

**CITY OF CRANSTON,
RHODE ISLAND**

***Auditors' Reports as Required by OMB Circular A-133
and
Government Auditing Standards***

Year Ended June 30, 2013

CITY OF CRANSTON, RHODE ISLAND

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2013

Page(s)

FINANCIAL STATEMENTS:

Schedule of Expenditures of Federal Awards 1 - 2

Notes to Schedule of Expenditures of Federal Awards 3

REPORTING UNDER GOVERNMENT AUDITING STANDARDS:

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..... 4 - 5

Report on Compliance for Each Major Program, On Internal Control Over
Compliance and on the Schedule of Expenditures of Federal Awards Required
By OMB Circular A-133 6 - 7

Schedule of Findings and Questioned Costs 8 - 10

CITY OF CRANSTON, RHODE ISLAND

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Agriculture</i>		
Pass through State Department of Education:		
National School Lunch Program	10.555	\$ 1,767,677
School Breakfast Program	10.553	548,684
Special Milk Program for Children	10.556	355
Watershed Protection and Flood Prevention	10.904	148,788
Fresh Fruit and Vegetable Program	10.582	125,173
<i>Total U.S. Department of Agriculture</i>		<u>2,590,677</u>
<i>U.S. Department of Housing and Urban Development</i>		
Direct Program:		
Community Development Block Grants/Entitlement Grants	14.218	1,932,866
Community Development Block Grant Brownfields Economic Development Initiative	14.246	50,703
<i>Total U.S. Department of Housing and Urban Development</i>		<u>1,983,569</u>
<i>U.S. Department of Education</i>		
Pass through the State Department of Education:		
Special Education - Grants to States	84.027	2,951,763
Race To the Top	84.395A	181,076
ARRA - Race To the Top	84.395A	554,723
Special Education--Preschool Grants	84.173	86,423
Title I Grants to Local Education Agencies	84.010A	2,222,375
Career and Technical Education - Basic Grants to States	84.048A	662,219
English Language Acquisition State Grants	84.365A	162,355
21st Century Community Learning Centers	84.287C	227,841
Adult Education - Basic Grants to States	84.002	138,311
Improving Teacher Quality State Grants	84.367A	711,866
<i>Total U.S. Department of Education</i>		<u>7,898,952</u>
<i>U.S. Department of Energy</i>		
Pass through the State of Rhode Island:		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	48,875
<i>Total U.S. Department of Energy</i>		<u>48,875</u>

The accompanying notes are an integral part of this schedule

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2013*

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Health and Human Services</i>		
Passed through the State of Rhode Island:		
Special Programs for the Aging_ Title III, Part D - Disease Prevention and Health Promotion Services	93.043	18,204
Special Programs for the Aging_ Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	30,000
<i>Total U.S. Department of Health and Human Services</i>		<u>48,204</u>
<i>U.S. Department of Homeland Security</i>		
Pass through the State of Rhode Island:		
Homeland Security Grant Program	97.067	138,145
Port Security Grant Program	97.056	58,836
Emergency Management Performance Grants	97.042	56,115
Direct Program:		
Assistance to Firefighters Grant	97.044	631,831
<i>Total U.S. Department of Homeland Security</i>		<u>884,927</u>
<i>U.S. Department of Transportation</i>		
Pass through the State of Rhode Island:		
State and Community Highway Safety	20.600	24,500
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	55,427
Occupant Protection Incentive Grants	20.602	15,801
Highway Planning and Construction	20.205	466,042
<i>Total U.S. Department of Transportation</i>		<u>561,770</u>
<i>U.S. Department of Public Safety</i>		
Pass through the State of Rhode Island:		
Public Safety Partnership and Community Policing Grants	16.710	414,790
Edward Byrne Memorial Justice Assistance Grant Program	16.738	19,655
<i>Total U.S. Department of Labor</i>		<u>434,445</u>
<i>U.S. Department of the Treasury</i>		
Pass through the State of Rhode Island:		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	7,000
<i>Total U.S. Department of the Treasury</i>		<u>7,000</u>
<i>U.S. Corporation for National and Community Service</i>		
Pass through the State of Rhode Island:		
Retired and Senior Volunteer Program	94.002	50,945
<i>Total U.S. Corporation for National and Community Service</i>		<u>50,945</u>
 <i>Total Expenditures of Federal Awards</i>		 <u>\$ 14,509,364</u>

The accompanying notes are an integral part of this schedule

(CONCLUDED)

CITY OF CRANSTON, RHODE ISLAND

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Cranston, Rhode Island. All federal awards received from federal agencies are included on the Schedule of Expenditures of Federal Awards. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. Determination of Major Programs

The determination of major federal awards & programs was based upon the overall level of expenditures for all federal programs for the City of Cranston, Rhode Island. As such, the threshold for determining Type A programs are defined as those with federal program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2013, the following programs were considered major programs:

Assistance to Firefighters Grant.....	CFDA # 97.044
Special Education - Grants to States*.....	CFDA # 84.027
Special Education - Preschool Grants*.....	CFDA # 84.173
Title I Grants to Local Education Agencies**.....	CFDA # 84.010
Career and Technical Education - Basic Grants to States.....	CFDA # 84.048
Improving Teacher Quality State Grants.....	CFDA # 84.367
Race To the Top*.....	CFDA # 84.395
ARRA - Race To the Top*.....	CFDA # 84.395
National School Lunch Program*.....	CFDA # 10.555
School Breakfast Program*.....	CFDA # 10.553
Special Milk Program for Children*.....	CFDA # 10.556
Public Safety Partnership and Community Policing Grants.....	CFDA # 16.710
Highway Planning and Construction.....	CFDA # 20.205

* These programs are in a cluster and therefore considered one program for compliance requirements (** and *** denote a second and third cluster).

4. School Lunch Commodities

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the cost of commodities provided by the School Lunch Program. The total federal share of these commodities was \$144,863 for the fiscal year ended June 30, 2013.

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

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor Allan W. Fung
and Members of the Cranston City Council
Cranston, Rhode Island

We have audited in accordance with the 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Cranston, Rhode Island's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cranston, Rhode Island's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Cranston, Rhode Island in a separate letter titled *Letters of Observation and Recommendations* dated December 23, 2013.

Purpose of this Report

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

A handwritten signature in cursive script, appearing to read "Brewer & Co.", followed by a period.

Providence, Rhode Island
December 23, 2013

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL
OVER COMPLIANCE AND ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

REPORT OF INDEPENDENT AUDITORS

Honorable Mayor Allan W. Fung
and Members of the Cranston City Council
Cranston, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the City of Cranston, Rhode Island's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Cranston, Rhode Island's major federal programs for the year ended June 30, 2013. The City of Cranston, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Cranston, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis evidence about the City of Cranston, Rhode Island's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Cranston, Rhode Island's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cranston, Rhode Island complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Cranston, Rhode Island is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Cranston, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cranston, Rhode Island's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be, prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Cranston, Rhode Island's basic financial statements. We issued our report thereon dated December 23, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Providence, Rhode Island
January 28, 2014, except for the paragraph
regarding the Schedule of Federal Awards
as to which the date is December 23, 2013



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF AUDITORS' RESULTS

1. The Report of Independent Auditors expressed an unmodified opinion on the governmental activities the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island.
2. No significant deficiencies relating to the internal control over financial reporting.
3. No instances of noncompliance material to the financial statements of the City of Cranston, Rhode Island were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs were reported.
5. The Report on Compliance for Each Major Program, On Internal Control Over Compliance and on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 expresses an unmodified opinion.
6. Audit findings relative to the major federal award programs for the City of Cranston are reported in Part C of this schedule.
7. The programs tested as major programs were:

Assistance to Firefighters Grant.....	CFDA # 97.044
Special Education - Grants to States*.....	CFDA # 84.027
Special Education - Preschool Grants*.....	CFDA # 84.173
Title I Grants to Local Education Agencies**.....	CFDA # 84.010
Career and Technical Education - Basic Grants to States.....	CFDA # 84.048
Improving Teacher Quality State Grants.....	CFDA # 84.367
Race To the Top*.....	CFDA # 84.395
ARRA - Race To the Top*.....	CFDA # 84.395
National School Lunch Program*.....	CFDA # 10.555
School Breakfast Program*.....	CFDA # 10.553
Special Milk Program for Children*.....	CFDA # 10.556
Public Safety Partnership and Community Policing Grants.....	CFDA # 16.710
Highway Planning and Construction.....	CFDA # 20.205

* These programs are in a cluster and therefore considered one program for compliance requirements (** and *** denote a second and third cluster).

8. The threshold for distinguishing Type A programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The City of Cranston, Rhode Island does not qualify as a low-risk auditee.

(CONTINUED)

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

None noted.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None noted

(CONTINUED)

CITY OF CRANSTON, RHODE ISLAND

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

Prior Year Findings:

2012-1: (1) Special Education Grants – CFDA #84.027, (2) ARRA - Special Education Grants – CFDA #84.391, (3) Title I – CFDA #84.010, (4) Title I ARRA – CFDA #84.389, (5) Career and Technical Education Grants – CFDA #84.048, & (6) Improving Teacher Quality Grants – CFDA #84.367

Criteria: The Cranston School Department may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted instances where payroll records supporting cost allocations to federal programs were not being maintained in accordance with the requirements of OMB Circular A-87. The circular requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

**Statement of
Condition:**

The Cranston School Department does not have an adequate policy or procedure requiring employees charged to federally funded programs to maintain time records or complete certifications in accordance with the requirements of OMB Circular A-87. The School Department did maintain records in the employee personnel files which note the position held by the employee however an actual time allocation of their hours worked was not maintained.

**Effect of
Condition:**

Failure to properly document and allocate payroll expenses to their corresponding program(s) may result in excess costs being charged to a federally funded program.

Status:

Finding was cleared in 2013. During our audit for the year ended June 30, 2013 we noted there was proper time and effort documentation maintained.

(CONCLUDED)