

CITY OF CRANSTON, RHODE ISLAND

**INDEPENDENT AUDITORS' REPORTS REQUIRED BY TITLE 2 U.S. CODE OF
FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL
AWARDS* (UNIFORM GUIDANCE) AND *GOVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2021

CITY OF CRANSTON, RHODE ISLAND

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The Honorable President and Members of the City Council
City of Cranston, Rhode Island

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 governmental activities, each major fund, and the aggregate remaining fund information of the City of Cranston as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Cranston's basic financial statements and have issued our report thereon dated December 30, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Cranston'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Cranston'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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 2021-001 described in the accompanying schedule of findings and questioned costs to be a material weakness.

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'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 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*.

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 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.

Marcum LLP

Providence, RI
December 30, 2021

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 UNIFORM GUIDANCE

The Honorable President and Members of the City Council
City of Cranston, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the City of Cranston'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's major federal programs for the year ended June 30, 2021. The City of Cranston'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'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'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 major federal programs. However, our audit does not provide a legal determination of the City of Cranston's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Cranston 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, 2021.

Report on Internal Control Over Compliance

Management of the City of Cranston 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'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'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 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, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Cranston's basic financial statements. We have issued our report thereon dated December 30, 2021, 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 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 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Marcum LLP

Providence, RI
August 29, 2022 except for the report on the
schedule of expenditures of federal awards
which is dated December 30, 2021

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures Incurred</u>
U.S. Department of Housing and Urban Development				
Governor's Office of Housing & Energy & Intergovernmental Relations				
<i>Direct Programs:</i>				
<i>Office of Housing and Community Development</i>				
Community Development Block Grants - Entitlement Grants Cluster				
Community Development Block Grant/Entitlement Grants	14.218		687,765	1,037,288
U.S. Department of the Treasury				
<i>Passed through the State of Rhode Island, Department of Revenue:</i>				
COVID 19 - Coronavirus Relief Fund	21.019		--	15,323,769
<i>Passed through the State of Rhode Island, Department of Education:</i>				
COVID 19 - Coronavirus Relief Fund	21.019		--	2,761,909
Total U.S. Department of Treasury			--	18,085,678
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		--	2,699,818
Career & Technical Education - Basic Grants to States	84.048		--	367,289
Supporting Effective Instruction State Grant	84.367		--	593,605
Twenty First Century Community Learning Grants	84.287		--	281,719
Adult Education - Basic Grants to States	84.002		--	41,938
English Language Acquisition State Grants	84.365		--	119,667
Preschool Development Grant	84.419		--	840
Student Support and Academic Enrichment Grants	84.424		--	288,366
Comprehensive Literacy	84.371		--	2,224
COVID-19 Cares Act - ESSER	84.425		--	161,430
<i>Special Education Cluster (IDEA):</i>				
State Education - Grants to States	84.027		--	2,914,730
Special Education Preschool Grants	84.173		--	56,606
Total Special Education Cluster			--	2,971,336
Total U.S. Department of Education			--	7,528,232
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		--	71,904
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601		--	23,123
Total U.S. Department of Transportation			--	95,027
U.S. Justice Department				
<i>Direct Programs</i>				
Bulletproof Vest Partnership Program	16.607		--	57,868
Edward Byrne Memorial Justice Assistance Grant Program	16.738		--	22,786
Total U.S. Department of Justice			--	80,654
U.S. Department of Homeland Security				
<i>Direct Programs</i>				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		--	425,623
Assistance to Firefighters Grant	97.044		--	553,784
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		--	958,770
Total U.S. Department of Homeland Security			--	1,938,177

See notes to schedule of expenditures of federal awards.

CITY OF CRANSTON, RHODE ISLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2021

	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Expenditures Incurred
<i>U.S. Department of Health & Human Services</i>				
<i>Passed through State of Rhode Island:</i>				
Special Programs for the Aging Title II, Part D - Disease Prevention and Health Promotion Services	93.043		--	24,544
<i>Aging Cluster:</i>				
Special Programs for the Aging Title II, Part B - Grants for Supportive Services and Senior Centers	93.044		--	37,500
<i>Total U.S. Department of Health & Human Services</i>			--	<u>62,044</u>
<i>U.S. Department of Agriculture</i>				
<i>Passed through State of Rhode Island Department of Education:</i>				
NSLP - Equipment Assistance	10.579		--	699
Fresh Fruit and Vegetable Program	10.582		--	62,216
<i>Child Nutrition Cluster:</i>				
National School Breakfast Program	10.553		--	825,197
National School Lunch Program	10.555		--	1,914,564
Total Child Nutrition Cluster			--	<u>2,739,761</u>
<i>Total U.S. Department of Agriculture</i>			--	<u>2,802,676</u>
<i>U.S. Environmental Protection Agency</i>				
<i>Passed through State of Rhode Island:</i>				
National Clean Diesel Emissions Reduction Program	66.039		--	120,000
<i>Total U.S. Environmental Protection Agency</i>			--	<u>120,000</u>
<i>U.S. Department of Commerce</i>				
<i>Direct Program:</i>				
<i>Economic Development Cluster:</i>				
Economic Adjustment Assistance (Loan Program)	11.307		--	262,301
<i>Total U.S. Department of Treasury</i>			--	<u>262,301</u>
<i>U.S. Corporation for National and Community Service</i>				
<i>Passed through State of Rhode Island:</i>				
Retired and Senior Volunteer Program	94.002		--	64,458
<i>Total U.S. Department of Treasury</i>			--	<u>64,458</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 687,765</u>	<u>\$ 32,076,535</u>

See notes to schedule of expenditures of federal awards.

CITY OF CRANSTON, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 – 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, 2021. The information in this 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 net position/fund balance, or cash flows of the City of Cranston, Rhode Island.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the 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.

NOTE 3 – INDIRECT COST RATE

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

NOTE 4 – 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 beginning of the recipient's fiscal year	\$ 256,457
Cash and investment balance in the RLF at the end of the recipient's fiscal year	--
Administrative expenses paid out of the RLF income during the recipient's fiscal year	5,844
The unpaid principal of all loans written off during the recipient's fiscal year	<u> --</u>
Federal expenditures	<u>\$ 262,301</u>

CITY OF CRANSTON, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

NOTE 5 – CORONAVIRUS RELIEF FUNDS

The City was allocated funds as a sub recipient through the Rhode Island Department of Revenue in the amount of \$15,323,769. These funds reimbursed costs with a period of performance ranging from March 1, 2020 through December 31, 2020. However, these funds were not received until fiscal year 2021, therefore Coronavirus Relief Funds related to this award are composed of costs from both fiscal year 2020 and 2021 on this year's Schedule of Expenditures of Federal Awards.

NOTE 6 – NONCASH AWARDS

Donated commodities in the amount of \$175,932 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

NOTE 7 – DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) (CFDA 97.036)

After a presidentially declared disaster, FEMA provides Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA 97.036) to reimburse eligible costs associated with repair, replacement or restoration of disaster-damaged facilities. Under these grants, recipients will report qualifying expenditures incurred to FEMA for approval, after which FEMA makes reimbursements in the form of cost-shared grants that require state matching funds.

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified Opinion*

Internal control over financial reporting:

Material weakness(es) identified? X Yes No

Significant deficiency(ies) identified not considered to be material weaknesses? Yes X None Reported

Non-compliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major federal award programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified not considered to be material weakness(es)? Yes X None reported

Type of auditors’ report issued on compliance for major federal award programs: *Unmodified Opinion*

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

Identification of Major Federal Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
	CDBG - Entitlement Grants Cluster: Community Development
14.218	Block Grant Entitlement Grants
21.019	COVID 19 - Coronavirus Relief Fund
97.083	Staffing for Adequate Fire and Emergency Response

Dollar threshold used to distinguish between Type A and Type B programs: \$962,296

Auditee qualified as low risk auditee? Yes X No

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

CURRENT YEAR FINDINGS:

Material Weakness
#2021-001

Federal Award Expenditure 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 a complete and accurate 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 grant 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 as well as an overall negative impact on the City's financial statements.

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

CURRENT YEAR FINDINGS: (CONTINUED)

Material Weakness
#2021-001

Recommendation

We recommend that the City centralize the tracking and reconciling of the financial activity to be included in 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 and overseen on a City-wide basis 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 from each department. The City's accounting department should be reconciling this activity back to the general ledger detail records for the respective departments on a timely basis.

Management's Response

Please see City's Corrective Action Plan included in this reporting package.

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

CURRENT YEAR FINDINGS:

No matters were reported.

CITY OF CRANSTON, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Prior Year Findings:

Identifying Number:
#2020-001

Financial Statement Reporting

Condition

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.

Current Status: Finding repeated as 2021-001

Identifying Number:
#2020-002

Financial Statement Reporting

Condition

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.

Current Status: Corrected by management

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings:

None reported

Kenneth J. Hopkins
MAYOR



Michael J. Igoe
ACTING FINANCE DIRECTOR

Department of Finance

869 Park Avenue
Cranston, RI 02910-2738
(401) 461-1000

August 29, 2022

Corrective Action Plan – Audit Finding 2021-001 (repeat of finding 2020-001)

As prescribed in the Code of Federal Regulations section 200.511, this letter represents the City of Cranston's corrective action plan to address audit finding 2021-001.

Responsible person: Michael J. Igoe, Acting Finance Director

Anticipated completion date: June 30, 2023

Response: City concurs

The City is currently downsizing its workforce and unfortunately does not have a plan to hire a Financial Clerk to review and reconcile all grant expenditures and reimbursements on a periodic basis going forward. We will devote efforts and resources on a retroactive basis to reconcile grant activity for FY2022 to enable the City to accurately and timely present federal expenditure activity in our Schedule of Expenditures of Federal Awards for the year ended June 30, 2022. As the timing of completion of the Single Audit has extended close to the extended filing due date of September 30, 2022, changes in controls were not able to be implemented in time to affect the FY2022 year-end reconciliation and closing process.

For FY2023, we will be implementing additional internal controls so that there is accurate and timely information available for reporting the City's expenditures of federal awards.

Sincerely,

Michael J. Igoe

Michael J. Igoe,
Acting Finance Director