

CITY OF CRANSTON, RHODE ISLAND
REPORTING UNDER *GOVERNMENT AUDITING STANDARDS*
AND
OFFICE OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE
FOR THE YEAR ENDED JUNE 30, 2017

CITY OF CRANSTON, RHODE ISLAND

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**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***

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, 2017, 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 January 29, 2018.

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) 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'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 described in the accompanying schedule of findings and questioned costs as finding #2017-001 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as finding #2017-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 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*.

City of Cranston's Response to Findings

City of Cranston's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Cranston'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
January 29, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY UNIFORM GUIDANCE**

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 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 City of Cranston, Rhode Island's major federal programs for the year ended June 30, 2017. 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 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; 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 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 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, 2017.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item #2017-003. Our opinion on each major federal program is not modified with respect to this matter.

The City of Cranston, Rhode Island's response to the noncompliance finding identified in our audit is described in the accompanying management response. The City of Cranston, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of 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 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 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item #2017-003, that we consider to be a significant deficiency.

City of Cranston, Rhode Island's response to the internal control over compliance findings identified in our audit are described in the accompanying corrective action plan. City of Cranston, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2017, 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 January 29, 2018, 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.

Marcum LLP

Providence, RI
May 3, 2018, except for the Report on the
Schedule of Expenditures of Federal Awards,
which is dated January 29, 2018

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Agriculture</i>			
Passed through State Department of Education:			
Child Nutrition Cluster			
National School Lunch Program	10.555	\$ --	\$ 1,983,558
School Breakfast Program	10.553	--	647,542
Special Milk Program for Children	10.556	--	--
		--	<u>2,631,100</u>
Commodity Supplemental Food Program	10.565		182,182
Fresh Fruit and Vegetable Program	10.582	--	131,530
Cooperative Fire Protection Agreement	10.703	--	16,537
<i>Total U.S. Department of Agriculture</i>		--	<u>2,961,349</u>
<i>U.S. Department of Housing and Urban Development</i>			
Direct Program:			
CDBG - Entitlement Grant Cluster			
Community Development Block Grants/Entitlement Grants	14.218	<u>102,625</u>	<u>1,070,543</u>
<i>Total U.S. Department of Housing and Urban Development</i>		<u>102,625</u>	<u>1,070,543</u>
<i>U.S. Department of Education</i>			
Passed through the State Department of Education:			
Title I Grants to Local Education Agencies	84.010	--	2,499,409
Career and Technical Education - Basic Grants to States	84.048	--	712,868
English Language Acquisition State Grants	84.365	--	86,515
21st Century Community Learning Centers	84.287	--	225,218
Adult Education - Basic Grants to States	84.002	--	100,000
Improving Teacher Quality State Grants	84.367	--	569,553
Grants for State Assessments and Related Activities	84.369	--	3,438
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	--	2,932,825
Special Education--Preschool Grants	84.173	--	51,228
		--	<u>2,984,053</u>
<i>Total U.S. Department of Education</i>		--	<u>7,181,054</u>

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, 2017

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Health and Human Services</i>			
Passed through the State of Rhode Island:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	--	961
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	93.043	--	24,544
Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	--	37,540
<i>Total U.S. Department of Health and Human Services</i>		--	63,045
<i>U.S. Department of Homeland Security</i>			
Passed through the State of Rhode Island:			
Disaster Grants-Public Assistance (Presidentially Declared Disasters)	97.036	--	715,341
Emergency Management Performance Grants	97.042	--	39,211
Direct Program:			
Staffing for Adequate Fire and Emergency Response	97.083	--	619,445
<i>Total U.S. Department of Homeland Security</i>		--	1,373,997
<i>U.S. Department of Transportation</i>			
Passed through the State of Rhode Island:			
Highway Safety Cluster			
State and Community Highway Safety	20.600	--	106,653
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	--	20,918
		--	127,571
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	--	--
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	--	--
<i>Total U.S. Department of Transportation</i>		--	127,571
<i>U.S. Department of Public Safety</i>			
Passed through the State of Rhode Island:			
Bulletproof Vest Partnership Program	16.607	--	--
Edward Byrne Memorial Justice Assistance Grant Program	16.738	--	27,195
<i>Total U.S. Department of Labor</i>		--	27,195
<i>U.S. Department of the Treasury</i>			
Passed through the State of Rhode Island:			
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	--	3,125
<i>Total U.S. Department of the Treasury</i>		--	3,125
<i>U.S. Corporation for National and Community Service</i>			
Passed through the State of Rhode Island:			
Retired and Senior Volunteer Program	94.002	--	54,633
<i>Total U.S. Corporation for National and Community Service</i>		--	54,633
<i>Total Expenditures of Federal Awards</i>		<u>\$ 102,625</u>	<u>\$ 12,862,512</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, 2017

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, 2017. 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.

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.

3. 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 \$182,182 for the fiscal year ended June 30, 2017. The amounts have been included in the schedule of expenditures of federal awards under CFDA 10.565.

4. MATCHING REQUIREMENTS

Certain federal programs require that the City contribute non-federal funds (matching funds) to support the federally funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on this Schedule.

5. INDIRECT COST RATE

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

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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? Yes No

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

Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major awards program:

Material weakness(es) identified? Yes No

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

Type of auditors’ report issued on compliance for major awards Programs:

Unmodified Opinion

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

Identification of Major Federal Program:

CFDA Number

84.010

Child Nutrition Cluster

10.553

10.555

Name of Federal Program or Cluster

Title I Grants to Local Educational Agencies

School Breakfast Program

National School Lunch Program

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low risk auditee? Yes No

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION II – FINDINGS—RELATED TO AUDIT OF FINANCIAL STATEMENTS

Material Weakness

Current Year Findings:

#2017-001 (listed as prior year finding #2016-001): Financial Statement Reporting

Criteria

Management is responsible for the completeness and accuracy of the Schedule of Expenditures of Federal Awards in regards 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 the year-end so that the total expenses for the federal grant can match the revenues.

Context

The City of Cranston does not have adequate policies or procedures in place for communication from decentralized departments to the finance department in regards to federal grants funds that have been expended during a certain period but funds have not been requested yet. There have been instances that include 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.

Questioned Costs: None

Effect

Inaccurate amounts and identification numbers were prevalent in the information provided for the audit, which then required additional time to correct discrepancies.

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

Material Weakness (Continued)

Current Year Findings

#2017-001 (listed as prior year finding #2016-001): Financial Statement Reporting (Continued)

Recommendation:

We recommend that the City centralize the tracking of the Schedule of Expenditures of Federal Awards. We understand that the different departments are tracking their grants as they come in but this process needs to 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 (noting the 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.

Management's Response:

See corrective action plan.

Significant Deficiencies

#2017-002 (listed as prior year finding #2016-002): Complete General Ledger

Criteria

Governmental Accounting Standards Statement #34 requires governmental entities to prepare a Government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the Government-wide statements include all long-term debt obligations and capital assets of the governmental activities as well as those reported in the business-type activities.

Condition

The City of Cranston does not have adequate policies or procedures in place for maintaining and updating these records.

Questioned Costs: None

Context

While the City has a process for maintaining financial records for the governmental funds on the modified accrual basis, there is currently not a process for recording adjustments to convert these records to the full accrual basis for purposes of the Government-wide financial statements.

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

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

Significant Deficiencies (Continued)

Current Year Findings (Continued)

#2017-002 (listed as prior year finding #2016-002): Complete General Ledger (Continued)

Effect

The Government-wide financial statements cannot be generated from the basic accounting records of the City.

Recommendation

We recommend that the City update the general ledger accounting records to properly include balances and activity of long-term debt obligations, as well as capital asset balances and related depreciation expense. The City should conduct an evaluation of the existing accounting system and an analysis of projected needs for the future. This evaluation should focus on ensuring that the City's financial systems maximize the productivity of its accounting staff and meet the future needs of management.

We further recommend that the City shift from the excel spreadsheets to an integrated capital asset software system as noted below to track all capital assets at the time the purchase order is created and or the invoice is processed. Utilization of a fully integrated capital asset module should reduce the risk of understating capital asset acquisitions within a fiscal year. An integrated system would eliminate redundant processing; improve the City's access to information and reduce the risk of entering duplicate assets. Analysis and other reviews could be performed online by the appropriate levels of management based on real-time data entry. Additionally, integrated systems would allow security features to ensure that only authorized personnel would be allowed to enter, modify, or change data. Other approved users would have the ability to look up data but not to originate or change it.

Management's Response

See corrective action plan.

CITY OF CRANSTON, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION III – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings

2017-003 (listed as prior year finding #2016-004): Submission of Reporting Package and Data Collection Form

Criteria

Uniform Guidance (a) states “The audit shall be completed and the data collection form described in paragraph (b) of this section and reporting package described in paragraph (c) of this section shall be submitted within the earlier of 30 days after receipt of the auditors’ report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Condition

The reporting package and data collection form were not timely filed. Due to the delays in the City finalizing the schedule of federal expenditures the Uniform Guidance audit was delayed. The due date for the data collection form reporting package was March 31, 2018, which was not met.

Questioned Costs: None

Context

The schedule of expenditures of federal awards as of June 30, 2017 was not ready from the client upon arrival for fieldwork. There were numerous attempts for the schedule to be completed but due to time conflicts and client staffing issues, the final schedule of expenditures of federal awards was not provided until April 10, 2018. The due date for the data collection form reporting package was March 31, 2018, which was not met.

Effect

Failure to comply with the filing date results in the City of Cranston, Rhode Island not qualifying for low-risk auditee status for the purposes of federal single audit for the years ended June 30, 2018 and 2019.

Recommendation

We recommend that the City of Cranston maintain a complete schedule of expenditures of federal awards throughout the year to mitigate the delay of trying to summarize all this information at year end for the purposes of the annual Uniform Guidance audit.

Management’s Response

See corrective action plan.

CITY OF CRANSTON, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION IV - FINDINGS - PRIOR YEAR

Prior Year Findings

#2016-001: Financial Statement Reporting

Finding:

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 audit department for proper accrual at the year-end so that the total expenses for the federal grant can match the revenues.

Status

Repeated as item 2017-001.

#2016-002: Complete General Ledger

Finding:

The City of Cranston does not have adequate policies or procedures in place for maintaining and updating these records.

Status

Repeated as item 2017-002.

#2016-003: Reporting of Reimbursable Grants

Finding:

Expenditures reimbursable by grant funds were being shown incorrectly on the statement of revenues, expenditures and changes in fund balance of the governmental funds. The City did not show gross expenses and revenues and instead reported the expenditures and revenue as a net transaction.

Status

Corrected

CITY OF CRANSTON, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

SECTION IV - FINDINGS - PRIOR YEAR (CONTINUED)

Prior Year Findings (Continued)

#2016-004: Submission of Reporting Package and Data Collection Form

Prior Year Findings

Finding:

The City of Cranston did not timely file the reporting package and data collection form.

Status

Repeated as item 2017-003.

Allan W. Fung
MAYOR



Robert F. Strom
FINANCE DIRECTOR

Department of Finance

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

Corrective Action Plan – FY2017

The City of Cranston respectfully submits the following corrective action plan for the year ended June 30, 2017.

Audit firm: Marcum LLP
155 South Main Street, Suite 100
Providence, RI 02903

Audit Period: July 1, 2016 – June 30, 2017

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

FINDINGS – FINANCIAL STATEMENTS

MATERIAL WEAKNESS IN FINANCIAL REPORTING

2017-001 – Financial Statement Reporting

Recommendation: We recommend that the City centralize the tracking of the Schedule of Expenditures of Federal Awards. We understand that the different departments are tracking their grants as they come in but this process needs to be summarized by the City's accounting 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 (noting the 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.

Action Taken: Management will continue to have each department submit Grant reimbursements and receipts to Auditing Department for review and reconciliation. We still do not have one person assigned to do this task. As Finance Director, I will assign my assistant to oversee the process. Much improvement was made from last year when all departments provided the required documents.

Contact Person Responsible for Corrective Action: Robert F. Strom, Finance Director

Anticipated completion date: N/A

2017-002 – Complete General Ledger

Recommendation: We recommend that the City update the general ledger accounting records to properly include balances and activity of long-term debt obligations, as well as capital asset balances and related depreciation expense. The City should conduct an evaluation of the existing accounting system and an analysis of projected needs for the future. This evaluation should focus on ensuring that the City's financial systems maximize the productivity of its accounting staff and meet the future needs of management.

We further recommend that the City shift from the excel spreadsheets to an integrated capital asset software system as noted below to track all capital assets at the time the purchase order is created and or the invoice is processed. Utilization of a fully integrated capital asset module should reduce the risk of understating capital asset acquisitions within a fiscal year. An integrated system would eliminate redundant processing; improve the City's access to information and reduce the risk of entering duplicate assets. Analysis and other reviews could be performed online by the appropriate levels of management based on real-time data entry. Additionally, integrated systems would allow security features to ensure that only authorized personnel would be allowed to enter, modify, or change data. Other approved users would have the ability to look up data but not to originate or change it.

Action Taken: We are in the process of upgrading to a Fixed Asset Software Module which will incorporate fixed assets and depreciation schedules. This should eliminate the use of Excel spreadsheets and have controls in place to mitigate any risk of fraud.

Contact Person Responsible for Corrective Action: Robert F. Strom, Finance Director

Anticipated completion date: N/A

FINDINGS – FEDERAL AWARD PROGRAMS AUDITS

2017-003 – Submission of Reporting Package and Data Collection Form

Recommendation: We recommend that the City of Cranston maintain a complete schedule of federal expenditures throughout the year to mitigate the delay of trying to summarize all this information at year end for the purposes of the annual Uniform Guidance audit.

Action Taken: Although the schedule of federal expenditures were not provided until April 10th a major improvement was made from the prior fiscal year. Great strides will continue so the report for next fiscal year will be issued by the due date of March 31st.

Contact Person Responsible for Corrective Action: Robert F. Strom, Finance Director

Anticipated completion date: Current Fiscal Year 6/30/18

Respectfully,

A handwritten signature in cursive script that reads "Robert F. Strom".

Robert F. Strom
Finance Director