

TOWN OF WESTERLY, RHODE ISLAND

REPORTING IN ACCORDANCE WITH
***GOVERNMENT AUDITING STANDARDS* AND**
OFFICE OF MANAGEMENT AND BUDGET UNIFORM GUIDANCE

FOR THE YEAR ENDED JUNE 30, 2019

TOWN OF WESTERLY, 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

The Honorable President and Members of the Town Council
Town of Westerly, Rhode Island

We have audited, in accordance with 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 Westerly as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Westerly's basic financial statements and have issued our report thereon dated January 19, 2020.

Internal Control Over Financial Reporting

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

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. *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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Marcum LLP

Providence, RI
January 19, 2020



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

The Honorable President and Members of the Town Council
Town of Westerly, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the Town of Westerly'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 Westerly's major federal programs for the year ended June 30, 2019. The Town of Westerly's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Westerly'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 of Westerly'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 major federal programs. However, our audit does not provide a legal determination of the Town of Westerly's compliance.



Opinion on Each Major Federal Program

In our opinion, the Town of Westerly 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, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

Town of Westerly's response to the noncompliance finding identified in our audit are described in the accompanying corrective action plan. Town of Westerly's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Town of Westerly's response to the internal control over compliance finding identified in our audit is described in the accompanying corrective action plan. Town of Westerly's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Westerly, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Town of Westerly's basic financial statements. We have issued our report thereon dated January 19, 2020, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the basic 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Providence, RI
January 19, 2020 except for the report on the
schedule of expenditures of federal awards
which is dated February 28, 2020

TOWN OF WESTERLY, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures Incurred</u>
<i>U.S. Department of Agriculture</i>				
Passed through State Department of Education:				
Child Nutrition Cluster				
National School Lunch Program	10.555		\$ --	\$ 444,752
School Breakfast Program	10.553		--	96,917
Summer Food Service Program for Children	10.559		--	16,050
<i>Total Child Nutrition Cluster</i>			--	557,719
Fresh Fruit and Vegetable Program	10.582	2725-17602-030	--	25,007
Passed through Rhode Island NRCS:				
Emergency Watershed Protection - Winnapaug Pond	10.927	68-1535-17-201	--	77,940
<i>Total U.S. Department of Agriculture</i>			--	660,666
<i>U.S. Department of Housing and Urban Development</i>				
Passed through Rhode Island Division of Planning, Office of Housing and Community Development:				
Community Development Block Grants/Entitlement Grants Cluster				
Community Development Block Grants	14.228	16/36/32, 16/36/35	--	146,285
<i>Total Community Development Block Grants/Entitlement Grants Cluster</i>			--	146,285
CDBG-Disaster Recovery Grants Pub. L. No. 113-2 (Disaster Recovery Cluster)	14.269	13/38-DR-06	--	417,275
<i>Total U.S. Department of Housing and Urban Development</i>			--	563,560
<i>U.S. Department of Education</i>				
Passed through the State Department of Education:				
Special Education Cluster (IDEA)				
Special Education - Grants to States	84.027	2725132.02.02 2720105.01.04	--	815,426
Special Education - Preschool Grants	84.173	2725135.02.02	--	69,643
<i>Total Special Education Cluster</i>			--	885,069
School Support and Academic Enrichment	84.424	2725-20802-02	--	64,323
Improving Teacher Quality State Grants	84.367	2725-16402-02	--	142,725
English Language Acquisition State Grants	84.365	2725-16502-02	--	26,738
Title I Grants to Local Education Agencies	84.010	2725-11702-02	--	656,311
<i>Total U.S. Department of Education</i>			--	1,775,166

See notes to schedule of expenditures of federal awards.

TOWN OF WESTERLY, RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures Incurred</u>
U.S. Department of Health and Human Services				
Passed through the State of Rhode Island Department of Health:				
Block Grants for Prevention and Treatment of Substance Abuse	93.959		--	63,810
Total U.S. Department of Health and Human Services			--	63,810
U.S. Department of Interior				
Passed through Connecticut Department of Energy & Environmental Protection:				
Clean Vessel Act Program - Pumpout Boat	15.616	2018-100	--	50,474
Total National Endowment for the Arts			--	50,474
U.S. Department of Homeland Security				
Passed through the State of Rhode Island:				
Emergency Management Performance Grants	97.042	41-04-FY2017 EMPG	--	3,750
Hazard Mitigation Grant	97.039	HMGP-4027-DR/1894-14-R	--	202,163
Total U.S. Department of Homeland Security			--	205,913
U.S. Department of Transportation				
Passed through the State of Rhode Island:				
Highway Planning and Construction Cluster - BayStreet Enhancement	20.205		--	1,392,019
State and Community Highway Safety Cluster	20.600		--	25,509
Total U.S. Department of Transportation			--	1,417,528
U.S. Environmental Protection Agency				
Direct Programs:				
Brownsfield Assessment & Cleanup Cooperative Agreements	66.818	96197301	--	138,236
Passed through the New England Interstate Water Pollution Control Commission:				
Narragansett Bay Estuary Program Support - TMDL Implementation	66.456	84813534	--	1,468
Total U.S. Environmental Protection Agency			--	139,704
U.S. Department of Justice				
Direct Programs:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	16-135-JAG	--	1,180
Total U.S. Department of Justice			--	1,180
Total Expenditures of Federal Awards			\$ --	\$ 4,878,001

See notes to schedule of expenditures of federal awards.

TOWN OF WESTERLY, RHODE ISLAND

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “schedule”) includes the federal award activity of the Town of Westerly under programs of the federal government for the year ended June 30, 2019. 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 of Westerly, it is not intended to and does not present the financial position, changes in net position/fund balance, or cash flows of the Town of Westerly.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. SCHOOL LUNCH COMMODITIES

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the cost of commodities provided to the School Lunch Program. The total federal share of these commodities was \$58,433 for the year ended June 30, 2019. The amounts have been included in the schedule of expenditures of federal awards under CFDA 10.555.

4. MATCHING REQUIREMENTS

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

5. INDIRECT COST RATE

Town of Westerly, Rhode Island has elected not to use the 10-percent de Minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

TOWN OF WESTERLY, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified

_____ Yes X None Reported

Non-compliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal control over major federal award programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified

 X Yes _____ None reported

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

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 X Yes _____ No

Identification of Major Federal Programs:

CFDA Number

Name of Federal Program or Cluster

14.269

Community Development Disaster Recovery Grants Pub . L. No. 113-2

84.010

Title I Grants to Local Educational Agencies

20.205

Highway Planning and Construction Cluster

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

\$750,000

Auditee qualified as low risk auditee?

_____ Yes X No

TOWN OF WESTERLY, RHODE ISLAND
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2019

SECTION II – FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

CURRENT YEAR FINDINGS:

No matters were reported.

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

CURRENT YEAR FINDINGS:

OTHER MATTER / SIGNIFICANT DEFICIENCY

2019-001-CFDA 14.269 Community Development Disaster Recovery Grants – Procurement – Contracts

- Criteria: The Town is required to be in compliance with the requirements of Procurement under Uniform Guidance, Federal Labor Standards as well as the Town's Purchasing Procedures Manual: 4.6 Federally-Assisted Procurements. The standards state that Federally-Assisted procurements must include language specified to Appendix II to Part 200 in bid and contract documents. 29 CFR 1.6 (a)(2)(b) states that agencies are responsible for ensuring that wage determinations are incorporated in bid solicitations and contract specifications. Also, 29 CFR 5.5(a)(3)(ii)(B) states that the weekly submission of a properly executed certification set forth on the reverse side of Optional Form WH-347 shall satisfy the requirement for submission of the "Statement of Compliance" required by paragraph (a)(3)(ii)(B).
- Condition: The State of Rhode Island and Providence Plantations' Office of Housing and Community Development (OHCD) conducted a monitoring site visit in regards to the Town of Westerly's Community Development Block Grant (CDBG) Misquamicut Drainage activity. During the visit, it was found that the executed construction contract did not contain a copy of the applicable Davis Bacon Wage Decision nor the required Federal Provisions. It was also found that the U.S. Department of Labor Statement of Compliance Form WH-347 (or equivalent language) was not utilized for payrolls submitted by the contractor.
- Context: The Town must ensure that the contracts incorporate the required provisions by attachment or reference. The certified payrolls on file were completed using the Rhode Island Weekly Payroll form, which does not include the required federal certification language.

TOWN OF WESTERLY, RHODE ISLAND

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2019

**SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
(CONTINUED)**

CURRENT YEAR FINDINGS:

OTHER MATTER / SIGNIFICANT DEFICIENCY

*2019-001-CFDA 14.269 Community Development Disaster Recovery Grants – Procurement –
Contracts (Continued)*

Cause:	The Town did not have an adequate model for construction procurement and contracting. The Town did not require the contractor to provide a Certification including the language found on WH-347 to ensure the contractor would be held accountable under applicable federal labor laws.
Effect:	The Town's contracts did not comply with Uniform Guidance Requirements. Failure to comply with Uniform Guidance, Federal Labor Standards, and the Town's Purchasing Procedures could result in improper use of resource, potential payments due back to grantors or contract employees, and litigation.
Questioned Costs:	None
Prior Year Finding:	No
Recommendation:	The OHCD recommends that the Town include the required Federal Provisions in both bid and contract documents of Federally-assisted contracts. It is also recommended that the Town use the Downtown Culvert bid/contract document as a model for future construction procurement and contracting under the CDBG program. OHCD also recommends the Town develop and utilize a checklist to ensure payroll review is comprehensive.

TOWN OF WESTERLY, RHODE ISLAND
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

SECTION IV – FINDINGS – PRIOR YEAR

PRIOR YEAR FINDINGS:

Identifying Number:

Finding 2018-001 Segregation of Duties

Condition:

During procedures on internal control, a segregation of duties issue regarding payroll processing and preparation and recording of journal entries to the financial records was noted.

Current Status: Corrected

Identifying Number:

Finding 2018-002 Financial Reporting

Condition:

The Town was unable to close their financial reporting system within a reasonable time frame subsequent to year end. Financial information was found to contain misstatements that had to be corrected during the audit process. As a result, management did not have accurate financial data available in a timely manner.

Current Status: Corrected

Identifying Number:

Finding 2018-003 CFDA 14.269 Community Development Disaster Recovery Grants Pub. L. No. 113-2
– Allowable Costs/Allowable Activities

Condition:

During testing, one instance of payroll being overcharged on the grant was found due to using an incorrect rate on the payroll charges that were submitted for reimbursement.

Current Status: Corrected

Town of Westerly
Rhode Island

Dyann J. Baker, CPA, MBA
Finance Director



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SINGLE AUDIT FINDINGS CORRECTIVE ACTION PLAN

Town of Westerly, Rhode Island
June 30, 2019

<p>Finding 2019-001-CFDA 14.269 <i>Community Development Disaster Recovery Grants – Procurement -</i> Corrective Action Planned</p>
<p>Before contracts are signed, a review of all material will be completed by the grants administration team to ensure the inclusion and accuracy of all federal language requirements. The Grant Administration and Purchasing Departments is developing a checklist to ensure all contract documents are complete and payroll is reviewed.</p> <p>A review of weekly grant payroll will be completed by the grants administration team before it is submitted to OHCD to ensure the correct wage forms are used.</p> <p>The State of Rhode Island and Providence Plantations' Office of Housing and Community Development (OHCD) recommends that the town use the Downtown Culvert bid/contract document as their model for future construction procurement and contracting under the CDBG program.</p>
Person Responsible for Corrective Action
<p>Lisa Pellegrini, Director of Development Services Town of Westerly</p> <p>Mark Bednarski, Purchasing Agent/Risk Manager Town of Westerly</p> <p>Dyann Baker, Director of Finance Town of Westerly</p>
Anticipated Completion Date
Fiscal Year 2020