

## FY 2014 Audit Delay Time Line

FY 2013 (6/30/2013) Year End and subsequent audit (Due 12/31/2013) was significantly delayed due to the departure of the Finance Director (Early 2013) and Deputy Finance Director (Mid Year 2013). The Deputy Finance Director/Controller position was filled in August 2013 and the Finance Director (October 2013). The departing Deputy Director/Controller was unable to provide transition to her replacement prior to her departure resulting in a significant delay in closing FY 2013 (6/30/2013), which did not occur until December of 2013.

The Town was allowed an extension to file the FY 2013 audit which was completed late February 2014. During the period September through December of 2013, the Town Manager (one month) and two accounting staff went out on unexpected extended medical leaves (approximately two months each). This left the new Deputy Treasurer/Controller with one Accounts Payable clerk to conduct the business of the department. The new Finance Director started in mid October and was immediately involved in getting FY 2013 closed and the audit under way, as well as assisting the Deputy Finance Director/Controller in understanding the day to day operations of the Town. The FY 2015 Budget development commenced soon thereafter and a \$10,000,000 sewer related bond issue took most of my available time of the Finance Director.

The departure of the senior accounting staff, unexpected long term sick leaves of both the Town Manager and subordinate accounting staff, seriously undermined the accounting department's efforts to accomplish all the required accounting functions for FY2014 on time. The learning curve of the Deputy Treasurer/Controller was significantly hampered by the lack of orientation from departing staff, with the FY 2014 accounting functions suffering the consequences of this lack of transitional briefing. In early August 2014, the Deputy Treasurer/Controller announced his departure. Efforts to find a replacement from outside the organization were unsuccessful, so an internal promotion was made. The conditions of that promotion provided for that the position being vacated to remain open for ninety days while the individual and management assessed the success of the decision to promote internally.

The impact of the departure of the Deputy Treasurer/Controller after only one year of service further delayed the FY 2014 recovery from the FY 2013 chaotic situation as described above. The audit field work was scheduled far in advance; however the town was unable to meet the field work deadline. The School Department could have proceeded on schedule; however the auditors declined to proceed without both the town and the school records being available for review. The town retained another firm to provide additional help and soon thereafter a substantial amount of documents were ready, but the auditors were unable to amend their schedule because of other client commitments. The approaching tax season further exacerbated the situation. The auditors could not accommodate the delay and indicated they would have to reschedule the field work after tax season. The Auditor General was advised of the situation and reluctantly approved the extension with the caveat that his office would monitor the town's preparation for the FY 2014 Audit and FY 2015 ongoing work to avoid any delays in completing the FY 2015 Audit on schedule.

The Finance Department of the Town of North Kingstown suffered turnover and vacancies in key positions in 2013. As a result of operating problems associated with this turnover, the Single Audit Report dated May 13, 2014 from LGC&D (the Town's independent auditing firm) stated that the Town had material and significant internal control weaknesses. During 2014, the Finance Department experienced further turnover in a key position and an extended absence both of which hampered its ability to correct the reported deficiencies.

Representatives of the Audit Committee expressed their concern about the reported internal control deficiencies at the May 19, 2014 Town Council meeting and in correspondence to the Town Council dated July 24, 2014.

The concerns raised in a February, 25, 2015 letter from the Rhode Island Auditor General to the Town of North Kingstown correspond with the concerns expressed by the Audit Committee.

The Finance Director has stated to the Audit Committee that the Town Manager and the Town Council have made resources available to the Finance Department to improve the timeliness of work functions and related documentation. Town Management has reported to the Audit Committee that work functions within the Finance Department are now almost current. The Audit Committee awaits the report for the pending June 30, 2014 fiscal year audit from LGC&D for an independent evaluation of internal controls. Unfortunately, the delays associated with the staffing vacancies noted above have delayed the audit timing and the report will be less current than would normally be expected..

Given the reported progress that has been made, it is important that the Town complete its recovery and assure that the Finance Department has the necessary resources to avoid any future deterioration in internal controls.