CITY OF CRANSTON, RHODE ISLAND

REPORTING UNDER *GOVERNMENT AUDITING STANDARDS*

AND

OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133

FOR THE YEAR ENDED JUNE 30, 2015

CITY OF CRANSTON, RHODE ISLAND

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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, 2015, 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, 2016.

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.

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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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. We consider #2015-001 and #2015-002 to be material weaknesses.

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 deficiencies described in the accompany schedule of findings and questioned costs as findings #2015-003, #2015-004, #2015-005 and #2015-006 to be significant deficiencies.

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, 2016

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

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 Circular A-133 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, 2015. City of Cranston, Rhode Island's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of City of Cranston, Rhode Island's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and has been described in the accompanying schedule of findings and questioned costs as finding #2015-007. 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 findings identified in our audit are described in the accompanying corrective action plan. 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cranston, Rhode Island as of and for the year ended June 30, 2015, 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, 2016, 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 OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Providence, RI
March 29, 2016 except for the Report on the
Schedule of Expenditures of Federal Awards,
which is dated January 29, 2016

CITY OF CRANSTON, RHODE ISLAND

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures Incurred
U.S. Department of Agriculture		
Pass through State Department of Education:		
Child Nutrition Cluster		
National School Lunch Program	10.555	$ 1,868,312
School Breakfast Program	10.553	633,392
Special Milk Program for Children	10.556	350
		2,502,054
Child Nutrition Discretionary Grants Limited Availability	10.579	9,177
Fresh Fruit and Vegetable Program	10.582	125,266
Total U.S. Department of Agriculture		2,636,497
U.S. Department of Housing and Urban Development		
Direct Program:		
Community Development Block Grants/Entitlement Grants	14.218	1,434,011
Total U.S. Department of Housing and Urban Development		1,434,011
U.S. Department of Education		
Pass through the State Department of Education:		
State Fiscal Stabilization Fund (SFSF) - Race to the Top Incentive Grants, Recovery Act	84.395A	114,049
Title I Grants to Local Education Agencies	84.010A	2,457,007
Career and Technical Education - Basic Grants to States	84.048A	750,427
English Language Acquisition State Grants	84.365A	153,581
21st Century Community Learning Centers	84.287C	235,340
Adult Education - Basic Grants to States	84.002	96,454
Improving Teacher Quality State Grants	84.367A	452,348
Enhancing Education through Technology (Ed-Tech) State Program	84.318	3,276
Special Education Cluster (IDEA)		
Special Education - Grants to States	84.027	2,538,533
Special Education--Preschool Grants	84.173	66,111
		2,604,644
Total U.S. Department of Education		6,867,126
U.S. Environmental Protection Agency		
Pass through the Rhode Island Clean Water Financing Agency:		
Capitalization Grants for Clean Water State Revolving Funds	66.458	7,032,353
Total U.S. Environmental Protection Agency		7,032,353

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, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Expenditures Incurred
U.S. Department of Health and Human Services		
Passed through the State of Rhode Island:		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	20,000
Special Programs for the Aging Title III, Part D - Disease Prevention and Health Promotion Services	93.043	24,500
Special Programs for the Aging Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	37,540
Total U.S. Department of Health and Human Services		82,040
U.S. Department of Homeland Security		
Pass through the State of Rhode Island:		
Port Security Grant Program	97.056	33,968
Direct Program:		
Assistance to Firefighters Grant	97.044	1,642,533
Total U.S. Department of Homeland Security		1,676,501
U.S. Department of Transportation		
Pass through the State of Rhode Island:		
Highway Safety Cluster		
State and Community Highway Safety	20.600	73,014
Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	41,403
National Priority Safety Programs	20.616	11,807
Total U.S. Department of Transportation		126,224
U.S. Department of Public Safety		
Pass through the State of Rhode Island:		
Bulletproof Vest Partnership Program	16.607	13,442
Edward Byrne Memorial Justice Assistance Grant Program	16.738	67,354
Total U.S. Department of Labor		80,796
U.S. Department of Justice		
Pass through the State of Rhode Island:		
Enforcing Underage Drinking Laws Program	16.727	9,500
Total U.S. Department of Justice		9,500
U.S. Department of the Treasury		
Pass through the State of Rhode Island:		
Volunteer Income Tax Assistance (VITA) Matching Grant Program	21.009	5,000
Total U.S. Department of the Treasury		5,000
U.S. Corporation for National and Community Service		
Pass through the State of Rhode Island:		
Retired and Senior Volunteer Program	94.002	53,445
Total U.S. Corporation for National and Community Service		53,445
Total Expenditures of Federal Awards		$ 20,003,493

See notes to schedule of expenditures of federal awards

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2015

1. GENERAL

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

2. BASIS OF ACCOUNTING

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

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 $143,626 for the fiscal year ended June 30, 2015.

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. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, City of Cranston, Rhode Island provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipient
14.218	Community Development Block Grants/Entitlement Grants	$1,242,185

CITY OF CRANSTON, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	*Unmodified Opinion*			
Internal control over financial reporting:				
Material weakness(es) identified?	X	Yes		No
Significant deficiency(ies) identified not considered to be material weaknesses?	X	Yes		None reported
Non-compliance material to financial statements noted?		Yes	X	No

Federal Awards

Internal control over major awards program:				
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 awards Programs:	*Unmodified Opinion*			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?		Yes	X	No

Identification of Major Federal Program:

CFDA Number	Name of Federal Program or Cluster
97.044	Assistance to Firefighters Grant
	State Fiscal Stabilization Fund (SFSF)
84.395	Race-to-the-Top Incentive Grants, Recovery Act
Child Nutrition Cluster	
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
CDBG Entitlement Grants Cluster:	
14.218	Community Development Block Grants/Entitlement Grants
Clean Water State Revolving Fund Cluster:	
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between

Type A and Type B programs: $600,105

Auditee qualified as low risk auditee? _____ Yes X No

SECTION II FINDINGS -- RELATED TO AUDIT OF FINANCIAL STATEMENTS

Material Weaknesses

Current Year Findings:

#2015-001: Capital Asset Recordkeeping

Criteria
Governmental Accounting Standards Board Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting, in addition to presenting governmental funds on the modified accrual basis. 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 its capital assets. The City does not maintain a centralized general ledger to support balances of its capital assets. Our audit work found errors requiring correction of approximately $708,000 in costs and $327,000 in depreciation.

Cause
Each department maintains its own capital asset records which are annually submitted to the Finance Department for review and reconciliation prior to the audit. There is no centralized recordkeeping.

Effect
The governmental fund capital assets balances required significant adjustments as detailed above.

Recommendation
We recommend that the City centralize its capital asset record-keeping, perhaps considering a software module that would interface with its present system. All the departments should be reporting to one central individual whose task should be monthly reconciliation of all capital asset activity.

Management's Response:

Currently it is being updated and reconciled yearly. However, although we are 6 months into FY16 the change to reconcile monthly will be made and implemented in the month of January 2016.

#2015-002: Schedule of Expenditures of Federal Awards

Criteria
Management is responsible for the completeness and accuracy of the Schedule of Expenditures of Federal Awards.

Condition
The City of Cranston does not have adequate policies or procedures in place for maintaining and updating its grant records to provide the information necessary to adequately complete the schedule.

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

Material Weaknesses (Continued)

Current Year Findings (Continued)

#2015-002: Schedule of Expenditures of Federal Awards (Continued)

Cause
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.

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

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.

Management's Response:
With the change of personnel in the Finance Department, the City will have departments that apply for grants send copies of such, reimbursement requests and payments associated to each grant for reconciliation purposes. As of yet we have not determined who this person of contact shall be.

Significant Deficiencies

Current Year Findings

#2015-003: 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.

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

Significant Deficiencies (Continued)

Current Year Findings (Continued)

2015-003: Complete General Ledger (Continued)

Cause
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.

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
The City's main focus continues to be on the presentation of the Fund Financial Statements. At some point in the future the City will focus on the Government Wide Financial Statements (GASB 34) if the school department's financial information is incorporated into the City's system. The City is in the process of upgrading the financial software that will eventually give us a fully integrated package that will eliminate the use of Excel spreadsheets and have the proper controls in place to mitigate any potential risk of fraud.

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

Significant Deficiencies (Continued)

Current Year Findings (Continued)

#2015-004: Tax Collections

Criteria
Tax collection department is responsible for reconciling total cash and checks received per the tax collection daily reports to the actual deposit slip.

Condition
Personnel in the tax collection area stated they do not reconcile total cash and checks received per daily reports to the actual deposit slip.

Cause
The City did not provide reconciliations for the deposit breakdown on the Accounting software versus what was deposited into the bank by the client.

Effect
Errors in tax collection could go undetected and not get corrected.

Recommendation
We recommend that tax collection personnel review the new software to determine if there is a function that will show what was processed through the system (i.e. cash versus check) and have this report reconciled with the actual deposit slip breakdown at the end of the business day.

Management's Response
With the upgrade of our software package in September 2015 this comment has been resolved.

#2015-005: Reporting of Reimbursable Grants

Criteria
Management is responsible for reconciling reimbursable grants on a gross basis between expenses and revenues.

Condition
Expenditures reimbursable by grant funds were being shown incorrectly on the income statement of the governmental funds.

Cause
The City did not show gross expenses and revenues and instead reported the expenditures and revenue as a net transaction.

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

Significant Deficiencies (Continued)

Current Year Findings (Continued)

#2015-005: Reporting of Reimbursable Grants (Continued)

Effect
Netting leads to errors on the income statement and especially in the tracking for purposes of A-133 reporting.

Recommendation
We recommend that the City properly post revenues and expenditures in separate accounts for these types of grants. Many of these grants are federal and should be tracked for the purposes of A-133 reporting.

Management's Response
The City tries to ensure that all revenues and expenditures are recorded properly but in many instances grants are issued on a reimbursement basis after the budget has been adopted. Therefore there are no line items available to make expenditures from without distorting the adopted budget. Since most grants are now issued on a reimbursement basis we are of the opinion that the best way to show theses transaction is to record them on the balance sheet. When expenditure is made a receivable is established and when the corresponding reimbursement is received from the grantor it is used to offset the receivable.

#2015-006: Bank Reconciliation Procedures

Criteria
Proper internal control dictates that all bank accounts must be reconciled on a monthly basis in order to identify and resolve variances in a timely manner and insure that the financial records reflect accurate balances.

Condition
The City did not reconcile cash for two accounts (general fund and sewer fund) from April 2015-June 2015. The accounts were reconciled by December 2015 in order to complete the audit process.

Cause
The City had turnover in the accounting department during 2015 which delayed the reconciliation process while they were searching for candidates to fill the position.

Effect
Untimely reconciliations allow differences and errors to go undetected, which puts the City's assets at risk. In addition, the lack of timely reconciliations delayed the audit process as trial balances were not completed in a timely manner.

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

Significant Deficiencies (Continued)

Current Year Findings (Continued)

#2015-006: Bank Reconciliation Procedures (Continued)

Recommendation
We recommend that the City obtain additional help to train the employee in that position to ensure that these cash reconciliations are being completed on monthly basis and that these reconciliations are tied out to the general ledger.

Management's Response
With the loss of a key staff member in Auditing Department for a period of 5 months and the necessary time to hire and train a new employee caused a significant delay in the reconciliation process of our bank statements. This issue has been eliminated and going forward it will be a non-issue for next year's audit.

SECTION III FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings

***2015-007:* Assistance to Firefighters Grant – CFDA #97.044 – Cash Management**

Criteria
Costs for this federal program are required to be spent prior to submitting for reimbursement.

Condition
During our testing of reimbursement requests we identified a request for reimbursement dated June 26, 2015, in the amount of $31,608.50 that was made prior to the City paying this expense.

Context
The City requested reimbursement for costs that were not paid for at the time of reimbursement.

Cause
The Assistant Fire Chief submitted for reimbursement costs of $31,608.50 prior to having the City pay the retainage costs, therefore resulting in reimbursement before expending these costs.

Effect
Requesting reimbursement prior to expending the funds could result in funds not being spent for the program purposes.

SECTION III FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

Current Year Findings (Continued)

***2015-007:* Assistance to Firefighters Grant – CFDA #97.044 – Cash Management (Continued)**

Recommendation

The City should only request reimbursement of funds from the federal agency when the program expenses have been paid for.

Management's Response

The City will request reimbursement when all expenses are paid including the retainage. The Fire Department is aware of this requirement and will comply going forward.

SECTION III FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

Prior Year Findings

#2014-1: (1) Assistance to Firefighters Grant – CFDA #97.044, (2) Community Development Block Grants – CFDA #14.218 - Allowable Costs

Finding:
During our audit of the Assistance to Firefighter's grant we noted that 20 out of 20 selections did not have payroll certifications supporting cost allocations to federal programs being maintained in accordance with the requirements of OMB Circular A-87. In addition, we tested one pay period in December 2013 for the Community Development Block Grant and noted that all employees had time certifications except the one part-time person that works in that department. The circular requires that payroll costs charged to federally funded programs be supported as follows:

Status
The finding was corrected in 2015.

#2014-2: Assistance to Firefighters Grant – CFDA #97.044

Finding
During our audit of the cash management compliance requirement on the Assistance to Firefighter's grant, we selected 18 transactions (including payroll and non-payroll). Based on our testing one of the selections was not paid by the entity before requesting reimbursement. The City of Cranston may receive direct federal funding as well as federal funding passed through the State of Rhode Island. During our audit we noted an instance where program costs were not paid for by the City of Cranston before reimbursement in accordance with the requirements of OMB Circular A-133. The circular requires that costs charged to federally funded programs must be paid by entity before reimbursement is requested from the Federal Government

Status
Repeated as finding #2015-007.

SECTION III FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (CONTINUED)

Prior Year Findings (Continued)

#2014-3: Assistance to Firefighters Grant – CFDA #97.044

Finding

During our audit we tested 5 vendors for suspension or debarment verification. There was no record on 2 of the selected vendors that such verification was performed. The circular requires that contracted parties to federally funded programs be verified as follows:

Status

The finding was corrected in 2015.