

## **TOWN OF WESTERLY, RHODE ISLAND**

### **FEDERAL SINGLE AUDIT REPORT**

**JUNE 30, 2017**

**TOWN OF WESTERLY, RHODE ISLAND**  
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**JUNE 30, 2017**  
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## **Independent Auditors' 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 Westerly, Rhode Island

### **Report on Compliance for Each Major Federal Program**

We have audited the Town of Westerly, 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 the Town of Westerly, Rhode Island's major federal program for the year ended June 30, 2017. The Town of Westerly, Rhode Island's major federal program is 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 the Town of Westerly, Rhode Island's major federal program 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, 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 the major federal program. However, our audit does not provide a legal determination of the Town of Westerly, Rhode Island's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the Town of Westerly, 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 its major federal program for the year ended June 30, 2017.

### ***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 2017-004. Our opinion on each major federal program is not modified with respect to these matters.

The Town of Westerly, Rhode Island's response to the noncompliance finding(s) identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Westerly, Rhode Island's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the Town of Westerly, 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 the Town of Westerly, Rhode Island's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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, 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of 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, Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Westerly, Rhode Island's basic financial statements. We issued our report thereon dated March 9, 2018, 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.

*Blum, Shapiro & Company, P.C.*

Cranston, Rhode Island  
March 9, 2018

**TOWN OF WESTERLY, RHODE ISLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>United States Department of Agriculture</b>			
<i>Passed Through the Rhode Island Department of Education:</i>			
Child Nutrition Cluster:			
School Breakfast Program	10.553		\$ 114,327
National School Lunch Program:			
Cash assistance	10.555		426,911
Noncash assistance (commodities)	10.555		47,998
Summer Food Service Program for Children	10.559		<u>20,348</u>
			\$ 609,584
 Fresh Fruit and Vegetables	 10.582	 2725-17602-030	 <u>36,240</u>
 Total United States Department of Agriculture			 <u>645,824</u>
<b>United States Department of Housing and Urban Development</b>			
<i>Passed through the Rhode Island Division of Planning, Office of Housing and Community Development:</i>			
CDBG - State Administered CDBG Cluster:			
Community Development Block Grant - 2010	14.228	12/36/31	31,183
Community Development Block Grant - 2011	14.228	13-38-DR01	57,672
Community Development Block Grant - 2011	14.228	13-36-32	4,891
Community Development Block Grant - 2012	14.228		75,142
Community Development Block Grant - 2013	14.228		5,942
Community Development Block Grant - 2015	14.228	Culvert	<u>9,161</u>
			183,991
<i>Passed through the Rhode Island Emergency Management Agency:</i>			
Hurricane Sandy Community Development Block Disaster Recovery Grants (CDBG-DR)	14.269		<u>402,136</u>
 Total United States Department of Housing and Urban Development			 <u>586,127</u>
<b>United States Department of the Interior</b>			
<i>Passed through the Rhode Island Department of Environmental Management:</i>			
Sport Fish Restoration	15.605		<u>3,500</u>
<b>United States Department of Transportation</b>			
<i>Passed through the Rhode Island Department of Transportation:</i>			
Highway Safety Cluster:			
State and Community Highway Safety	20.600		<u>28,022</u>

The accompanying notes are an integral part of this schedule

**TOWN OF WESTERLY, RHODE ISLAND  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Total Federal Expenditures</b>
<b>United States Department of Education</b>			
<i>Passed through the Rhode Island Department of Education:</i>			
Title I Grants to Local Educational Agencies	84.010	2725-11702-701	\$ 449,852
Special Education Cluster (IDEA):			
Special Education - Grants to States (IDEA, Part B)	84.027	2725-13202-701	\$ 792,336
Special Education - Preschool Grants (IDEA Preschool)	84.173	2725-13502-701	<u>32,859</u>
			825,195
English Language Acquisition State Grants	84.365	2725165.02.02	7,635
Improving Teacher Quality State Grants	84.367	2725-16402-701	157,260
Adult Education - Basic Grants to States	84.002	2720-12201-1301	<u>50,933</u>
Total United States Department of Education			<u>1,490,875</u>
<b>United States Department of Justice</b>			
<i>Direct Programs:</i>			
Edward Byrne Memorial JAG Program	16.738		9,429
Federal Forfeiture	16.922		<u>9,043</u>
Total United States Department of Justice			<u>18,472</u>
<b>United States Department of Homeland Security</b>			
<i>Passed through the Rhode Island Emergency Management Agency:</i>			
Cooperating Technical Partners (CTP)	97.045		13,283
Interoperable Emergency Communications	97.055		16,355
Hazard Mitigation Grant	97.039		<u>71,670</u>
Total United States Department of Homeland Security			<u>101,308</u>
<b>United States Environmental Protection Agency</b>			
<i>Direct Programs:</i>			
Cooperative Agreements	66.818		<u>1,182</u>
<b>United States Department of Health and Human Services</b>			
<i>Direct Programs:</i>			
Substance Abuse Grant	93.243		<u>85,213</u>
<b>Total Federal Awards Expended</b>			<b>\$ <u>2,960,523</u></b>

The accompanying notes are an integral part of this schedule

**TOWN OF WESTERLY, RHODE ISLAND  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Town of Westerly, Rhode Island, under programs of the federal government for the year ended June 30, 2017. The information in the 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, Rhode Island, it is not intended to, and does not, present the financial position, changes in fund balance, changes in net position or cash flows of the Town of Westerly, Rhode Island.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported using the modified 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. NONCASH AWARDS**

Donated commodities in the amount of \$47,998 are included in the Department of Agriculture's National School Lunch Program, CFDA #10.555. The amount represents the market value of commodities received.

**4. INDIRECT COST RECOVERY**

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

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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 President and Members of the Town Council  
Town of Westerly, 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 Westerly, Rhode Island, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town of Westerly, Rhode Island's basic financial statements, and have issued our report thereon dated March 9, 2018.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town of Westerly, 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 Westerly, Rhode Island's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Westerly, 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 weakness or significant deficiencies may exist that have not been 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 deficiency described in the accompanying schedule of findings and questioned costs as item 2017-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2017-002 and 2017-003 to be significant deficiencies.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town of Westerly, Rhode Island'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 of Westerly, Rhode Island's Response to Findings**

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

### **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 result of that testing, and not to provide an opinion on the effectiveness of the Town of Westerly, Rhode Island'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 Town of Westerly, Rhode Island's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Blum, Shapiro & Company, P.C.*

Cranston, Rhode Island  
March 9, 2018

**TOWN OF WESTERLY, RHODE ISLAND  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**I. SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?   X   yes        no
- Significant deficiency(ies) identified?   X   yes        none reported
- Noncompliance material to financial statements noted?        yes   X   no

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified?        yes   X   no
- Significant deficiency(ies) identified?        yes   X   none reported

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 Section 200.516(a)?   X   yes        no

Major programs:

CFDA #	Name of Federal Program or Cluster
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?   X   yes        no

**II. FINANCIAL STATEMENT FINDINGS**

**2017-001**            Pooled cash account reconciliation

**Criteria**            Bank reconciliations should be accurate and completed in a timely manner subsequent to month end.

**Condition**          During our procedures over cash and investments, it was noted that the pooled cash account had not been reconciled in a timely manner subsequent to year end.

**Context**            Certain transactions were not recorded until they were identified through the bank reconciliation process.

**Effect**              Delays in accurate financial reporting.

**Cause**              The Town does not have a defined process in place governing the bank reconciliation process. In addition, employee turnover led to delays.

<b>Recommendation</b>	We recommend that all bank accounts be reconciled in a timely manner on a monthly basis. Management should establish due dates for the completion of monthly bank reconciliations to ensure that reconciliations are performed timely.
<b>Views of Responsible Officials</b>	The Town agrees with the finding and recommendation. Additionally, the Town has filled a Senior Accountant and Accountant position to enhance the finance staff and to aid in establishing and maintaining timely bank reconciliations, financial close processes, and capital asset reporting.
<b>2017-002</b>	Financial reporting
<b>Criteria</b>	The Town should have internal controls in place to ensure that timely and accurate financial reporting is achieved. Monthly and year end closing procedures should be documented, communicated and monitored by the Finance Department.
<b>Condition</b>	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.
<b>Context</b>	Certain transactions were not recorded in a timely manner, leading to a delay in accurate financial reporting.
<b>Effect</b>	Delays in accurate financial reporting to management.
<b>Cause</b>	Employee turnover and limited resources led to delays.
<b>Recommendation</b>	We recommend the Town develop, document, communicate and monitor a financial closing process in order to facilitate an effective monthly close in addition to a year end close. The process should outline the necessary procedures to be performed and a timeline for completing them.
<b>Views of Responsible Officials</b>	The Town agrees with the finding and recommendation. Additionally, the Town has filled a Senior Accountant and Accountant position to enhance the finance staff and to aid in establishing and maintaining timely bank reconciliations, financial close processes, and capital asset reporting.
<b>2017-003</b>	Capital asset reporting
<b>Criteria</b>	Detailed and accurate records should be maintained for all capital asset types. Construction in progress should be properly accounted for by project and procedures should be in place to identify and transfer assets into depreciable asset categories upon their completion.
<b>Condition</b>	In conjunction with our capital asset audit procedures, management identified certain capital assets that were still being accounting for as construction in progress and were also contained in depreciable asset categories.
<b>Context</b>	A prior period adjustment was required to adjust the opening balance of construction in progress.

<b>Effect</b>	Capital assets were overstated by the assets that were reflected in both construction in progress and depreciable assets.
<b>Cause</b>	The cause is due to a lack of formal policies and procedures to properly record capital asset activity.
<b>Recommendation</b>	Management should implement procedures to properly transfer completed assets out of construction in progress into depreciable assets categories.
<b>Views of Responsible Officials</b>	The Town agrees with the finding and recommendation. Additionally, the Town has filled a Senior Accountant and Accountant position to enhance the finance staff and to aid in establishing and maintaining timely bank reconciliations, financial close processes, and capital asset reporting.

### III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

<b>2017-004</b>	Paid Lunch Equity
<b>Program</b>	Child Nutrition Cluster - CFDA 10.553/10.555/10.559
<b>Pass-Through</b>	Rhode Island Department of Education
<b>Criteria</b>	The school lunch program is required to ensure sufficient funds are provided to school services accounts from lunches served to students not eligible for free or reduced meals.
<b>Condition</b>	The price for paid school lunches does not meet the Federal paid lunch equity guidelines.
<b>Context</b>	The deficiency occurred throughout the entire fiscal year.
<b>Effect</b>	The fees being charged for school lunches are less than the Federal requirements.
<b>Cause</b>	The Town did not ensure the paid lunch price was sufficient to meet Federal guidelines prior to setting the price.
<b>Recommendation</b>	We recommend school lunch prices be increased to be in compliance with Federal guidelines.
<b>Views of Responsible Officials</b>	Management agrees with the finding and recommendation.