish a water account beginning with the month of June 2022 and billing will continue each month thereafter. The first payment on the account was not made until June 23, 2022 - after the June 13th correspondence from the Plant manager.

In addition to the \$2,651.55 billing that was written off, there is correspondence in the development file that the Office Manager and Plant Manager were billing the development for monthly usage. The first correspondence located in the file for water billing was May 24, 2107 and appears to be a manual invoicing ticket pre-printed but with no amount. That billing was to

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
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SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
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IDIM Construction with a service address on I-10 service road. Another non-Sequoyah invoice for water billing was dated October 23, 2017 for \$51.75 for water usage. It appears that the initial construction account as well as the master meter for the completed homes were not set up in Sequoyah. The first two homes in the subdivision were completed by October 31, 2020 based on a Board meeting reference on August 14, 2020 that the first two homes would be completed within thirty days. If the master meter subdivision account was not set up in Sequoyah billing software until 2022, then the collections of any water usage from the master meter from October 31, 2020 until January 2022 appears to be diverted.

The Parish located correspondence on the Office Manager's computer where she was billing for Hoffpauir Brothers LLC and billing for the construction water usage. The Parish has estimated the water billing loss from January 2022 until the first billing in June 2022, as disclosed above, but we cannot determine how much billing was paid by this development or its construction contractor from May, 2017 until December, 2021 without law enforcement assistance.

Criteria: In accordance with La. R.S. 42:1461 all officials, both appointed and elected, as well as employees of any "public entity" assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or anything of value belonging to or under the custody or control of the public entity in which they hold office or are employed.

In addition, La. R.S. 14:140 states that public contract fraud is committed "*when any public officer or public employee shall use his power or position as such officer or employee to secure any expenditure of public funds to himself, or to any partnership of which he is a member, or to any corporation of which he is an officer, stockholder, or director.*"

As further denoted in the Ethics Finding, La. R.S. 42:1111(A), La. R.S. 42:1111(C)(1)(a), and La. R.S. 42:1111(C)(2)(d) prohibits employees, and certain related entities, from receiving anything of economic value for the performance of any duties or responsibilities or for services that are related to any duties or responsibilities carried out by the public employee.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
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SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

Effect: It appears that the Plant Manager may have violated the above-referenced state laws, as well as other state law requirements, with respect to actions he took with respect to this private development.

Cause: There was no oversight of the day-to-day operations of the District.

Recommendation: The District should continue to coordinate with law enforcement agencies regarding this development and the interactions between the Plant Manager and the owner of the development.

Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will continue to coordinate with law enforcement agencies regarding this issue.

2023a-009 Property Insurance Claim Issue

Condition: During the transition of the District's accounting and financial system to the Parish's accounting and financial system, it was determined that the District's Plant Manager may have filed a false insurance claim related to valid loss incurred by the District. Based on employee interviews, it was determined that the District filed a claim on its property insurance policy related to the theft of a trailer and lawn mower owned by the District. The District's Assistant Plant Manager wrote a handwritten statement about the circumstances surrounding the discovery of the stolen trailer and lawn mower. At the bottom of the handwritten statement of the Assistant Plant Manager, the Plant Manager added the wording "Also missing from the location is a 2013 Polaris Ranger 800 with 40-gal spray tank and battery in bed." The Plant Manager provided the insurance company with the specific details of the lawnmower, utility trailer, and Polaris ATV. It is not known whether this equipment was used for District purposes or whether it was at the site when the theft of the trailer and lawn mower occurred. In an interview with the Plant Manager's spouse, it was stated that the Polaris Ranger was damaged by Hurricane Laura in 2020. The District theft in question occurred in 2021.

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(continued)

During an interview with the Plant Manager, the Plant Manager confirmed that the District did replace this ATV and that it is in his possession. When asked why he added that information to the statement when the equipment was not owned by the District and not listed on the property policy, his response was "it was added because it was stolen."

- Criteria: In accordance with La. R.S. 42:1461 all officials, both appointed and elected, as well as employees of any "public entity" assume a personal obligation not to misappropriate, misapply, convert, misuse, or otherwise wrongfully take any funds, property, or anything of value belonging to or under the custody or control of the public entity in which they hold office or are employed.
- Effect: The District Plant Manager may have filed a fraudulent insurance claim on a District owned policy. The estimate for the loss was \$34,107 for the stolen mower, trailer and Polaris Ranger. Since there was a \$10,000 deductible, the District received a payment of \$24,107. The same day that the insurance proceeds were received, the Plant Manager then had the District pay \$14,807 for a new 2021 Honda SXS00M4M which was delivered to the Plant Manager's residence. In addition to the question of the validity of the claim, the deductible was only applied to the District owned lawn mower and trailer, not the Plant Manager's equipment. It is noted that this 2021 Honda ATV is different than another 52" zero turn mower that was purchased by the District but delivered to the Plant Manager's residence (check dated 7-31-23) and is part of Finding 2023a-006 on Disbursement Activity.
- Cause: There was no oversight authority of the District for operational issues besides the Plant Manager and the Office Manager.
- Recommendation: The District should consult with legal counsel and the property insurance carrier on the disposition of this finding.
- Response: The District has turned this information over to local law enforcement and has consulted with District's property insurance carrier regarding additional action that may be warranted.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

2023a-010 Payroll Processing Issues

Condition: During the transition of the District's accounting and financial system to the Parish's accounting and financial system, payroll records were reviewed by the Parish Division of Finance. The following issues were identified during that review:

- (a) Vacation payouts to employees who have not separated from service. The District policy states, "If the Plant Manager (only) has more than eighty (80) hours of vacation to take, the time can be bought back due to the lack of time that was not able to be taken through the year due to projects or emergencies that went on at the plant site or throughout the District." The District should obtain a legal opinion as to whether any vacation can be paid out before separation of employment, even for the Plant Manager. This may be considered a prohibited donation of public funds under state law. The District paid:
 - (i) Plant Manager (\$5,000 on 11-17-21, \$5,000 on 10-7-22, and \$5,000 on 11-28-23),
 - (ii) Office Manager (\$1,600 on 11-23-21 and \$2,500 on 11-28-23), and
 - (iii) Assistant Plant Manager (\$1,779 on 12-2-20).

All other employees forfeited any hours beyond the annual eighty-hour rollover limit from year to year. The Plant Manager and Office Manager payouts were not processed through payroll; therefore, these amounts were not included in IRS reporting formats and had no corresponding payroll tax withholdings made. In addition, the notations reflected a certain number of hours but the final paid amount could not be recalculated using the employee's current rate of pay. Under the District policy, the Office Manager and Assistant Plant Manager were not authorized to receive any vacation payout.

- (b) Retroactive payroll approved by the Board of Commissioners on two occasions. State law prohibits retroactive payroll adjustments, yet the Board of Commissioners approved the following retroactive payroll adjustments:

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- (i) May 4, 2023 - \$13,986. This payroll was not processed in the payroll system and therefore not included in IRS reporting formats and had no corresponding payroll tax withholdings made. The payments were also coded to "Dues and Fees." The back pay was recalculated going back eight pay periods.
- (ii) August 2020 - \$25,913.60. This retroactive payroll was included in the payroll system.
- (c) Payroll withholdings were improperly handled in the following instances:
 - (i) The Office Manager discontinued AFLAC withholdings for all employees for nine payroll periods. Once the withholdings were restarted, the Office Manager did not restart her withholdings. The total amount of AFLAC withholdings that needed to be recouped was \$3,934.90. The Office Manager also paid another \$985.38 in contributions for employees that were not entitled to receive the benefit coverage.
 - (ii) Individual Retirement Account (IRA) contributions being withheld from employees' checks for February 2023 through July 2023 were not paid until August 1, 2023, which is when the Office Manager discontinued her IRA payroll withholdings. Withholdings after that date were not paid until the Parish paid them on behalf of the District (\$2,696).
 - (iii) July 2023 to December 2023 District health insurance premiums were improperly set up as pre-tax deductions.
 - (iv) Commuting in District vehicles was not reported on payroll.

Criteria:

With respect to the vacation payouts, retroactive payroll, and missed AFLAC withholdings, Article 7 Section 14(A) of the Louisiana Constitution states that "the funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to or for any person, associations, or corporation, public or private." The Louisiana Attorney General has previously opined that retroactive pay raises are a prohibited donation of public funds unless the public entity can demonstrate that it "has the legal authority to make the expenditure and must show (i)

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LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
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(continued)

a public purpose of the expenditure or transfer that comports with the governmental purpose for which the public entity has legal authority to pursue; (ii) that the expenditure or transfer, taken as a whole, does not appear to be gratuitous; and (iii) that the public entity has a demonstrable, objective, and reasonable expectation of receiving at least equivalent value in exchange for the expenditure or transfer of public funds."

With respect to the various other issues, the District had a fiduciary responsibility to its employees to process payroll, including any related benefits, according to the benefit policies approved by the District and in accordance with various state and federal regulations.

- Effect: It appears that the transactions related to the vacation payouts and the retroactive pay may be violations of state law and compromised the District's ability to properly operate the water system and to fund the District's other operating expenditures. The other items reflect the fact that the District was not handling its fiduciary responsibility to the employees and citizens of the District.
- Cause: There was no oversight of the day-to-day operations of the District. As to the retroactive pay issue, the District Board of Commissioners apparently did not consult with legal counsel or the outside auditor prior to acting on these agenda items.
- Recommendation: The District should reconcile all outstanding liabilities for employee withholdings to ensure that proper remittance is made.
- Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include the proper segregation of duties and disbursement reviews and approvals including those prohibited by state ethics rules.

2023a-011 Sales Tax Compliance

- Condition: During the transition of the District's accounting and financial system to the Parish's accounting and financial system, it was determined that the District's sales tax returns were not timely filed causing the District to incur

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SCHEDULE OF FINDINGS AND RESPONSES
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(continued)

interest and penalties. For the calendar year 2023, only one month's sales tax was paid timely. In anticipation of the District's annual audit for the year ending June 30, 2023, the Office Manager remitted sales tax payment on July 17, 2023. The last six months' sales tax for 2023 was prepared and remitted by the Parish when the Parish filed the January 2024 sales tax report.

- Criteria: Sales tax requirements state that the previous months' sales tax reporting must be filed by the 20th of the following month.
- Effect: The District is not in compliance with the state and local sales tax reporting requirements.
- Cause: It appears that the Office Manager was overwhelmed with certain responsibilities and there was no management oversight.
- Recommendation: The District Management and Board should provide better oversight of the District, ensuring their fiduciary duty to the citizens of the District is properly accomplished.
- Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include the timely reporting of sales tax reports.

2023a-012 Possible Ethics Violations

- Condition: During the transition of the District's accounting and financial system to the Parish's accounting and financial system, the Parish identified the following reportable ethics issues:
- (a) The Plant Manager contracted with himself, or related parties, on numerous occasions which appear to be in violation of State law.
 - (b) Board Member Request for Employee Work - Several employees identified multiple instances of Board Members requesting that the employees work on personal property for the benefit of themselves or relatives. These allegations/instances have been reported to the appropriate law enforcement agency as well as to the State Board of Ethics as required by law.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

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Six Months Ended December 31, 2023
(continued)

- (c) The Plant Manager requested other District employees work on several personal projects while on District time. There were several instances whereby a District Employee welded equipment for the Plant Manager, another employee accompanied the Plant Manager on another job performed by the Plant Manager for his related company, and the Office Manager prepared invoicing for the Plant Manager's related company transactions.
- (d) One Board Member owns a local restaurant. The District made seven payments to this restaurant in 2022 and 2023. It is not known if the Board Member is aware of the payments; however, one of the disbursements was for cakes for the Board Christmas party referenced in Finding 2023a-013.

Criteria:

La. R.S. 42:1111(A) prohibits a public employee from receiving anything of economic value, other than compensation and benefits from the governmental entity to which he is duly entitled, of the performance of the duties and responsibilities of his office or position.

La. R.S. 42:1111(C)(1)(a) prohibits a public servant from receiving anything of economic value for any service, the subject matter of which is devoted substantially to the responsibilities, programs, or operations of the agency of the public servant and in which the public servant has participated.

La. R.S. 42:1111(C)(2)(d) provides that no public servant and no legal entity in which the public servant exercises control or owns an interest in excess of twenty-five percent, shall receive anything of economic value for or in consideration of services rendered, or to be rendered, to or for any person during his public service.

La. R.S. 42:1161(A) requires the District to report to the Louisiana Board of Ethics any matters that may constitute a violation of the ethics laws.

Effect:

The Plant Manager and the Board Members may be in violation of the above referenced ethics statutes.

Cause:

There was no oversight of the day-to-day operations of the District.

Recommendation:

The District should communicate with the Louisiana Board of Ethics regarding the above referenced issues.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
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Response: The District will provide the necessary communication with the Louisiana Board of Ethics regarding these issues.

2023a-013 Other Disbursement Activities

Condition: During the transition of the District's accounting and financial system to the Parish's accounting and financial system, it was determined that the Board of Commissioners authorized the following:

(a) Cash safety bonuses to be paid to employees:

- (i) 12/02/20 - \$2,000 (check made payable to Mitch Hoffpauir)
- (ii) 12/08/21 - \$2,700 (check made payable to Mitch Hoffpauir)
- (iii) 11/02/22 - \$6,360 (check made payable to Mitch Hoffpauir)
- (iv) 11/13/23 - \$5,500 (check made payable to cash)

These safety awards were posted to the Quickbooks software as miscellaneous expense, repairs and maintenance expense, office/postage expense, etc. None of these payments were processed through the payroll system and there is no listing as to who received the payments. Some of the current employees do recall receiving safety bonuses but there are no detailed accounting records. At least one employee hired in 2022 says that he has never received any safety bonus.

(b) Christmas Dinners and Christmas Hams/Turkeys:

- (i) 12/21/23 - \$394.88 Walk Ons Christmas Dinner for Employees
- (ii) 11/30/23 - \$176.00 Cakes for Party for Board Members
- (iii) 11/29/23 - \$219.97 Supplies for Gumbo for Board Members
- (iv) 11/14/23 - \$473.86 5 Spiral hams and Pecan Tins for Board Members
- (v) 12/22/22 - \$294.54 Christmas Dinner at Casa Manana
- (vi) 12/01/22 - \$854.09 Christmas Dinner for Board Members
- (vii) 11/01/22 - \$576.97 Hams, Gift Bags, Etc for Christmas

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SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

- (viii) 03/04/22 - \$547.55 Crawfish Boil
- (ix) 01/17/21 - \$393.14 Hams for Employees and Board Members
- (x) 12/24/19 - \$427.32 Food, Cakes and Drinks for Christmas
- (xi) 11/14/19 - \$409.17 Spiral Hams and Gift Bags for Board Members & Christmas

It is noted that, in addition to these above two areas, there also appears to be excessive "safety meetings" where food was purchased. While necessary meetings can have a food component, if necessary, the fact that the District was struggling to pay its financial obligations would dictate that unnecessary spending measures be avoided. The disbursements related to safety meetings do not contain the agenda of what was discussed and some of the meetings did not identify the attendees. There is no way to determine the business necessity of these meetings or to differentiate the expenses from normal personal meals.

Criteria:

Louisiana Attorney General has opined in the past that incentive type programs, such as a safety program, is an "ordinary, expected, or required duty of the employee and, therefore, the payment of a bonus as a reward for an employee's performance of his or her normal duties would be prohibited by Louisiana Constitution Article VII, Section 14."

The Louisiana Attorney General has opined in the past that "in general, the payment or reimbursement for food, drink, or the expenses associated with luncheons, banquets, parties or similar functions, from public funds is improper under Louisiana Constitution Article VII, Section 14."

If compensation of any kind is received by an employee there are tax reporting consequences of those payments which were not adhered to by District personnel.

Effect:

While the District was struggling financially to pay its vendors and employees, the Board of Commissioners and Management was authorizing payments for safety bonuses and holiday celebrations. These amounts appear to be in violation of the Louisiana Constitution Article VII, Section 14. The Plant Manager admitted that the outside District auditor has discussed the prohibition about holiday celebrations in prior years but the Board approved them anyway.

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LAKE CHARLES, LA

SCHEDULE OF FINDINGS AND RESPONSES
Six Months Ended December 31, 2023
(continued)

Cause: There was no oversight authority of the District.

Recommendation: The District should discontinue all future payments for safety bonuses and holiday celebrations. In addition, any required meeting where food is provided should have the appropriate listing of attendees and the agenda of items discussed so that the business purpose of the meeting and related expenses can be evaluated.

Response: Effective January 14, 2024, the District Board of Commissioners was suspended, and the Calcasieu Parish Police Jury assumed the position of governing authority of the District. The District will now adhere to all of the Parish's internal controls and accounting processes and procedures which include a prohibition on bonuses and holiday celebrations as well as requiring minimum compliance documentation for meeting expenses.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
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SCHEDULE OF PRIOR YEAR FINDINGS
Six Months Ended December 31, 2023

SECTION III - FINANCIAL STATEMENT FINDINGS

2023-001 Segregation of Duties

Condition: This finding was a material weakness relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current Status: The condition still exists. See finding 2023a-001.

2023-002 Controls over Financing Reporting

Condition: This finding was a material weakness relating to the inability of the entity to produce financial statements and footnotes in accordance with generally accepted accounting principles.

Recommendation: We recommend management mitigate the weakness by having a heightened awareness of all transactions being reported.

Current Status: This condition has been resolved.

2023-003 Bond Covenants

Condition: This finding was a material weakness relating to the inability of the entity to meet bond covenants.

Recommendation: We recommend the District should replenish bond reserves and review water rates.

Current Status: This condition still exists. See finding 2023a-002.

WATERWORKS DISTRICT 8 OF WARDS 3 & 8
LAKE CHARLES, LA
MISCELLANEOUS SUPPLEMENTARY INFORMATION RELATED TO
2009 WATER REVENUE BONDS
SIX MONTHS ENDED DECEMBER 31, 2023

Section I:

A Schedule of Insurance with expiration dates:

National Union Fire Insurance Company of Pittsburgh, Pa

GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>Property:</u> \$4,151,814 RC Replacement Cost \$25,000 Any One Crisis Incident \$250,000 Loss of Income per occurrence \$250,000 Extra Expense per Occurrence \$50,000 Windstorm or Hail Deductible Each Occurrence
GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>Crime:</u> \$250,000 Employee Theft per Loss \$250,000 Forgery or Alteration per Occurrence \$250,000 Inside the Premises - Theft of Money & Securities per Occurrence \$100,000 Inside the Premises - Robbery/Safe Burglary per Occurrence \$250,000 Outside the Premises per Occurrence \$250,000 Computer and Funds Transfer Fraud per Occurrence \$250,000 Money Order per Occurrence \$250,000 Fraudulent Impersonation per Occurrence
GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>Inland Marine:</u> \$30,718 Blanket Tools and Equipment (Not to Exceed \$10,000 per item) \$21,275 2010 MP0605 Tractor/Loader \$40,000 2006 NH B95 Backhoe \$40,000 2015 Bobcat E42 Excavator
GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>Automobile:</u> \$1,000,000 Covered Autos Liability Each Accident \$500,000 Uninsured Motorists \$500,000 Underinsured Motorists \$1,000 Auto Medical Payments

(Continuation of Miscellaneous Supplementary Information related to 2009 Water Revenue Bonds)

GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>General Liability:</u> \$1,000,000 Each Occurrence \$1,000,000 Damage to Premises Rented to You \$10,000 Medical Expense \$1,000,000 Personal and Advertising Injury \$3,000,000 General Aggregate \$3,000,000 Products - Complete Operation Aggregate
GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>Public Officials and Management Liability:</u> \$3,000,000 Aggregate Limit of Each Wrongful Act or Offense and Each Action for Injunctive Relief Combined \$1,000,000 Each Wrongful Act or Offense \$5,000 Each Action for Injunctive Relief \$1,000,000 Coverage D Cyber Liability - Each "electronic information security event" \$1,000,000 coverage D Cyber Liability - Aggregate \$50,000 Coverage E Privacy Crisis Management Expense - Each "privacy event" \$20,000 Coverage F Cyber Extortion Expense - Each "cyber extortion threat" \$50,000 Coverage E and Coverage F Aggregate Limit of Insurance - Aggregate
GPNU-PF-0027729-03/000	12/08/23- 12/08/24	<u>Excess Liability:</u> \$1,000,000 Each Occurrence \$1,000,000 Products - Completed Operation Aggregate Limit \$1,000,000 Aggregate Limit \$1,000,000 Unmanned Aircraft Liability Each Occurrence \$1,000,000 Unmanned Aircraft Liability Aggregate Limit

Section II:

There were 2,232 customers on the system at December 31, 2023.

(Continuation of Miscellaneous Supplementary Information related to 2009 Water Revenue Bonds)

Section III:

The following is the calculated balance of reserves at December 31, 2023:

2009 Revenue Bond Sinking Fund	\$ 14,408
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Section IV:

Present Rates:

Water Rate Classification and Schedule:

Residential and Parish Non Tax

\$ 25.00 up to 2,000 gallons
\$ 4.25 per 1,000 gallons thereafter

Commercial, Commercial II, Commercial Non Tax

\$55.00 up to 2,000 gallons
\$ 4.25 per 1,000 gallons thereafter

Industrial

\$180.00 up to 2,000 gallons
\$ 4.25 per 1,000 gallons thereafter

Double Minimum

\$48.50 up to 2,000 gallons
\$ 4.25 per 1,000 gallons thereafter

The average monthly billing per user of the system was \$55.21.

The aggregate dollar billed for services rendered by the system during the six months ended December 31, 2023 was \$726,279.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES**

To the Board of Commissioners of the Waterworks District 8 of Wards 3 and 8
of Calcasieu Parish, Louisiana
and the Louisiana Legislative Auditor:

We have performed the procedures enumerated below on the control and compliance (C/C) areas of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana (the District) identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Upon Procedures (SAUPs) for the fiscal period July 1, 2023 through December 31, 2023. The District's management is responsible for those C/C areas identified in the SAUPs.

The District has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2023 through December 31, 2023. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

1) Written Policies and Procedures

A. Obtain and inspect the entity's written policies and procedures and observe whether they address each of the following categories and subcategories if applicable to public funds and the entity's operations:

i. **Budgeting**, including preparing, adopting, monitoring, and amending the budget.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- ii. **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the Public Bid Law; and (5) documentation required to be maintained for all bids and price quotes.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- iii. **Disbursements**, including processing, reviewing, and approving.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- iv. **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).

As of December 31, 2023, the District did not have written procedures that addressed this area.

- v. **Payroll/Personnel**, including (1) payroll processing, (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee rates of pay or approval and maintenance of pay rate schedules.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- vi. **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- vii. **Travel and Expense Reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- viii. **Credit Cards (and debit cards, fuel cards, purchase cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, and (4) required approvers of statements, and (5) monitoring card usage (e.g. determining the reasonableness of fuel card purchases).

As of December 31, 2023, the District did not have written procedures that addressed this area.

- ix. **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- x. **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- xi. **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes, and tools needed to recover operations after a critical event.

As of December 31, 2023, the District did not have written procedures that addressed this area.

- xii. **Prevention of Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

As of December 31, 2023, the District did not have written procedures that addressed this area.

2) Board or Finance Committee

A. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:

- i. Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws or other equivalent document.

No exceptions noted.

- ii. For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds.

Minutes did not reference monthly budget-to-actual comparisons.

- iii. For governmental entities, obtain the prior year audit report and observe the unassigned fund balance in the general fund. If the general fund had a negative ending unassigned fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unassigned fund balance in the general fund.

No exceptions noted.

- iv. Observe whether the board/finance committee received written updates of the progress of resolving audit finding(s), according to management's corrective action plan at each meeting until the findings are considered fully resolved.

Minutes did not reference progress of resolving audit findings.

3) Bank Reconciliations

A. Obtain a listing of entity bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select 4 additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:

- i. Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged).

No exceptions noted.

- ii. Bank reconciliations include evidence that a member of management or a board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation within 1 month of the date the reconciliation was prepared (e.g., initialed and dated, electronically logged).

No evidence that bank reconciliations were reviewed by someone who does not handle cash, post ledgers, or issue checks.

- iii. Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

Reconciling items have not been researched.

4) Collections (excluding electronic funds transfers)

- A. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5):

No exceptions noted.

- B. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (e.g., 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if there are no written policies or procedures, then inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:

- i. Employees responsible for cash collections do not share cash drawers/registers.

Employees share cash drawers/registers.

- ii. Each employee responsible for collecting cash is not also responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.

No exceptions noted.

- iii. Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.

Employee responsible for collecting cash also posts collection entries to general ledger.

- iv. The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions is (are) not responsible for collecting cash, unless another employee/official verifies the reconciliation.

Employee responsible for collecting cash also reconciles cash to general ledger.

- C. Obtain from management a copy of the bond or insurance policy for theft covering all employees who have access to cash. Observe the bond or insurance policy for theft was in force during the fiscal period.

No exceptions noted.

- D. Randomly select two deposit dates for each of the 5 bank accounts selected for Bank Reconciliations procedure #3A (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). Obtain supporting documentation for each of the 10 deposits and:

- i. Observe that receipts are sequentially pre-numbered.

No exceptions noted.

- ii. Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.

No exceptions noted.

- iii. Trace the deposit slip total to the actual deposit per the bank statement.

No exceptions noted.

- iv. Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).

Deposits were not made within one business day of receipt.

- v. Trace the actual deposit per the bank statement to the general ledger.

No exceptions noted.

5) Non-Payroll Disbursements (excluding credit card purchases/payments, travel reimbursements, and petty-cash purchases)

- A. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

No exceptions noted.

- B. For each location selected under procedure #5A above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, then inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- i. At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order or making the purchase.

As of December 31, 2023, the District did not have written procedures relating to employee job duties.

- ii. At least two employees are involved in processing and approving payments to vendors.

As of December 31, 2023, the District did not have written procedures relating to employee job duties.

- iii. The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.

As of December 31, 2023, the District did not have written procedures relating to employee job duties.

- iv. Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

As of December 31, 2023, the District did not have written procedures relating to employee job duties.

- v. Only employees/officials authorized to sign checks approve the electronic disbursement (release) of funds, whether through automated clearinghouse (ACH), electronic funds transfer (EFT), wire transfer, or some other electronic means.

As of December 31, 2023, the District did not have written procedures relating to employee job duties.

- C. For each location selected under procedure #5A above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- i. Observe whether the disbursement, whether by paper or electronic means, matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.

Disbursements did not show evidence of segregation of duties.

- ii. Observe whether the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under procedure #5B above, as applicable.

No exceptions noted.

- D. Using the entity's main operating account and the month selected in Bank Reconciliations procedure #3A, randomly select 5 non-payroll-related electronic disbursements (or all electronic disbursements if less than 5) and observe that each electronic disbursement was (a) approved by only those persons authorized to disburse funds (e.g., sign checks) per the entity's policy, and (b) approved by the required number of authorized signers per the entity's policy. Note: If no electronic payments were made from the main operating account during the month selected the practitioner should select an alternative month and/or account for testing that does include electronic disbursements.

Electronic disbursements were not authorized by persons authorized to disburse funds and were not approved by required number of authorized signers.

6) Credit Cards/Debit Cards/Fuel Cards/Purchase Cards

- A. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and purchase cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management's representation that the listing is complete.

No exceptions noted.

- B. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement). Obtain supporting documentation, and:

- i. Observe whether there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) were reviewed and approved, in writing (or electronically approved) by someone other than the authorized card holder.

The monthly statement was not approved in writing.

- ii. Observe that finance charges and late fees were not assessed on the selected statements.

No exceptions noted.

- C. Using the monthly statements or combined statements selected under procedure #7B above, excluding fuel cards, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (e.g., each card should have 10 transactions subject to inspection). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and observe whether management had a compensating control to address missing receipts, such as a "missing receipt statement" that is subject to increased scrutiny.

Transactions were not supported by original itemized receipts and business purpose was not documented.

7) Travel and Expense Reimbursement

- A. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management's representation that the listing or general ledger is complete. Randomly select 5 reimbursements and obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:

- i. If reimbursed using a per diem, observe that the approved reimbursement rate is no more than those rates established by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).

No exceptions noted.

- ii. If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.

No exceptions noted.

- iii. Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by Written Policies and Procedures procedure #1A(vii).

No exceptions noted.

- iv. Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

No exceptions noted.

8) Contracts

- A. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. Obtain management's representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, excluding the practitioner's contract, and:

- i. Observe whether the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.

No exceptions noted.

- ii. Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter).

No exceptions noted.

- iii. If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment: and that amendments were made in compliance with the contract terms (e.g., if approval is required for any amendment, the documented approval).

No exceptions noted.

- iv. Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

No exceptions noted.

9) Payroll and Personnel

- A. Obtain a listing of employees and officials employed during the fiscal period and management's representation that the listing is complete. Randomly select five employees or officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

No exceptions noted.

- B. Randomly select one pay period during the fiscal period. For the 5 employees or officials selected under procedure #9A above, obtain attendance records and leave documentation for the pay period, and:

- i. Observe that all selected employees or officials documented their daily attendance and leave (e.g., vacation, sick, compensatory).

No exceptions noted.

- ii. Observe whether supervisors approved the attendance and leave of the selected employees or officials:

No exceptions noted.

- iii. Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records:

No exceptions noted.

- iv. Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

Salary/pay rates were not found in the personnel files.

- C. Obtain a listing of those employees or officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials and obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee's or official's cumulative leave records, agree the pay rates to the employee/officials' authorized pay rates in the employee's or official's personnel files, and agree the termination payment to entity policy.

No exceptions noted.

- D. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, and workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

No exceptions noted.

10) Ethics

- A. Using the five randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain ethics documentation from management and:

- i. Observe whether the documentation demonstrates each employee/official completed one hour of ethics training during the calendar year as required by R.S. 42:1170.

Employees did not complete one hour of ethics training.

- ii. Observe whether the entity maintains documentation which demonstrates that each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable:

The District did not have a written ethics policy.

- B. Inquire and/or observe whether the agency has appointed an ethics designee as required by R.S. 42:1170.

The District did not appoint an ethics designee.

11) Debt Service

- A. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued as required by Article VII, Section 8 of the Louisiana Constitution.

N/A – No bonds or debt instruments issued during the fiscal period.

- B. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants):

The District did not maintain required cash reserve balances.

12) Fraud Notice

- A. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled as required by R.S. 24:523.

No exceptions noted.

- B. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds:

Notice was not posted on its premises or its website.

13) Information Technology Disaster Recovery/Business Continuity

- A. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
- i. Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if there is no written documentation, then inquire of personnel responsible for backing up critical data) and observe evidence that such backup (a) occurred within the past week, (b) was not stored on the government's local server or network, and (c) was encrypted.

We performed the procedure and discussed the results with management.

- ii. Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.

We performed the procedure and discussed the results with management.

- iii. Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

We performed the procedure and discussed the results with management.

- B. Randomly select 5 terminated employees (or all terminated employees if less than 5) using the list of terminated employees obtained in Payroll and Personnel procedure #9C. Observe evidence that the selected terminated employees have been removed or disabled from the network.

We performed the procedure and discussed the results with management.

- C. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain cybersecurity training documentation from management, and observe that the documentation demonstrates that the following employees/officials with access to the agency's information technology assets have completed cybersecurity training as required by R.S. 42:1267²⁵. The requirements are as follows:

- Hired before June 9, 2020 – completed the training; and
- Hired on or after June 9, 2020 – completed the training within 30 days of initial service or employment.

We performed the procedure and discussed the results with management.

14) Prevention of Sexual Harassment

- A. Using the 5 randomly selected employees/officials from Payroll and Personnel procedure #9A, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year as required by R.S. 42:343.

Sexual harassment training was not completed.

- B. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

Sexual harassment policy was not posted on its website or on the premises.

- C. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe that the report includes the applicable requirements of R.S. 42:344:

- i. Number and percentage of public servants in the agency who have completed the training requirements.

The District did not submit the annual sexual harassment report.

- ii. Number of sexual harassment complaints received by the agency.

The District did not submit the annual sexual harassment report.

- iii. Number of complaints which resulted in a finding that sexual harassment occurred.

The District did not submit the annual sexual harassment report.

- iv. Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action.

The District did not submit the annual sexual harassment report.

- v. Amount of time it took to resolve each complaint.

The District did not submit the annual sexual harassment report.

We were engaged by the Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and applicable standards of *Government Auditing Standards*. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of Waterworks District 8 of Wards 3 and 8 of Calcasieu Parish, Louisiana and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

Mr. Elroy Quirk - Branch

Lake Charles, Louisiana
June 27, 2024



CALCASIEU PARISH POLICE JURY

GOVERNING AUTHORITY OF CALCASIEU PARISH, LOUISIANA

DIVISION OF FINANCE

P.O. Box 3287
Lake Charles, Louisiana 70602-3287
337/ 721-3650
Fax 337/ 721-4151
www.calcasieu.gov

MANAGEMENT'S RESPONSE TO AGREED-UPON PROCEDURES EXCEPTIONS DECEMBER 31, 2023

On January 13, 2024, the Calcasieu Parish Waterworks District No. 8 of Wards 3 & 8 (the District) Board of Commissioners was suspended and the Calcasieu Parish Police Jury (the Parish) assumed the position of governing authority of the District on January 14, 2024. The District will adhere to all of the Parish's internal controls and accounting processes and procedures.