

CITY OF CRANSTON, RHODE ISLAND

FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2019

**CITY OF CRANSTON, RHODE ISLAND
FEDERAL SINGLE AUDIT REPORT
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TABLE OF CONTENTS**

| | |
|---|------|
| Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance | 1-3 |
| Schedule of Expenditures of Federal Awards | 4-5 |
| Notes to Schedule of Expenditures of Federal Awards | 6 |
| 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 <i>Government Auditing Standards</i> | 7-8 |
| Schedule of Findings and Questioned Costs | 9-10 |

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Honorable Mayor Allan W. Fung and
Members of the Cranston City Council
City of 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 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, 2019. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of 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, 2019.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Cranston, Rhode Island's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2019, 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 24, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
March 30, 2020

**CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Subrecipient Expenditures</u> | <u>Federal Expenditures</u> |
|--|--------------------|---|----------------------------------|-----------------------------|
| U.S. Department of Housing & Urban Development: | | | | |
| <i>Direct Programs:</i> | | | | |
| CDBG - Entitlement Grants Cluster: | | | | |
| Community Development Block Grant/Entitlement Grants | 14.218 | | \$ 551,637 | \$ 1,427,436 |
| U.S. Department of Transportation: | | | | |
| <i>Passed through the State of Rhode Island, Department of Transportation:</i> | | | | |
| Highway Safety Cluster: | | | | |
| State and Community Highway Safety | 20.600 | | \$ 98,628 | |
| Alcohol Impaired Driving Countermeasures Incentive Grants I | 20.601 | | 8,439 | |
| Total Highway Safety Cluster | | 69A37518300004020R10 | | 107,067 |
| U.S. Department of Education: | | | | |
| <i>Passed through the State of Rhode Island, Department of Education:</i> | | | | |
| Title I Grants to Local Educational Agencies | 84.010 | 2725-11702-801 | | 2,880,111 |
| Career & Technical Education - Basic Grants to States | 84.048 | 2725-15302-801 | | 363,586 |
| Supporting Effective Instruction State Grant | 84.367 | 2725-16402-801 | | 607,421 |
| Twenty-First Century Community Learning Grants | 84.287 | 2725-16602-830 | | 233,826 |
| Adult Education - Basic Grants to States | 84.002 | 2730-15002-801 | | 94,250 |
| English Language Acquisition State Grants | 84.365 | 2725-16502-801 | | 83,883 |
| Preschool Development Grant | 84.419 | 2725-20402-801 | | 111,561 |
| Student Support and Academic Enrichment Grants | 84.424 | | | 242,050 |
| Special Education Cluster (IDEA): | | | | |
| State Education - Grants to States | 84.027 | 2725-13202-801 | 3,089,953 | |
| Special Education Preschool Grants | 84.173 | 2725-13502-801 | 46,507 | |
| Total Special Education Cluster (IDEA) | | | | 3,136,460 |
| Total U.S. Department of Education | | | | 7,753,148 |
| U.S. Department of Agriculture: | | | | |
| <i>Passed through the State of Rhode Island, Department of Education:</i> | | | | |
| NSLP - Equipment Assistance | 10.579 | | | 24,861 |
| Fresh Fruit and Vegetable Program | 10.582 | | | 121,551 |
| Child and Adult Care Food Program | 10.558 | | | 132,234 |
| Child Nutrition Cluster: | | | | |
| National School Breakfast Program | 10.553 | | 602,889 | |
| National School Lunch Program | 10.555 | | 1,857,531 | |
| Summer Food Service Program for Children | 10.559 | | 35,556 | |
| Total Child Nutrition Cluster | | | | 2,495,976 |
| Total U.S. Department of Agriculture | | | | 2,774,622 |
| U.S. Department of Health and Human Services: | | | | |
| <i>Passed through the State of Rhode Island:</i> | | | | |
| Special Programs for the Aging Title III, Part D - | | | | |
| Disease Prevention and Health Promotion Services | 93.043 | 7550506 | | 24,511 |
| Aging Cluster: | | | | |
| Special Programs for the Aging Title III, Part B - | | | | |
| Grants for Supportive Services and Senior Centers | 93.044 | 7554570 | | 37,540 |
| Total U.S. Department of Health and Human Services | | | | 62,051 |
| U.S. Department of Homeland Security: | | | | |
| <i>Direct Program:</i> | | | | |
| Staffing for Adequate Fire and Emergency Response | 97.083 | | | 696,143 |
| <i>Passed through the State of Rhode Island:</i> | | | | |
| Fire Fighter Assistance Grant | 97.044 | | | 308,550 |
| Total U.S. Department of Homeland Security | | | | 1,004,693 |
| U.S. Department of Justice: | | | | |
| <i>Direct Program:</i> | | | | |
| Bulletproof Vest Partnership Program | 16.607 | | | 17,461 |
| Edward Byrne Memorial Justice Assistance Grant Program | 16.738 | | | 49,763 |
| Total U.S. Department of Homeland Security | | | | 67,224 |

The accompanying notes are an integral part of this schedule

**CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019**

| <u>Federal Grantor/Pass-Through Grantor/Program Title</u> | <u>CFDA Number</u> | <u>Pass-Through Entity Identifying Number</u> | <u>Subrecipient Expenditures</u> | <u>Federal Expenditures</u> |
|---|------------------------|---|--------------------------------------|-----------------------------|
| U.S. Corporation for National and Community Service: | | | | |
| <i>Passed through the State of Rhode Island:</i> | | | | |
| Retired and Senior Volunteer Program | 94.002 | | | \$ <u>50,945</u> |
| U.S. Department of Commerce: | | | | |
| <i>Direct Program:</i> | | | | |
| Economic Development Cluster: | | | | |
| Economic Adjustment Assistance | 11.307 | | | <u>460,354</u> |
| Total Expenditures of Federal Awards | | | \$ <u>551,637</u> | \$ <u>13,707,540</u> |

The accompanying notes are an integral part of this schedule

**CITY OF CRANSTON, RHODE ISLAND
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2019**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Cranston, Rhode Island, under programs of the federal government for the year ended June 30, 2019. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Because the Schedule presents only a selected portion of the operations of the City of Cranston, Rhode Island, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the City of Cranston, Rhode Island.

Basis of Accounting

Expenditures reported on the Schedule are reported using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. INDIRECT COST RECOVERY

The City of Cranston, Rhode Island, has elected not to use the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

3. CALCULATION OF FEDERAL EXPENDITURES - CFDA 11.307

Federal expenditures for the Business Economic Development Administration Revolving Loan Fund (CFDA 11.307) were calculated as follows per program requirements:

| | |
|---|--------------------------|
| Balance of RLF principal outstanding on loans at the end of the recipient's fiscal year | \$ 605,850 |
| Cash and investment balance in the RLF at the end of the recipient's fiscal year | - |
| Administrative expenses paid out of RLF income during the recipient's fiscal year | 7,955 |
| The unpaid principal of all loans written off during the recipient's fiscal year | - |
| | <u>613,805</u> |
| The federal share of the RLF | <u>75%</u> |
| Federal Expenditures | <u><u>\$ 460,354</u></u> |

4. NONCASH AWARDS

Donated commodities in the amount of \$205,272 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

**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***

To the Honorable Mayor Allan W. Fung and
Members of the Cranston City Council
City of 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, 2019, 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 24, 2019.

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 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.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

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

The City of Cranston, Rhode Island's Response to Findings

The City of Cranston, Rhode Island's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Cranston, Rhode Island's response was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on it.

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 City of Cranston, Rhode Island'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 City of Cranston, Rhode Island's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Blum, Shapiro & Company, P.C.

Cranston, Rhode Island
December 24, 2019

**CITY OF CRANSTON, RHODE ISLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? yes X none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a)? yes X no

Major programs:

| CFDA # | Name of Federal Program or Cluster |
|---------------------------------------|---|
| 10.553/10.555/10.559 84.027/84.173 | Child Nutrition Cluster Special Education Cluster (IDEA) |

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

Auditee qualified as low-risk auditee? yes X no

II. FINANCIAL STATEMENT FINDINGS

2019-001

Financial Statement Reporting

Criteria

Management is responsible for the completeness and accuracy of the schedule of expenditures of federal awards in regard to ensuring all reimbursement requests are properly computed and reported not only for single audit purposes but also for the financial statements of the City as a whole. Policies and procedures must provide for the accurate summarization and recording of amounts that are in the financial statements.

Condition

The City did not provide one schedule of expenditures of federal awards. The City allows each department to reconcile their own federal awards and prepare the information for the schedule, much of which is not reconciled to the City's finance department. Management was required to gather information from all different departments through emails and records of expenses. There is a risk that material reimbursement requests from outside departments are not being communicated timely to the finance department for proper accrual at year end so that the total expenses for the federal grant can match the revenues.

Questioned Costs

None

Context

The City of Cranston does not have adequate policies or procedures in place for communication from decentralized departments to the finance department in regard to federal grants funds that have been expended during a certain period, but for which funds have not been requested yet. There have been instances of outside departments expending funds and the information not being communicated timely so that the proper receivable can be recorded for that period to match the federal revenues with the expenditures of the same period.

Effect

Inaccurate amounts and grant identification numbers could occur, leading to an inaccurate schedule of expenditures of federal awards.

Cause

The City of Cranston does not have adequate policies or procedures in place for communication from decentralized departments to the finance department in regard to federal grants funds.

Recommendation

We recommend that the City centralize the tracking of the schedule of expenditures of federal awards. We understand the City's various departments are tracking their grants as they come in, but this process should be summarized by the City's finance department. On a monthly basis, the accounting department should be requesting the totals of all federal funds expended by CFDA number, a copy of the grant award (including CFDA number) and what reimbursement requests were filed during that period. The accounting department should be able to reconcile this activity back to the general ledger activity for the respective department.

Views of Responsible Officials and Planned Corrective Actions

Management concurs. Management will continue to have departments submit all grant reimbursements and receipts to the City's auditing department for review and reconciliation. The Finance Director will review all postings and meet with the City's outside auditors and act as a conduit to all departments in order to provide required documents for all federal awards.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.