

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2018

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SINGLE AUDIT REPORT

YEAR ENDED JUNE 30, 2018

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

To the Honorable President and Members of the Town Council
Town of North Kingstown, Rhode Island
North Kingstown, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the Town of North Kingstown, Rhode Island's (the "Town") 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 Town's major federal programs for the year ended June 30, 2018. The Town's major federal programs are identified in the summary of auditor's 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.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Town'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 Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Town's compliance.

Opinion on Each Major Federal Program

In our opinion, the Town 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, 2018.

Report on Internal Control over Compliance

Management of the Town 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 Town'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 Town's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2018-008 and 2018-009, that we consider to be material weaknesses.

The Town's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements. We issued our report thereon dated May 16, 2019, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
September 6, 2019, except for our report on the Schedule of Expenditures
of Federal Awards, for which the date is May 16, 2019

TOWN OF NORTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Beginning Loan Balance	Loan Originations and Expenditures	Total Federal Expenditures
US DEPARTMENT OF AGRICULTURE					
<i>Passed through the RI Department of Education</i>					
<i>Child Nutrition Cluster:</i>					
School Breakfast Program	10.553	Unknown		\$ 79,032	\$ 79,032
National School Lunch Program	10.555	Unknown		342,220	342,220
					421,252
Emergency Food Assistance Program (Food Commodities)	10.569	Unknown		47,589	47,589
Fresh Fruit and Vegetable Program	10.582	Unknown		14,138	14,138
Agricultural Conservation Easement Program	10.931			380,000	380,000
Total U.S. Department Agriculture					<u>862,979</u>
US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:					
<i>Passed through the RI Department of Administration</i>					
<i>CDBG - Entitlement Grants Cluster:</i>					
Community Development Block Grant (CDBG)	14.218	Unknown	\$ 319,764	1,526,761	1,846,525
Total U.S. Department of Housing and Urban Development					<u>1,846,525</u>
US DEPARTMENT OF EDUCATION:					
<i>Passed through the RI Department of Education</i>					
<i>Special Education Cluster - IDEA:</i>					
Special Education - Grants to States (IDEA, Part B)	84.027	2725-13202-701		980,616	980,616
Special Education - Grants to States (IDEA Child Opportunity Zone)	84.027	2720-11501-701		24,493	24,493
Special Education - Preschool Grants (IDEA Preschool)	84.173	2725-13502-701		22,961	22,961
					<u>1,028,070</u>
Title I Grants to Local Education Agencies	84.010	2725-11702-701		508,352	508,352
English Language Acquisition State Grants	84.365	2725-16502-701		6,267	6,267
Education for Homeless Children and Youth - 2016	84.196	2725-10202-601		22,001	22,001
Education for Homeless Children and Youth - 2017	84.196	2725-10302-701		14,479	14,479
Supporting Effective Instruction State Grants	84.367	2725-16402-701		151,678	151,678
Total U.S. Department of Education					<u>1,730,847</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES:					
<i>Passed through the RI Department of Health</i>					
<i>Aging Cluster:</i>					
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	Unknown		18,424	18,424
Drug-Free Communities Support Program Grants - Odd Year -2017	93.276	Unknown		20,525	20,525
Drug-Free Communities Support Program Grants - Even Year -2016	93.276	Unknown		72,905	72,905
Total U.S. Department of Health and Human Services					<u>111,854</u>
US DEPARTMENT OF HOMELAND SECURITY					
<i>Passed through the RI Emergency Management Agency</i>					
Emergency Management Performance Grant	97.042	26-06-2014-EMPG		4,712	4,712
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2016-FH-00411		243,878	243,878
Total U.S. Department of Homeland Security					<u>248,590</u>
Total expenditures of federal awards					<u>\$ 4,800,795</u>

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2018

1. Basis of presentation:

The accompanying schedule of expenditures of federal awards (“Schedule”) includes the federal award activity of the Town of North Kingstown, Rhode Island (the “Town”) under programs of the federal government for the year ended June 30, 2018. 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 Town, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Town.

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. Indirect cost rate:

The Town has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Aid-in-kind:

During the year ended June 30, 2018, the Town received aid-in-kind, in the form of miscellaneous food items, from the United States Department of Agriculture (“USDA”) passed through the State of Rhode Island Department of Education. The value of these items received by the Town's school lunch program totaled \$47,589.

5. Matching requirements:

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

6. Federal Loan Program:

Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The Town has the following loan receivable balance at June 30, 2018:

Insurance/Program Title	Federal CFDA Number	Amount outstanding
Community Development Block Grant (CDBG)	14.218	\$ 355,468



**INDEPENDENT AUDITOR'S 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***

The Honorable President and Members of the Town Council
Town of North Kingstown, Rhode Island
North Kingstown, 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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of North Kingstown, Rhode Island (the "Town"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated May 16, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town'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 Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town'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 weakness 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 deficiencies described in the accompanying schedule of findings and questioned costs as Items 2018-001, 2018-002, 2018-003, 2018-004 and 2018-005 to be material weaknesses.



Internal Control over Financial Reporting (Continued)

A *significant deficiency* is a deficiency, or 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 accompanying schedule of findings and questioned costs as Items 2018-006 and 2018-007 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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*.

The Town's Responses to Findings

The Town's responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.


CITRIN COOPERMAN & COMPANY, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Providence, Rhode Island
May 16, 2019

TOWN OF NORTH KINGSTOWN, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued:	Unmodified		
Internal control over financial reporting:			
Material weakness(es) identified?	<u> x </u>	yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> x </u>	yes	<u> </u> no
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> x </u> no

Federal Awards

Internal control over major programs:			
Material weakness(es) identified?	<u> x </u>	yes	<u> </u> no
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> </u>	yes	<u> x </u> no
Type of auditors’ report issued on compliance for major programs:	Unmodified		
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<u> x </u>	yes	<u> </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218	Community Development Block Grant (CDBG)
10.931	Agricultural Conservation Easement Program

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$750,000 </u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> x </u> no

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

2018-001 Timely Reconciliation of Cash and other Material Accounts

Criteria:

The Town is responsible for preparing its financial statements, and designing and implementing internal control over financial reporting to prevent, and correct and detect on a timely basis material errors and fraud.

Condition:

During the fiscal year ended June 30, 2018, for the Town's pooled cash account the major cash receipts and cash activity reported on the face of the pooled cash account bank statements were compared to the activity recorded in the general ledger on a monthly basis. A reconciliation of the bank balances reported on the bank statements was not performed and the adjusted bank balances were not compared to the amounts reported in the general ledger on a monthly basis. Also, the Town did not reconcile certain other non-pooled cash accounts and certain other material account balances on a monthly basis and did not compare reconciled amounts to amounts reported in its general ledger or subsidiary ledgers on a monthly basis.

Effect:

As a result of the absence of a timely monthly reconciliation process, the Town expended significant human resources after year-end to reconcile such accounts and to record adjustments to transactions previously recorded in its general ledger throughout the year.

Cause:

During the fiscal year ended June 30, 2018, the Town's Finance Department obtained full staff and training was provided to all staff. However, staff was not able to become current with the monthly reconciliations. As a result, the Finance Department was unable to appropriately account for transactions in accordance with governmental accounting standards on a current basis.

Recommendation:

We recommend that the Town continue to review the design of its system of internal control over financial reporting and implement corrective actions where required. Also, the Town should institute certain monitoring activities to ensure that, among other internal controls, cash and other material accounts are being properly reconciled, compared to amounts reported in subsidiary ledgers and/or the general ledger, and that any correcting entries are reported in the proper financial reporting period.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018 -001 Timely Reconciliation of Cash and Other Material Accounts (continued)

Views of Responsible Officials and Planned Corrective Actions:

Bank Reconciliations were prepared for the start of the audit. During the audit process, there were several items that caused adjustments to cash. The Town has de-pooled cash for Fiscal Year 2019, which separates school department activities from municipal activities. The School will be reconciling their cash accounts starting Fiscal Year 2020. In October 2018, the school department hired staff for the specific purpose of reconciling cash. In May 2018, the Town filled a position that had been empty for nearly a year. This position is responsible for cash reconciliation.

2018-002 Conversion of Accounting Information on the Budgetary Basis to GAAP Basis

Criteria:

Throughout the fiscal year, the Town reports financial transactions within all of its funds on the budgetary basis of accounting. For external financial reporting, the Town is required to report and present financial statements using accounting principles generally accepted in the United States for governmental entities (“GAAP”). GAAP requires governmental funds to be reported using the modified accrual basis of accounting and proprietary funds to be reported using the full accrual basis of accounting.

Condition:

As a result of using the budgetary basis of accounting throughout the year, the Town is required to adjust amounts reported in its general ledger for all funds from the budgetary basis of accounting to the GAAP basis for external financial reporting purposes.

Effect:

The Finance Department expends significant human resources converting its financial reporting from the budgetary basis to the GAAP basis and does not always identify budgetary basis to GAAP differences accurately and/or completely.

Cause:

The procedures required to make the adjustment from the budgetary basis of accounting to the required GAAP basis are not documented.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-002 Conversion of Accounting Information on the Budgetary Basis to GAAP Basis (continued)

Recommendation:

Business activities reported within proprietary funds should be accounted for using the full accrual basis of accounting for both internal and external financial reporting. The Finance Department should identify all differences between the budgetary basis of accounting and respective basis of accounting required to be used for each fund at the beginning of each fiscal year, prepare written policies and procedures to convert internally reported amounts to GAAP, and make all adjustments necessary to report transactions in accordance with GAAP as part of its normal year-end closing process.

Views of Responsible Officials and Planned Corrective Actions:

The Town's focus had been on cash reconciliation and properly recording all transactions. As vacancies have been filled, and additional training is being performed, individuals have been given the responsibility of converting budget to GAAP for reporting.

As part of the continuing efforts to document required activity an accounting manual is being developed.

2018-003 Recording Certain Grant Related Transactions as Balance Sheet Only Transactions

Criteria:

Revenue and expenditure transactions are required to be reported in the respective fund that earns the revenue or incurs the expenditure using the appropriate basis of accounting required by GAAP.

Condition:

Throughout the year, certain granted transactions were recorded net within balance sheet accounts, rather than as revenue or expenditure transactions in accordance with GAAP.

Effect:

As a result, significant adjustments to amounts previously recorded in the accounting records were required to recognize certain revenues or expenditures in accordance with GAAP.

Recommendation:

Amounts representing revenue or expenditures should be recorded in each fund using the appropriate basis of accounting required by GAAP. Grant related transactions should not be recorded net within a balance sheet account. Grant revenue and expenditures recorded within the general ledger should be reconciled to grant revenue earned or received and expenditures incurred during the period.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-003 Recording Certain Grant Related Transactions as Balance Sheet Only Transactions (continued)

Views of Responsible Officials and Planned Corrective Actions:

Training on grant reporting is ongoing. This training is for finance and non-finance departments that apply for, receive and report on grant activities.

2018-004 Recording of Sewer Assessment Activity

Criteria:

The Town is responsible for preparing its financial statements, and designing and implementing internal control over financial reporting to prevent, and correct and detect on a timely basis material errors and fraud.

Condition:

During the year ended June 30, 2018, the Town continued to record activity related to sewer assessments on a cash basis. GAAP requires proprietary funds to be reported using the full accrual basis of accounting.

Effect:

As a result, a year-end adjustment and an audit adjustment was required to reduce the sewer assessment receivable and record interest income.

Cause:

The Town has not developed policies and procedures to record activity related to sewer assessments in accordance with GAAP.

Recommendation:

The Town should develop and implement policies and procedures to ensure they are being recorded in accordance with GAAP. The Town should also provide necessary training to the individuals with responsibility for recording and reviewing these transactions.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-004 Recording of Sewer Assessment Activity (continued)

Views of Responsible Officials and Planned Corrective Actions:

As part of training activities mentioned in response of items 2018-0002 and 2018-0003, the training on the difference between budget and GAAP will include how it relates to proprietary funds and the recording of sewer assessments.

2018-005 Review of Journal Entries

Criteria:

The Town is responsible for preparing its financial statements, and designing and implementing internal control over financial reporting to prevent, and correct and detect on a timely basis material errors and fraud.

Condition:

During the year ended June 30, 2018, the Town did not review and approve all journal entries recorded in the general ledger to ensure that each entry was mathematically correct, coded to the proper general ledger accounts and appropriate based on the supporting documentation.

Effect:

As a result, there were a significant number of audit adjustments required to reverse or correct journal entries previously recorded by the Town that were not appropriate based on the supporting documentation.

Cause:

The Town does not have a formal process to review and approve journal entries posted to the general ledger.

Recommendation:

The Town should develop a formal process for reviewing and approving journal entries prior to the journal entry being posted to the general ledger. The independent review of the journal entry should include a review of supporting documentation to ensure that the journal entry is appropriate, mathematically correct, and properly coded to the correct general ledger accounts.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-005 Review of Journal Entries (continued)

Views of Responsible Officials and Planned Corrective Actions:

The Town's main weakness in approving has been related to required entries as part of payroll processing. These entries are consistent from payroll period to payroll period. Now that vacancies have been filled, payroll entries are being reviewed and approved.

The area requiring the most corrections as part the audit were related to the year end and conversion from budget to GAAP. As mentioned previously, training in the area of budget and GAAP accounting is part of how we are implementing improvements in this area.

2018-006 Reconciliation of Certain Non-Material Asset and Liability Accounts

Criteria:

The Town is responsible for preparing its financial statements, and designing and implementing internal control over financial reporting to prevent, and correct and detect on a timely basis material errors and fraud.

Condition:

During the year ended June 30, 2018, the Town did not reconcile all non-material asset and liability accounts on a periodic basis and compare reconciled amounts to amounts reported in its general ledger or subsidiary ledgers. Also, these accounts are not evaluated for appropriateness or the collectability of the recorded balances.

Effect:

As a result of the absence of a formal process to reconcile all non-material asset and liability accounts on a periodic basis, the Town expended significant human resources after year-end to reconcile such accounts and to record adjustments to transactions previously recorded in its general ledger throughout the year.

Cause:

The Town has not developed a formal process to reconcile all non-material asset and liability accounts on a periodic basis.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-006 Reconciliation of Certain Non-Material Asset and Liability Accounts (continued)

Recommendation:

The Town should develop a formal financial reporting closing checklist for the Finance Department to use and complete as part of its monthly closing process. The checklist should require that all material asset and liability accounts for each fund be reconciled on a monthly basis and that all other asset and liability accounts for each fund be reconciled on at least a quarterly basis.

Views of Responsible Officials and Planned Corrective Actions:

As part of the Town's procedures to reconcile cash in a timely manner and to insure that journal entries are made correctly, a quarterly review of accounts and other items, such as outstanding Purchase Orders, has been established.

2018-007 Grant Revenue Recognition

Criteria:

In governmental funds, recognition of grant revenues is based on the susceptibility of accrual as determined by the legal and contractual requirements established by each grantor. For grants not restrictive as to specific purposes and revocable only for failure to comply with general prescribed requirements, revenues are recognized when actually received. Where expenditure is the prime factor in determining eligibility, grant revenue is recognized as allowable expenditures are made provided they are collected during the year or within 60 days subsequent to year-end. Prior to expenditure, proceeds are recorded as unearned revenues. In enterprise funds, recognition of grant revenues is consistent with government funds except it is not subject to the requirement to collecting the revenue within 60 days subsequent to year-end.

Condition:

During the year ended June 30, 2018, the Town:

- Did not recognize revenue for amounts deferred in prior year that were not received within 60 days subsequent to June 30, 2017
- Did not recognize revenue as allowable expenditures were made and grant proceeds were received; and
- Recognized revenue in a fund different than the fund where the related expenditures were recorded
- Recognized revenue in advanced of incurring allowable expenditures

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings (Continued)

2018-007 Grant Revenue Recognition (continued)

Effect:

As a result of the absence of a formal process to review grant revenue, receivables, and unearned revenue accounts, adjustments were required to record activity in accordance with GAAP.

Cause:

The Town does not have a formal process to review grant revenue, receivables, and unearned revenue accounts to ensure amounts are recorded in accordance with GAAP.

Recommendation:

The Town should develop a formal process to review grant revenue, receivables, and unearned revenue accounts as part of its monthly closing process. The process should require that all material accounts be reviewed on a monthly basis and that all other accounts be reviewed on at least a quarterly basis.

Views of Responsible Officials and Planned Corrective Actions:

Actions and training referred in items above address this issue. As part of the accounting manual being developed, a formal process will be established related to this item.

Section III – Federal Award Findings

2018-008 Timely Filing of Data Collection Form

Criteria:

The Town is required to file its single audit report and data collection form with the Federal Audit Clearinghouse no later than the earlier of nine months after the end of its fiscal year or 30 days after receipt of its single audit report.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings (Continued)

2018-008 Timely Filing of Data Collection Form (continued):

Condition:

The Town did not file its single audit report and data collection form for the year ended June 30, 2018, with the Federal Audit Clearinghouse within the required timeframe.

Effect:

Failure to meet the filing requirements is a material weakness in internal control.

Cause:

The Town's financial statement audit for the year ended June 30, 2018, was not completed until May 16, 2019, which ultimately delayed the completion of the Town's single audit for the year ended June 30, 2018.

Recommendation:

Management should review the design of its system of internal control over financial reporting and implement corrective action to complete the audit of its financial statements and its single audit on a timely basis.

Views of Responsible Officials and Planned Corrective Actions:

The Town's audit was delayed in part due to new State of Rhode Island requirements related to the State's Municipal Transparency Portal. Satisfaction of these requirements were met in May. Significant improvements have been made in reconciliation of cash, which has been the main issue of delays. Fiscal year 2018 was the first year that the Town was required to be part of the Transparency Portal, now that the Town has experience and training in this new requirement future reporting should be smoother.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings (Continued)

2018-009 Preparation of Schedule of Expenditures of Federal Awards

Criteria:

The Uniform Guidance requires that the Town prepare a schedule of expenditures of federal awards (“SEFA”) for the period covered by the Town’s financial statements, which must include the total federal awards expended as determined by 2 CFR 200.509. The Uniform Guidance specifies the information that must appear on the face of the SEFA and what must be included in the notes to the SEFA.

Condition:

The Town’s original SEFA was not prepared in accordance with the requirements of the Uniform Guidance. The Town’s original SEFA did not:

- Accurately report new loan originations, previously unreported loans, and expenditures for the CDBG for a total difference of \$115,378;
- Properly identify the CDBG or the Aging, Title III, Part B, Grants for Supportive Services and Seniors Centers as part of clusters;
- Accurately report expenditures for the Special Education- Preschool Grants (IDEA) for a total difference of \$23,340;
- Include \$4,712 of expenditures for the Emergency Management Performance Grant
- Properly identify the proper agency, grant name, or CFDA number for the Agricultural Conversation Easement Program CFDA #10.931; and
- Accurately report expenditures for the Staffing for Adequate Fire and Emergency Response Grants CFDA #97.083 for a total difference of \$11,021.

Effect:

As a result, audit adjustments were required to accurately report and present the SEFA in accordance with the requirements of the Uniform Guidance.

Cause:

The Town does not have a formal process to track federal grant awards and expenditures.

Recommendation:

The Town should develop a formal process to track all grant awards and expenditures in a centralized manner to facilitate the preparation of the SEFA. The Town should also develop a formal process to review the SEFA for compliance with the requirements of the Uniform Guidance.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2018

Section III – Federal Award Findings (Continued)

2018-009 Preparation of Schedule of Expenditures of Federal Awards (continued)

Views of Responsible Officials and Planned Corrective Actions:

Town and School staff are receiving training in identification of grant related items. The Town's grant coordinator has been working with non-finance departments in particular on this item.

Town of North Kingstown, Rhode Island

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North Kingstown, RI 02852
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CORRECTIVE ACTION PLAN

Project Name: Town of North Kingstown, Rhode Island
Audit Firm: Citrin Cooperman & Company, LLP
Audit Period: Year Ended June 30, 2018

2018-001:

Timely Reconciliation of Cash and Other Material Accounts:

Finding:

The Town did not timely reconcile its pooled cash accounts, certain other non-pooled cash accounts, and certain other material account balances on a monthly basis.

Corrective Actions Taken or Planned:

The Town is now reconciling on a monthly basis.

2018-002:

Conversion of Accounting Information on the Budgetary Basis to GAAP Basis:

Finding:

The Finance Department expends significant human resources converting its financial reporting from the budgetary basis to GAAP and does not always identify budgetary basis to GAAP basis differences accurately and/or completely.

Corrective Actions Taken or Planned:

Finance staff at School and Town Finance Department are receiving additional training on GAAP vs budgetary accounting.

2018-003:

Recording Certain Grant Related Transactions as Balance Sheet Only Transactions:

Finding:

Certain grant transactions were recorded within balance sheet accounts, rather than as revenue or expenditure transactions in accordance with GAAP.

Corrective Actions Taken or Planned:

As part of the budget vs GAAP accounting training this issue will be addressed.

CORRECTIVE ACTION PLAN (CONTINUED)

Project Name: Town of North Kingstown, Rhode Island
Audit Firm: Citrin Cooperman & Company, LLP
Audit Period: Year Ended June 30, 2018

2018-004:

Recording of Sewer Assessments:

Finding:

Sewer assessments receivables and related interest income were not recorded in accordance with GAAP.

Corrective Actions Taken or Planned:

As the sewer system continues to expand within the community, new staff was hired to address this issue and be dedicate to sewer accounting only.

2018-005:

Review of Journal Entries:

Finding:

The Town did not review and approve all journal entries recorded in the general ledger to ensure that each entry was mathematically correct, coded to the proper general ledger accounts and appropriate based on the supporting documentation.

Corrective Actions Taken or Planned:

A new process that includes multiple review and sign-offs on journal entries has been established.

2018-006:

Reconciliation of Certain Non-Material Asset and Liability Accounts:

Finding:

All non-material asset and liability accounts were not reconciled on a periodic basis.

Corrective Actions Taken or Planned:

The addition of staff and reassignment of responsibilities to other staff has created resources to address this issue. Accounts are now reconciled at six, nine and twelve month intervals.

CORRECTIVE ACTION PLAN (CONTINUED)

Project Name: Town of North Kingstown, Rhode Island
Audit Firm: Citrin Cooperman & Company, LLP
Audit Period: Year Ended June 30, 2018

2018-007:

Grant Revenue Recognition:

Finding:

Grant revenue was not recorded in accordance with GAAP.

Corrective Actions Taken or Planned:

This is being addressed by training in budget vs GAAP accounting

2018-008:

Timely Filing of Data Collection Form:

Finding:

The Town did not file its single audit and data collection form with the Federal Audit Clearinghouse within the required timeframe.

Corrective Actions Taken or Planned:

Timely reconciliation of cash along with experience and training in the State's Municipal Transparency Portal reporting requirements will allow the Town to meet its reporting deadlines.

2018-009:

Preparation of Schedule of Expenditures of Federal Awards:

Finding:

The schedule of expenditures of federal awards was not accurately prepared in accordance with the requirements of the Uniform Guidance.

Corrective Actions Taken or Planned:

Additional training to non-financial departments by Grant Coordinator and training of financial staff on GAAP is addressing this item.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

Identifying Number:

2017-001 Timely Reconciliation of Cash and other Material Accounts

Condition:

The Town did not reconcile its pooled cash accounts, certain other non-pooled cash accounts, and certain other material account balances on a monthly basis.

Recommendation:

The Town should continue to review the design of its system of internal control over financial reporting and implement corrective actions where required. Also, the Town should institute certain monitoring activities to ensure that, among other internal controls, cash and other material accounts are being properly reconciled, compared to amounts reported in subsidiary ledgers and/or the general ledger, and that any correcting entries are reported in the proper financial reporting period.

Current Status:

Finding is repeated as cash and other material accounts were not timely reconciled during the year ended June 30, 2018.

2017-002 Conversion of Accounting Information on the Budgetary Basis to GAAP Basis

Condition:

The Finance Department expends significant human resources converting its financial reporting from the budgetary basis to GAAP and does not always identify budgetary basis to GAAP basis differences accurately and/or completely.

Recommendation:

Business activities reported within proprietary funds should be accounted for using the full accrual basis of accounting for both internal and external financial reporting. The Finance Department should identify all differences between the budgetary basis of accounting and respective basis of accounting required to be used for each fund at the beginning of each fiscal year, prepare written policies and procedures to convert internally reported amounts to GAAP, and make all adjustments necessary to report transactions in accordance with GAAP as part of its normal year-end closing process.

Current Status:

Finding is repeated, the Finance Department does not always identify budgetary basis to GAAP differences accurately and/or completely.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2018

2017-003 Recording Certain Revenue and Expenditure Transactions as Inter-fund Transactions

Condition:

Certain transactions were recorded within inter-fund due to/from accounts or as increases or decreases to fund balance rather than as revenue or expenditure transactions.

Recommendation:

Amounts representing revenue or expenditures should be recorded in each fund using the appropriate basis of accounting required by GAAP. Transactions should not be reported directly to beginning of the year fund balance, and transactions reported within each fund's inter-fund due to/from account should be reconciled on a monthly basis.

Current Status:

Finding was revised and reported as 2018-003, the Town took some corrective action but is still recording certain grant related transactions improperly net in balance sheet accounts.

2017-004 Recording of Sewer Assessment Activity

Condition:

Sewer assessments receivables and related interest income were not recorded in accordance with GAAP.

Recommendation:

The Town should develop a formal process to evaluate the accounting treatment for new activities to ensure they are being recorded in accordance with GAAP. The Town should also provide necessary training to the individuals with responsibility for recording and reviewing new types of activity.

Current Status:

Finding is repeated, as the Town is still not recording sewer assessment activity in accordance with GAAP.

2017-005 Review of Journal Entries

Condition:

The Town did not review and approve all journal entries recorded in the general ledger.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2017-005 Review of Journal Entries (continued)

Recommendation:

The Town should develop a formal process for reviewing and approving journal entries prior to the journal entry being posted to the general ledger. The independent review of the journal entry should include a review of supporting documentation to ensure that the journal entry is appropriate, mathematically correct, and properly coded to the correct general ledger accounts.

Current Status:

Finding is repeated, the Town is still not reviewing and approving all journal entries recorded in the general ledger.

2017-006 Reconciliation of Certain Non-Material Asset and Liability Accounts

Condition:

All non-material asset and liability accounts were not reconciled on a periodic basis.

Recommendation:

The Town should develop a formal financial reporting closing checklist for the Finance Department to use and complete as part of its monthly closing process. The checklist should require that all material asset and liability accounts for each fund be reconciled on a monthly basis and that all other asset and liability accounts for each fund be reconciled on at least a quarterly basis.

Current Status:

Finding is repeated, the Town is still not reconciling all non-material asset and liability accounts.

2017-007 Grant Revenue Recognition

Condition:

Grant revenue was not recorded in accordance with GAAP.

Recommendation:

The Town should develop a formal process to review grant revenue, receivables, and unearned revenue accounts as part of its monthly closing process. The process should require that all material accounts be reviewed on a monthly basis and that all other accounts be reviewed on at least a quarterly basis.

Current Status:

Finding is repeated, as the Town is still recording grant revenue in accordance with GAAP.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2017-008 Review of Budget Adjustments

Condition:

Budget adjustments were not recorded consistently with amounts approved by the Town Council.

Recommendation:

The Town should implement a formal process to independently review budget adjustments recorded in Munis.

Current Status:

The Town has implemented procedures to review budget adjustments recorded in Munis for consistency with amounts approved by the Town Council.

2017-009 Timely Filing of Data Collection Form

Condition:

The Town did not file its single audit report and data collection form for the year ended June 30, 2017, with the Federal Audit Clearinghouse within the required timeframe.

Recommendation:

Management should review the design of its system of internal control over financial reporting and implement corrective action to complete the audit of its financial statements and its single audit on a timely basis.

Current Status:

Finding is repeated, as the single audit report for the year ended June 30, 2018, was not filed timely.

2017-010 Community Development Block Grant CFDA #14.218

Condition:

The Town reported funds expended of \$6,500 in its quarterly “Community Development Regular Progress Report” for the period March 2017 through June 2017. The expenditures were incurred prior to April 25, 2017, beginning of the period of performance. Additionally, the “Request for Release of Funds and Certification, form HUD-7015.15” was not received by HUD until March 1, 2018, and HUD issued the “Authority to Use Grant Funds, form HUD-7015.16” on March 16, 2018.

TOWN OF NORTH KINGSTOWN, RHODE ISLAND

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)

YEAR ENDED JUNE 30, 2018

2017-010 Community Development Block Grant CFDA #14.218 (continued)

Recommendation:

Management should review the design of its system of internal control over financial reporting and implement corrective action to complete the audit of its financial statements and its single audit on a timely basis.

Current Status:

The Town has employed a grant manager to improve the overall accountability and enhance reporting.

2017-011 Preparation of Schedule of Expenditures of Federal Awards

Condition:

The Town's original SEFA was not prepared in accordance with the requirements of the Uniform Guidance. The amount originally reported for CDBG included \$150,000 of grants awarded but for which expenditures were not yet incurred and excluded the beginning loan balances of \$258,784 and previously unreported loan originations of \$73,687. The SEFA also originally excluded expenditures of \$51,875 for the Emergency Management Performance Grant CFDA #97.042.

Recommendation:

The Town should develop a formal process to track all grant awards and expenditures in centralized manner to facilitate the preparation of the SEFA. The Town should also develop a formal process to review the SEFA for compliance with the requirements of the Uniform Guidance.

Current Status:

Finding is repeated as the preparation of Schedule of Expenditures of Federal Awards for the year ended June 30, 2018, was not prepared in accordance with the requirements of the Uniform Guidance.