

CITY OF CRANSTON, RHODE ISLAND
FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2020



WEALTH ADVISORY | OUTSOURCING
AUDIT, TAX, AND CONSULTING

CLAconnect.com

**CITY OF CRANSTON, RHODE ISLAND
FEDERAL SINGLE AUDIT REPORT
JUNE 30, 2020
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	9-11



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 Mayor 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, 2020. 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, 2020.

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

The financial statements as of and for the year ended June 30, 2020, were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen, LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C., has 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Cranston, Rhode Island's basic financial statements. Blum, Shapiro & Company, P.C., issued their report thereon dated December 29, 2020, which contained unmodified opinions on those financial statements. Their 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Cranston, Rhode Island
June 29, 2021

**CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020**

<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>				
<i>CDBG - Entitlement Grants Cluster:</i>				
Community Development Block Grant/Entitlement Grants	14.218		\$ <u>565,000</u>	\$ <u>1,052,656</u>
U.S. Department of Transportation:				
<i>Passed through the State of Rhode Island, Department of Transportation:</i>				
<i>Highway Safety Cluster:</i>				
State and Community Highway Safety	20.600		\$ 75,774	
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601		<u>18,257</u>	
Total Highway Safety Cluster		69A37518300004020R10		<u>94,031</u>
United States Environmental Protection Agency				
<i>Passed through the State of Rhode Island:</i>				
National Clean Diesel Emissions Reduction Program	66.039			<u>180,000</u>
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		2,766,951
Career & Technical Education - Basic Grants to States	84.048	2725-15302-801		347,712
Supporting Effective Instruction State Grant	84.367	2725-16402-801		561,532
Twenty-First Century Community Learning Grants	84.287	2725-16602-830		246,030
Adult Education - Basic Grants to States	84.002	2730-15002-801		73,500
English Language Acquisition State Grants	84.365	2725-16502-801		44,680
Preschool Development Grant	84.419	2725-20402-801		67,186
Student Support and Academic Enrichment Grants	84.424	Not available		231,755
COVID-19 CARES Act - ESSER	84.425	Not available		2,181,413
Special Education Cluster (IDEA):				
State Education - Grants to States	84.027	2725-13202-801	2,894,804	
Special Education Preschool Grants	84.173	2725-13502-801	<u>49,042</u>	
Total Special Education Cluster (IDEA)				<u>2,943,846</u>
Total U.S. Department of Education				<u>9,464,605</u>
U.S. Department of Agriculture:				
<i>Passed through the State of Rhode Island, Department of Education:</i>				
NSLP - Equipment Assistance	10.579	Not available		3,332
Fresh Fruit and Vegetable Program	10.582	Not available		85,006
Child and Adult Care Food Program	10.558	Not available		102,440
Child Nutrition Cluster:				
National School Breakfast Program	10.553	Not available	564,284	
National School Lunch Program	10.555	Not available	1,502,573	
Summer Food Service Program for Children	10.559	Not available	<u>47,645</u>	
Total Child Nutrition Cluster				<u>2,114,502</u>
Total U.S. Department of Agriculture				<u>2,305,280</u>
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		16,000
Aging Cluster:				
Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	7554570		<u>29,597</u>
Total U.S. Department of Health and Human Services				<u>45,597</u>

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, 2020**

<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 Homeland Security:				
<i>Direct Program:</i>				
Staffing for Adequate Fire and Emergency Response	97.083			\$ <u>650,231</u>
U.S. Department of Justice:				
<i>Direct Program:</i>				
Bulletproof Vest Partnership Program	16.607			2,966
Edward Byrne Memorial Justice Assistance Grant Program	16.738			<u>23,749</u>
Total U.S. Department of Homeland Security				<u>26,715</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	Not available		<u>53,814</u>
U.S. Department of Commerce:				
<i>Direct Program:</i>				
Economic Development Cluster:				
Economic Adjustment Assistance	11.307			<u>487,819</u>
Total Expenditures of Federal Awards			\$ <u>565,000</u>	\$ <u>14,360,748</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, 2020**

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, 2020. 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	\$ 479,334
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	8,485
The unpaid principal of all loans written off during the recipient’s fiscal year	<u>-</u>
 Federal Expenditures	 <u><u>\$ 487,819</u></u>

4. NONCASH AWARDS

Donated commodities in the amount of \$177,110 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 Mayor and
Members of the Cranston City Council
City of Cranston, Rhode Island

The financial statements as of June 30, 2020 were audited by Blum, Shapiro & Company, P.C., whose partners and professional staff joined CliftonLarsonAllen LLP as of January 1, 2021 and has subsequently ceased operations. Blum, Shapiro & Company, P.C., had 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, 2020, and the related notes to the financial statements, which collectively comprise the City of Cranston, Rhode Island's basic financial statements, and have issued their report thereon dated December 29, 2020.

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) 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 the City of Cranston, Rhode Island's internal control. Accordingly, we did not express an opinion on the effectiveness of the City of Cranston, Rhode Island's internal control.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item 2020-001 to be material weaknesses.

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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of their audit, and, accordingly, they do not express such an opinion. The results of their 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.



CliftonLarsonAllen LLP

Cranston, Rhode Island
June 29, 2021

**CITY OF CRANSTON, RHODE ISLAND
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2020**

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? X yes 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
84.010	Title I Grants to Local Educational Agencies
84.027/84.173	Special Education Cluster (IDEA)
84.425	COVID-19 CARES Act - ESSER

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

MATERIAL WEAKNESS

2020-001

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.

SIGNIFICANT DEFICIENCY

2020-002

Financial Statement Reporting

Criteria

Management is responsible for the design and Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition

The school unrestricted fund has capital leases related to the City owned school busses that were incorrectly recorded as an operating lease. This resulted in the overstatement of expenditures on the governmental activities for the current year debt and long-term debt to be understated at June 30, 2020.

Questioned Costs

None

Context

The City of Cranston does not have adequate policies or procedures in place for the identification and recording of capital leases.

Effect

The identified errors required the restatement of the beginning net positions reported in the governmental activities for the amounts identified above.

Cause

Internal controls were not in place to ensure the balances reported in the prior year financial statements were properly supported and reported in accordance with U.S. GAAP.

Recommendation

We recommend management evaluate the current financial reporting processes and controls to ensure that controls are in place to present the external financial statements in accordance with U.S. GAAP.

Views of Responsible Officials and Planned Corrective Actions

Management concurs. Management has corrected the internal controls and will start recording the leases going forward.

III. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No matters were reported.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor. CLA is an independent member of Nexia International, a leading, global network of independent accounting and consulting firms. See [nexia.com/member-firm-disclaimer](https://www.nexia.com/member-firm-disclaimer) for details. **CliftonLarsonAllen LLP**

