

CITY OF CARENCRO, LOUISIANA

Schedule of Findings and Questioned Costs
For the Year Ended November 30, 2024

Part I. Summary of Auditor's Results

1. The auditor's report expresses a disclaimer of opinion on the business-type activities and culture and recreation fund. The remaining opinion unit's were unmodified.
2. Three deficiencies in internal control were disclosed during the audit of the financial statements. These deficiencies were considered to be material weaknesses.
3. Five instances of noncompliance material to the financial statements of the City, which would be required to be reported in accordance with *Governmental Auditing Standards*, were disclosed during the audit.
4. No material weaknesses in internal control over major federal award programs was reported during the audit.
5. The auditor's report on compliance for the COVID-19-Coronavirus State and Local Fiscal Recovery Funds (21.027) expresses an unmodified opinion.
6. The audit findings that are required to be reported in accordance with 2 CFR section 200.516 (a) are reported in this schedule.
7. The following program is considered to be the only major program: COVID-19-Coronavirus State and Local Fiscal Recovery Funds (21.027).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. The auditee did not qualify as a low-risk auditee.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

A. Internal Control Findings -

2024-001 Inadequate Segregation of Accounting Functions

Fiscal year finding initially occurred: Unknown

Criteria: The City should have a control policy according to which no person should be given responsibility for more than one related function.

Condition: The City did not have adequate segregation of functions within the accounting system.

Cause: Due to the size of the City, they do not have a sufficient number of employees to provide adequate segregation of segregation of accounting and financial duties.

Effect: Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities including fraud and/or defalcations may occur and not be prevented and/or detected.

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Recommendation: The City should monitor mitigating controls over functions that are not completely segregated.

Management's Corrective Action Plan: Due to the size of the operations and the cost-benefit of additional personnel, it may not be feasible to achieve complete segregation of duties, however, the City has implemented mitigating controls in certain key areas including hiring outside accounting consults to assist with bank reconciliations and other account reconciliations.

2024-002 Inadequate Controls Over Financial Statement Preparation

Fiscal year finding initially occurred: 2021

Criteria: The City should be able to record financial transactions and prepare financial statements in accordance with GAAP.

Condition: The City does not have a staff person who has the qualifications and training necessary to apply generally accepted accounting principles (GAAP) in recording the City's financial transactions or preparing its financial statements, including the related notes.

Cause: The City does not have personnel with the qualifications needed to perform this function.

Effect: The City financial transactions and financial statements may not be prepared in accordance with GAAP.

Recommendation: The City should outsource this task to ensure the financial statements and transactions are in accordance with GAAP.

Management's Corrective Action Plan: The City has evaluated the cost vs benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP and determined that is in the best interest of the City to outsource this task to the independent auditors, and to utilize the outside accounting consultants to assist with the preparation as well as the initial review of the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

2024-003 Qualified Staff to Review Payroll Function

Fiscal year finding initially occurred: 2024

Criteria: The City did not have a staff person with the necessary qualifications and training to review the payroll functions and records.

Condition: The City should have a control policy in which a person with the necessary qualifications and training review all aspects of the payroll functions.

Cause: The City's payroll functions were not properly reviewed which led to multiple errors/irregularities.

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Effect: Failure to properly review payroll functions or records increases the risk that errors and/or irregularities including fraud may occur and not be prevented and/or detected.

Recommendation: The City should require that a person with the necessary qualifications and training review all aspects of the payroll function monthly. In addition, the City should consider hiring an employment attorney to perform a review of the payroll policies and procedures as part of a best practice recommendation.

Management's Corrective Action Plan: The City will evaluate the recommendations above and develop additional controls over the payroll process to include utilization of the outside accounting consultants in some areas and will propose a best practice review of the policies and procedures surrounding payroll by an employment attorney.

B. Compliance Findings –

2024-004 Failure to transfer Sales Taxes in Accordance with Ordinance

Fiscal year finding initially occurred: 2024

Criteria: The City of Carencro's 1993 Sales Tax Ordinance specifies that all collections from the 1993 Sales Tax Ordinance should be dedicated and divided as follows: one-third for the purpose of paying the cost of fire and police protection, one-third for operating and maintaining recreational facilities and programs for the City, and one-third for the cost of capital improvements of the city, after paying the costs of all tax administration and debt service requirements.

Condition: Due to inaccurate transfers between bank accounts, each recipient of the tax did not receive the required amount.

Cause: The City did not expend sales taxes in accordance with the ordinance.

Effect: The City's transfers for debt service were made after the transfers to each applicable recipient through a reduction of the capital outlay sales tax portion. As a result, police, fire, and parks and recreation received additional sales taxes that should have been allocated for capital outlay.

Recommendation: The City should transfer all required amounts to be properly used in accordance with the ordinance.

Management's Corrective Action Plan: The City and outside accounting consultants will work with the audit firm to identify the transfers made incorrectly and will correct these in the current fiscal year through additional transfers between these impacted funds.

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2024-005 Donation of Public Funds

Fiscal year finding initially occurred: 2023

Criteria: Article 7, Section 14 of the Louisiana Constitution states “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, association, or corporation, public or private.”

Condition: The City did not pass an ordinance indicating the benefit of the organization to the City nor, did the City execute a signed cooperative endeavor agreement before funds were loaned.

Cause: The City of Carencro did not have appropriate policies and procedures to ensure that public funds were appropriately spent.

Effect: The City of Carencro City loaned funds to a non-profit organization which may be a violation of Article 7, Section 14 of the Louisiana Constitution.

Recommendation: The City of Carencro should implement policies and procedures to ensure the amounts spent are in accordance with State Law. Additionally, the City should obtain an attorney’s general opinion as to the proper procedures necessary to loan funds to a non-profit.

Management’s Corrective Action Plan: During the audit year, the management of the City and the non-profit organization have been working with their respective legal counsel to ensure the cooperative endeavor agreement was acceptable, and the agreement was executed in January 2025.

2024-006 Failure to Charge for Use of City Facilities

Fiscal year finding initially occurred: 2024

Criteria: Article 7, Section 14 of the Louisiana Constitution states “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, association, or corporation, public or private.”

Condition: The City provided use of its recreational facilities to Carencro Area Youth Sports, Inc. for no charge without passing an ordinance or signing a cooperative endeavor agreement with the organization.

Cause: The City of Carencro did not have appropriate policies and procedures to ensure that organizations and individuals who use public facilities were properly charged.

Effect: The City of Carencro allowed use of public facilities without charge which may be a violation of Article 7, Section 14 of the Louisiana Constitution.

Recommendation: The City of Carencro should implement policies and procedures to ensure all facility use is charged at current rates.

Management’s Corrective Action Plan: Management of the City and the non-profit organization have been working with their respective legal counsel to ensure the cooperative endeavor agreement is in place before any additional facility use is allowed.

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2024-007 Failure to Amend Budget

Fiscal year finding initially occurred: 2023

Criteria: Louisiana Revised Statute 39:1311 A(2) states that the budget is required to be amended when “total expenditures and other uses plus projected expenditures and other uses for the remainder of the year, within a fund, are exceeding the total budgeted expenditures and other uses by five percent or more”. Additionally, Louisiana Revised Statute 39:1311 A(1) states that the budget is required to be amended when “total revenues and other sources plus projected revenues and other sources for the remainder of the year, within a fund, are failing to meet total budgeted revenues and other sources by five percent or more”.

Condition: Total expenditures and other uses of the 1967 Sales Tax Fund exceeded total budgeted expenditures and other sources by more than five percent. In addition, the 2016 Sales Tax fund revenues and other sources failed to meet total budgeted revenues by more than five percent.

Cause: The City did not properly monitor compliance with the budget.

Effect: The City may not prevent and/or detect excess spending of the appropriated budget in a timely manner.

Recommendation: The city should monitor compliance with the budget and amend the budget when total expenditures and other uses exceed total budgeted amounts or when total revenues and other sources fail to meet budgeted amounts.

Management’s Corrective Action Plan: The City will monitor compliance with the budget and amend the budget when total expenditures and other uses exceed total budgeted amounts or when total revenues and other sources fail to meet budgeted amounts.

2024-008 Record Retention Issues

Fiscal year finding initially occurred: 2024

Criteria: During the course of the engagement, the City was unable to provide sufficient supporting documentation related to the Culture and Recreation Fund.

Condition: Louisiana Revised Statute 44:36 requires agencies to maintain records to support transactions for a minimum of three years from the date the record is created, unless required to be maintained by a specific state statute.

Cause: The City did not retain supporting documentation during the year ended November 30, 2024.

Effect: Failure to maintain proper supporting documentation is a violation of state statutes. Additionally, lack of proper documentation makes it difficult to determine if amounts are appropriate, necessary for City operations, and properly reported.

Recommendation: The City should develop policies and procedures to ensure that proper support is maintained for all transactions as required under state statutes.

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Management's Corrective Action Plan: This finding continues to be the result of the fire that destroyed the majority of the historical records of Pelican Park. Without these records, the proper accounting for the fiscal year to comply with generally accepted accounting principles could not be maintained. These issues are continuing into the new fiscal year and it is expected that for fiscal year ended November 30, 2025, this can be partially corrected with the goal of getting all policies, procedures and controls in place to allow for an opinion to be issued in fiscal year ended 2026.

Part III. Findings and questioned cost for Federal awards which include audit findings as defined in 2 CFR section 200 of the Uniform Guidance:

A. Compliance Findings -

There are no findings to report under this section.

B. Internal Control Findings -

There are no findings to report under this section.

