

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**REPORTING UNDER GOVERNMENT AUDITING STANDARDS**  
**AND**  
**OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133**  
**FOR THE YEAR ENDED JUNE 30, 2015**

# TOWN OF WEST WARWICK, RHODE ISLAND

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL  
CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Members of the Town Council  
**Town of West Warwick, 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 Town of West Warwick, Rhode Island, as of and for the year ended June 30, 2015June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town of West Warwick, Rhode Island's basic financial statements, and have issued our report thereon dated February 23, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of West Warwick, Rhode Island'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 of West Warwick, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of West Warwick, Rhode Island's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as 2014-001, 2014-002, 2014-005 and 2014-006 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2014-007 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of West Warwick, Rhode Island's financial statements are free of 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*.

### **Town of West Warwick, Rhode Island's Response to Findings**

Town of West Warwick, Rhode Island's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of West Warwick, Rhode Island's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Marcum LLP*

Providence, RI  
February 23, 2016

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

To the Honorable Members of the Town Council  
**Town of West Warwick, Rhode Island**

**Report of Compliance for Each Major Federal Program**

We have audited the Town of West Warwick, Rhode Island's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Town of West Warwick, Rhode Island's major federal programs for the year ended June 30, 2015. The Town of West Warwick, 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 the Town of West Warwick, 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 the Town of West Warwick, 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 the Town of West Warwick, Rhode Island's compliance.

***Basis for Modified Opinion on Project IDEA, Project IDEA Preschool, Title I, Title II and CDBG***

As described as items 2014-009, 2015-001, 2015-002 and 2015-003 in the accompanying schedule of findings and questioned costs, the Town of West Warwick, Rhode Island, did not comply with requirements regarding allowable costs and equipment that are applicable for the Project IDEA (CFDA #84.027); allowable costs and eligibility to Title I (CFDA 84.010), allowable costs to Title II (CFDA 84.367) and the requirements of allowable costs, cash management, and reporting applicable to the CDBG Program CFDA #14.228. Compliance with such requirements is necessary, in our opinion, for the Town of West Warwick, Rhode Island, to comply with the requirements applicable to these programs.

***Modified Opinion on Project IDEA, Project IDEA Preschool, Title I, Title II and CDBG***

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph the Town of West Warwick, 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 Project IDEA CFDA 84.027, Title I CFDA 84.010, Title II CFDA 84.367 and CDBG Program CFDA 14.228 for the year ended June 30, 2015 June 30, 2015.

**Report on Internal Control Over Compliance**

Management of Town of West Warwick, 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 Town of West Warwick, 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 Town of West Warwick, Rhode Island's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-009, 2015-001, 2015-002, and 2015-003, that we consider to be significant deficiencies.

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 Town of West Warwick, Rhode Island as of and for the year ended June 30, 2015, and have issued our report thereon dated February 23, 2016, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcum LLP*

Providence, RI  
April 6, 2016 except for the paragraph  
Regarding the Schedule of Expenditures of Federal Awards  
as to which the date is February 23, 2016

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<i>Federal Grantor</i>	Federal	
<b>Pass-Through Grantor</b>	CFDA	
<u>Program Title</u>	<u>Number</u>	<u>Expenditures</u>
<i>U.S. Department of Agriculture</i>		
<b>Passed through Rhode Island Department of Education:</b>		
National School Lunch Program	10.555	\$ 751,225
National School Breakfast Program	10.553	<u>158,513</u>
<b>Total Nutrition Cluster</b>		909,738
Fresh Fruit and Vegetable Program	10.582	46,400
Food Commodities	10.565	<u>51,716</u>
<b>Total U.S. Department of Agriculture</b>		<u>1,007,854</u>
<i>U.S. Department of Housing and Urban Development</i>		
<b>Passed through Rhode Island Office of Housing and Community Development</b>		
Community Development Block Grant	14.228	<u>369,259</u>
<b>Total U.S. Department of Housing and Urban Development</b>		<u>369,259</u>
<i>U.S. Department of Justice</i>		
<b>Passed through Rhode Island Department of Justice</b>		
Bulletproof Vest Partnership Program	16.607	10,727
Edward Byrne Memorial Justice Assistance Grant Program	16.738	6,381
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>14,004</u>
<b>Total U.S. Department of Justice</b>		<u>31,112</u>
<i>U.S. Department of Transportation</i>		
<b>Passed through Rhode Island Department of Transportation</b>		
State and Community Highway Safety	20.600	10,100
Occupant Protection Incentive Grants	20.602	3,000
Child Safety and Child Booster Seats Incentive Grants	20.613	<u>515</u>
<b>Total Highway Safety Grant Program Cluster</b>		13,615
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	<u>6,000</u>
<b>Total U.S. Department of Transportation</b>		<u>19,615</u>

*See notes to schedule of federal awards.*

**TOWN OF WEST WARWICK, RHODE ISLAND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

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<i>Federal Grantor</i>	Federal	
<b>Pass-Through Grantor</b>	CFDA	
<u>Program Title</u>	<u>Number</u>	<u>Expenditures</u>
 <i>U.S. Department of Homeland Security</i>		
<b>Passed through Rhode Island Emergency Management Agency</b>		
Homeland Security Grant Program	97.067	35,139
Emergency Management Performance Grants	97.042	<u>5,383</u>
<b>Total U.S. Department of Homeland Security</b>		<u>40,522</u>
 <i>U.S. Department of Education</i>		
<b>Passed through Rhode Island Department of Education</b>		
Project IDEA - Part B	84.027	865,908
Project IDEA Preschool	84.173	<u>21,682</u>
<b>Total Special Education Cluster</b>		887,590
 Title I - Part A - Disadvantaged Youth	 84.010	 990,257
Title II - Part A - Teacher Quality	84.367	300,244
English Language Acquisition Grants	84.365	14,359
Race To the Top Fund - ARRA	84.395	52,507
<b>Passed through City of Warwick</b>		
Perkins - Career and Technical Education	84.048	<u>29,386</u>
<b>Total U.S. Department of Education</b>		<u>2,274,343</u>
 <b>Total Expenditures of Federal Awards</b>		 <u><u>\$ 3,742,705</u></u>

*See notes to schedule of federal awards.*

# TOWN OF WEST WARWICK, RHODE ISLAND

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

### FOR THE YEAR ENDED JUNE 30, 2015

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#### 1. GENERAL

The accompanying schedule of expenditures of federal awards (the "schedule") presents the activity of all federal awards programs of the Town of West Warwick. All federal awards received from federal agencies and expended 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 is presented using the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowed or limited as to reimbursement.

#### 3. SCHOOL LUNCH COMMODITIES

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the cost of commodities provided by the School Lunch Program. The total federal share of these commodities was \$51,717 for the year ended June 30, 2015.

#### 4. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Town provided federal awards to subrecipients as follows:

CFDA	Program Name	Amount Provided To Subrecipients
14.228	Community Development Block Grant	\$ 67,500

**TOWN OF WEST WARWICK, RHODE ISLAND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2015**

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**SECTION A – 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 weakness?

X  Yes         None Reported

Noncompliance material to financial statements noted?

    Yes     X  No

***FEDERAL AWARDS PROGRAMS***

Internal control over major federal awards programs:

Material weakness(es) identified?

    Yes     X  No

Significant deficiency(ies) identified not considered to be material weakness?

X  Yes         None Reported

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

***MODIFIED OPINION***

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?

X  Yes         No

Identification of major federal awards programs:

***FEDERAL AWARDS PROGRAMS***

***FEDERAL CFDA No.***

U.S. Department of Housing and Urban Development

Community Development Block Grant (CDBG)..... 14.228

U.S. Department of Education (Special Education Cluster)

Project IDEA – Part B ..... 84.027

Project IDEA Preschool ..... 84.173

U.S. Department of Education

Title I..... 84.010

Title II ..... 84.367

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

Federal    \$300,000

Auditee qualified as low-risk auditee for federal awards programs?

Yes     X  No

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS

#### MATERIAL WEAKNESSES:

##### 2014-001: Financial Reporting

**Criteria:** Internal controls should be established and maintained to ensure that the annual financial statements are complete and accurate in accordance with government accounting standards.

**Condition:** During the years ended 2014 and 2015 the Town did not maintain adequate controls to ensure that the general ledger accounting records were maintained in accordance with governmental accounting standards or that procedures were in place to properly convert these records to comply with the applicable standards.

**Cause:** This was due to the lack of formal policies, procedures, and personnel to ensure a thorough review of the accounting records for completeness and accuracy.

**Effect:** The lack of controls over financial reporting and maintenance of the general ledger accounting records could result in the material misstatement of the Town's financial position and result of operations. In addition, a lack of controls over the review of the general ledger accounting records increases the risk of intentional or unintentional misappropriation of funds.

**Recommendation:** We recommend that management establish policies and procedures requiring the general ledger accounting records to be reviewed and account balances reconciled to subsidiary records on a periodic basis. Completion of these procedures should be documented to ensure compliance.

**View of Responsible Official and Corrective Action:** On July 1, 2015 the Town implemented new ERP software, Infinite Visions. As part of the implementation, we are in the process of preparing new policies and procedures to ensure that the annual financial statements are complete and accurate.

##### 2014-002: Capital Assets

**Criteria:** Capital assets are reported in the government-wide statement of net position as well as the statement of net position of the business-type activities. Although the reporting of these capital assets does not impact the budgetary basis of accounting for which management operates, adequate controls should be established to ensure the completeness and accuracy of the capital asset records in accordance with governmental accounting standards.

**Condition:** Management currently does not have policies or procedures for maintaining these capital asset records on a periodic basis to ensure the completeness and accuracy of the information.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

#### 2014-002: Capital Assets (Continued)

**Cause:** Due to significant turnover in recent years the coordination and maintenance of capital asset reporting was neglected. During 2015 and 2014 management was focusing the efforts on obtaining a full accounting and valuation of the capital assets rather than developing a formal policy for maintaining these records.

**Effect:** Lack of controls over maintaining the capital asset records could result in the material misstatement of the Town's financial position and results of operation in addition to a weakness in the safeguarding of the capital assets of the Town.

**Recommendation:** We recommend that the Town established formal policies and procedures for maintaining the capital asset records to ensure the completeness and accuracy of the capital assets for financial reporting purposes. These policies and procedures should include documentation of the controls to ensure that all capital assets acquired are properly included in the capital asset records and that all disposal of capital asset records are also maintained.

**View of Responsible Official and Corrective Action:** On July 1, 2015 the Town implemented new ERP software, Infinite Visions, which includes a capital asset module which will be used to assist with the maintenance and reporting of the capital asset records. As part of the implementation, we are in the process of preparing new policies and procedures for maintaining the capital asset records.

#### 2014-005: Sewer Authority Billings

**Criteria:** All billings should be maintained and reported in the general ledger accounting system.

**Condition:** The West Warwick Sewer Authority currently processes billings to local communities participating in the Inter-municipal Agreements. These billings do not get processed through the Opal Receivable System and as a result they are not included in the general ledger accounting records until payment is received and deposited.

**Cause:** The Sewer Authority produces these billings internally based on the billings which the authority receives from the RI Clean Water Finance Agency. These records are maintained at the Sewer Authority and are not shared with the Town's Finance Department. As a result the receivable and revenue does not get recorded in the general ledger accounting records until it is collected and deposited by the Authority

**Effect:** Increase in the risk of intentional or unintentional misstatement of the financial position and results of operations of the Sewer Authority.

**Recommendation:** We recommend that the Town's Finance Director meet with Sewer Authority personnel to establish policies and procedures to ensure that all billings are properly recorded in the Opal Receivable System as well as the general ledger accounting system. All billings should be processed through the system to ensure the completeness of the financial position and activity of the Sewer Authority Fund.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

#### 2014-005: Sewer Authority Billings (Continued)

**View of Responsible Official and Corrective Action:** The Town's Finance Director will continue to meet with the Wastewater Superintendent and Director of Administration to review this finding and establish policies and procedures as recommended.

#### 2014-006: Special Revenue Funds

**Criteria:** The financial activity and reporting for all special revenue funds should be reconciled to the general ledger accounting records maintained by the Town's finance department to ensure the completeness and accuracy of the Town's internal financial statements.

**Condition:** The financial reporting for some of the Town's special revenue funds is maintained by personnel outside of the Town's Finance Department. The Town currently does not have adequate policies or procedures to ensure that the financial reports that are being processed by these personnel is in agreement with the financial activity being reported in the Town's general ledger accounting records.

**Cause:** Lack of controls and oversight over the personnel who are responsible for maintaining the grant activity and filing the reports with the funding agency.

**Effect:** Failure to properly maintain controls over the financial accounting and reporting of the activity and balances in these special revenue funds may result in the material misstatement to the Town's financial statements and noncompliance with the grant reporting requirements.

**Recommendation:** We recommend that the Town Administration meet with various Department Directors to establish adequate policies, procedures, and internal controls over the financial accounting and reporting of grant activity. We further recommend that all grant reports be submitted to the Town's Finance Director for review and approval prior to the submission of these reports to the funding agencies. During the review and approval process, the Town's Finance Director should ensure that the information included in the grant report coincides to the information maintained in the general ledger accounting records.

**View of Responsible Official and Corrective Action:** The Town Manager and Finance Director will meet with the Department Directors to review this finding and establish policies and procedures, as recommended. In addition, all grant reports will be submitted to and reviewed by the Finance Director, as recommended.

### SIGNIFICANT DEFICIENCY:

#### 2014-007: Purchase Orders

**Criteria:** Purchase orders are utilized as a means to document the authorization of a purchase as well as to monitor compliance with budget appropriations.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION B – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

#### 2014-007: Purchase Orders (Continued)

**Condition:** The Town currently utilizes purchase orders for virtually all funds and expenditures other than payroll transactions. In some instances these purchase orders are being initiated after the purchase has been made and an invoice received.

**Cause:** Lack of oversight and enforcement over the use of purchase orders.

**Effect:** Failure to properly utilize purchase orders prior to entering into the purchase agreement may result in the over expenditure of funds and reduce management's ability to properly monitor, control, and estimate the financial position and condition of the Town.

**Recommendation:** We recommend that management review the current processes governing the use of purchase orders and that a policy and procedure be documented, implemented, and reviewed with all department directors to ensure compliance. We further recommend that the Town send a communication to all vendors alerting them to the fact that purchases may not be honored unless a signed and authorized purchase order is obtained at the time an order is placed.

**View of Responsible Official and Corrective Action:** On July 1, 2015 the Town implemented new ERP software, Infinite Visions. As part of the implementation, we are in the process of preparing new policies and procedures.

### SECTION C – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

#### 2014-009: Project IDEA – Part B CFDA #84.027, Title I CFDA #84.010 and Title II CFDA #84.367 – Allowable Costs

**Criteria:** The West Warwick School Department receives direct federal funding as well as federal funding passed through the State of Rhode Island. OMB Circular A-87 requires that payroll costs charged to federally funded programs be supported as follows:

- Salaries and wages for employees working 100% of their time on a single Federal award or cost objective must be supported by periodic certifications. These certifications must be prepared at least semi-annually and must be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.
- Salaries and wages for employees working on multiple activities or cost objectives must be supported by (a) personnel activity reports that reflect an after-the-fact distribution of the actual activity of the employee, (b) they must account for the total activity for which an employee is compensated, (c) they must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION C – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

#### 2014-009: Project IDEA – Part B CFDA #84.027, Title I CFDA #84.010 and Title II CFDA #84.367 (Continued)

**Condition:** The West Warwick School Department does not maintain documentation to support the time and effort reporting in accordance with the requirements of OMB-Circular A-87. The School Department provided an annual certification of employees' time which was allocated to the IDEA, IDEA Preschool, Title I and Title II Programs. However, this certification did not meet the requirements of the federal regulations requiring certifications to be completed semi-annually for employees allocated 100% to the federal program and monthly for those allocated to multiple federal programs.

**Cause:** The School Department did not have adequate policies or procedures for monitoring the compliance requirements related to time and effort reporting to ensure that the documents maintained were in accordance with the federal regulations.

**Effect:** Failure to properly document and allocate payroll expenses to their corresponding program may result in excess costs being charged to a federally funded program which in turn could result in loss of federal grant revenue.

#### **Questioned Costs**

The results of our testing identified known questioned costs of \$43,994 for IDEA, \$35,464 for Title I and \$15,645 for Title II.

**Recommendation:** We recommend that the management of the West Warwick School Department develop and enforce a policy requiring all federally funded personnel to maintain time records in accordance with the provisions of OMB Circular A-87 and that the policy include an internal audit function requiring someone independent of the federal program to review time records on a periodic basis for compliance.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION C – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

#### 2014-009: Project IDEA – Part B CFDA #84.027, Title I CFDA #84.010 and Title II CFDA #84.367 (Continued)

*View of Responsible Official and Corrective Action:* Due to the transition of the Director of Federal Programming the corrective action plan established as a result of the 2014 finding was only partially implemented. The following procedures have been fully implemented for FY2016. West Warwick Public Schools (WWPS) will address the federal time and effort requirements as outlined in Circular A87, Attachment B, Section 8, paragraph h.

- 1) We will list the Federally-funded employees by name, title, cost objective, school site and work period on a semi-annual basis and will include all such employees on a single school-specific form.
- 2) We will review the form with the school principals for their understanding, monitoring of the support documentation and attestations.
- 3) While the majority of our federally-funded employees are working on a single- cost-objective basis, we will use a monthly Personnel Activity Report (PAR) for those who serve different student populations.

#### 2015-001: Title I CFDA #84.010 - Eligibility

*Criteria:* The West Warwick School Department received federal funding passed through the State of Rhode Island. OMB Circular A-133 states that a “LEA must allocate funds, in rank order, on the basis of the total number of children from low-income families in each area or school...an LEA may not allocate a higher amount per child from a low-income family to areas or schools with lower percentages of poverty than to areas or schools with higher percentages”.

*Condition:* The West Warwick School Department has allocated Title I funds to two schools with the highest amount of children from low-income families. The funds allocated per pupil is higher for the school with less children from low-income families than the school with a higher amount of children from low-income families. This does not meet the requirements of the federal regulations requiring to allocate a higher amount per child from a low-income family to areas or schools with higher percentages of poverty than to areas or schools with lower percentages.

*Cause:* The School Department did not have adequate policies or procedures for monitoring the compliance requirements related to allocation of funds to ensure that the allocation of funds were in accordance with the federal regulations.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION C – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

#### 2015-001: Title I CFDA #84.010 (Continued)

**Effect:** A school with less low income family children could be receiving more funds than a school with more children in low income families. This could result in the school with the higher attendance of children from low income family to have a lower amount of Title I funds allocated per pupil than to a school who has a lower amount of children from low income family ratio.

**Recommendation:** We recommend that the management of the West Warwick School Department develop and enforce a policy requiring funds allocated to schools with low-income family children to be allocated based on the rank of the school.

**View of Responsible Official and Corrective Action:** The West Warwick School District will continue with the policy and procedure to review the allocation of funds, on the basis of the total number of children from low-income families, in each of the school to receive Title I funding at the time of preparation of the CRP. The Director of Federal Programming and Innovative Practice will also review the allocations before submission of any amendment. It is our understanding that the CRP and amendment will not be approved by RIDE if the allocations are not within Federal guidelines. The Director of Federal Programming and Innovative Practice will also perform periodic reviews of the allocation levels throughout the school year, if the allocation is not within Federal guidelines, the Director will then provide reasons for the change in allocation.

#### 2015-002: Community Development Block Grants (CDBG) CFDA #14.228 – Cash Management

**Criteria:** Federal regulations require that organizations who are funded on a reimbursement basis, program costs must be paid for by the entity funds before reimbursement is requested from the Federal Government.

**Condition:** During our audit testing of the CDBG program activity, we noted instances where expenditure reimbursement was being requested prior to payment of the expenditure.

**Cause:** The lack of compliance with the cash management requirements is the result of a lack of internal controls over the program monitoring and understanding of the provisions of the cash management regulations.

**Effect:** The lack of compliance with the provisions of the cash management regulations makes it difficult for the grantor agency to manage the expenditures and funds of the entity.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2015

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### SECTION C – FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS (Continued)

#### 2015-002: Community Development Block Grants (CDBG) CFDA #14.228 (Continued)

**Recommendation:** We recommend that the Town's Finance Director meet with the CDBG program administrator to review the cash management requirements and to develop policies and procedures for submitting future grant requisitions. We further recommend that these procedures include requirements that the reimbursement requests be reviewed to ensure only expenditures paid for have been included.

**View of Responsible Official and Corrective Action:** The Town Manager and Finance Director will meet with the program administrator to review this finding and establish policies and procedures, as recommended.

#### 2015-003: Community Development Block Grants (CDBG) CFDA #14.228—Allowable Costs and Reporting

**Criteria:** Internal controls over compliance should be in place and operating effectively in order to deter federal funds being expended on activities that are not allowed and to ensure reporting is accurate before submission to the State of Rhode Island.

**Condition:** During our audit testing of the CDBG program activity, we noted instances where the CDBG Manager completed and approved their own time sheet for payment. Furthermore, we also noted instances where the CDBG Manager completes and approves the reports before submission to the State of Rhode Island.

**Cause:** The lack of approval within the allowable payroll costs and reporting requirements is the result of a lack of controls over the program monitoring.

**Effect:** The CDBG Manager could be charging time to the program that is not allowed and could have inaccurate reporting being submitted to the State of Rhode Island.

**Recommendation:** We recommend that the Town Manager and Finance Director establish adequate controls and procedures for monitoring the activity and compliance requirements relative to the CDBG program.

**View of Responsible Official and Corrective Action:** The Town Manager and Finance Director will meet with the program administrator to review this finding and establish controls and procedures, as recommended.

# TOWN OF WEST WARWICK, RHODE ISLAND

## SCHEDULE OF PRIOR AUDIT FINDINGS

JUNE 30, 2015

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### SECTION D – PRIOR AUDIT FINDINGS RELATED TO AUDIT OF FINANCIAL STATEMENTS

- 2014-001 – Financial Reporting:** has not been addressed.
- 2014-002 – Capital Assets:** has not been addressed.
- 2014-003 – Pension Trust Fund:** has been addressed.
- 2014-004 – Segregation of Duties:** has been addressed.
- 2014-005 – Sewer Authority Billings:** has not been addressed.
- 2014-006 – Special Revenue Funds:** has not been addressed.
- 2014-007 – Purchase Orders:** has not been addressed.

### SECTION D – PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS

- 2014-008 – Project IDEA – Part B CFDA #84.027 (Capital Assets):** has been addressed.
- 2014-009 -- Project IDEA – Part B CFDA #84.027 (Time and Effort):** has not been addressed.
- 2014-010 -- Project IDEA – Part B CFDA #84.027 (Level of Effort):** has been addressed.
- 2014-011 – Community Development Block Grants (CDBG) CFDA #14.228 (Procurement):** has been addressed.
- 2014-012 -- Community Development Block Grants (CDBG) CFDA #14.228 (Liens):** has been addressed.
- 2014-013 -- Community Development Block Grants (CDBG) CFDA #14.228 (Cash Management):** has been addressed.