

CITY OF CENTRAL FALLS, RHODE ISLAND

**AUDITOR'S REPORTS AS REQUIRED BY OMB CIRCULAR A-133
AND
GOVERNMENT AUDITING STANDARDS**

YEAR ENDED JUNE 30, 2008

CITY OF CENTRAL FALLS

YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

PAGE(S)

SINGLE AUDIT SECTION:

Schedule of Expenditures of Federal Awards and Notes	1-3
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance And Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	4-5
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133 ...	6-7
Schedule of Findings and Questioned Costs	8-9
Summary Schedule of Prior Audit Findings	9

CITY OF CENTRAL FALLS
SCHEDULE OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor Pass-Through Grantor Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Type of Program	Expenditures
U.S. Department of Housing and Urban Development					
Governor's Office of Housing & Energy & Intergovernmental Relations					
Community Development Block Grants - Small Cities Program	14.228	07/04/27	\$ 448,500	Major	\$ 165,618
Community Development Block Grants - Small Cities Program	14.228	06/07/26	448,000	Major	220,578
Community Development Block Grants - Small Cities Program	14.228	04/04/24	495,000	Major	50,019
Community Development Block Grants - Small Cities Program	14.228	03/04/23	500,000	Major	75,000
Total U.S. Department of Housing and Urban Development			<u>1,891,500</u>		<u>511,215</u>
U.S. Justice Department					
Cops in School	16.710	N/A	125,000	Non-major	26,360
Kennedy Grant	16.710	N/A	345,325	Non-major	17,185
JAG Grant	16.738	N/A	33,817	Non-major	5,816
JAG Grant	16.738	N/A	38,242	Non-major	298
JAG Grant	16.738	N/A	21,272	Non-major	4,360
JHB Grant	16.523	N/A	31,805	Non-major	31,805
RI Governor's Justice Commission					
RUC-SMCC	16.54	07-TITLE V-1	20,547	Non-major	12,942
RUC-MIDDLE SCHOOL	16.54	07-JDP-11	33,000	Non-major	32,788
Total U.S. Department of Justice			<u>649,008</u>		<u>131,574</u>
U.S. Department of Education					
Department of MHRH On the Right Track	84.186	76100286864	18,556	Non-Major	18,556
Total U.S. Department of Education			<u>18,556</u>		<u>18,556</u>
U.S. Department of Homeland Security					
RI Emergency Management Agency	97.007	HS-4-8-FY08 UASI	315,000	Non-major	4,375
State Homeland Security grant program	97.007	2004-GE-TX-0054	95,000	Non-major	2,525
State Homeland Security grant program			410,000		6,900
Total U.S. Department of Homeland Security					
U.S. Department of Transportation					
RI Department of Transportation Highway Safety Grant	20.614	07-00-0P	22,691	Non-major	20,061
Total U.S. Department of Transportation			<u>22,691</u>		<u>20,061</u>
U.S. Department of Health and Human Services					
Department of Elderly Affairs Senior Center	93.044	2121032	57,000	Non-major	57,000
Total U.S. Department of Health and Human Services			<u>57,000</u>		<u>57,000</u>
U.S. Department of Agriculture					
Rural Housing Service	10.776	N/A	9,518	Non-major	6,781
State of RI Department of Education School Lunch Program	10.559	RISF-04871	81,076	Non-major	81,076
Total U.S. Department of Agriculture			<u>90,594</u>		<u>87,857</u>
Total Federal Financial Assistance			<u>\$ 3,139,349</u>		<u>\$ 833,163</u>

CITY OF CENTRAL FALLS

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2008**

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Central Falls. All federal awards received from federal agencies are included on the Schedule.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting.

3. DETERMINATION OF MAJOR PROGRAMS

The determination of major awards programs was based upon the overall level of expenditures for all federal programs for the *City of Central Falls*. As such, the threshold for determining Type A and Type B programs is defined as those with program expenditures greater than \$300,000 or 3 percent of total expenditures when the total expenditures are over \$10,000,000. For the fiscal year ended June 30, 2008, the following program was considered to be major programs:

CDBG.....	14.228
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**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 City Council
City of Central Falls
Central Falls, Rhode Island

We have audited the financial statements of the City of Central Falls, Rhode Island as of and for the year ended June 30, 2008, and have issued our report thereon dated December 31, 2008. We conducted our audit 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Central Falls' internal control over financial reporting as a basis for designing our auditing procedures 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 City of Central Falls' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Central Falls' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Central Falls' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Central Falls' financial statements that is more than inconsequential will not be prevented by the City of Central Falls' internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting. The significant deficiency noted is identified as 2008-1 in the accompanying schedule of findings and questioned costs.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Central Falls' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Central Falls' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City of Central Falls in a separate letter dated December 31, 2008.

This report is intended solely for the information of the City Council, management, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Braver PC".

Providence, Rhode Island
December 31, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM, AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable City Council
City of Central Falls
Central Falls, Rhode Island

Compliance

We have audited the compliance of the City of Central Falls, Rhode Island with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Central Falls' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Central Falls' management. Our responsibility is to express an opinion on the City of Central Falls' compliance based on our audit.

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 City of Central Falls' 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. Our audit does not provide a legal determination on the City of Central Falls' compliance with those requirements.

In our opinion, the City of Central Falls complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the City of Central Falls is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Central Falls' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 City of Central Falls' internal control over compliance.

A *control deficiency* in an entity's control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance of a federal program will not be prevented or detected by the entity's internal control. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over compliance that we have reported to the management of the City of Central Falls in a separate letter dated December 31, 2008.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the government activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the City of Central Falls, as of and for the year ended June 30, 2008. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the City of Central Falls' basic financial statements. 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 basic financial statements. Such information had been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The City of Central Falls' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Central Falls' response and, accordingly, we express no opinion on it.

This report is intended for the information of the City Council, management, others within the City of Central Falls and federal awarding agencies and pass-through entities and is not intended to be and should not be and should not be used by anyone other than these specified parties.

Providence, Rhode Island
February 18, 2009 except for the schedule of expenditures of
Federal Awards as to which the date is December 31, 2008

CITY OF CENTRAL FALLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expressed an unqualified opinion on the financial statements of the City of Central Falls.
2. One significant deficiency in internal control over financial reporting was identified.
3. No instances of noncompliance material to the financial statements of the City of Central Falls were disclosed during the audit.
4. No significant deficiencies in internal control over compliance with requirements applicable to major federal award programs were identified.
5. The auditor's report on compliance for the major federal award programs for the City of Central Falls expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for the City of Central Falls are reported in Part C of this Schedule.
7. The programs tested as major programs include:

CDBG.....	14,228
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8. The threshold for distinguishing Type A and B programs is described in Note 3 to the Schedule of Expenditures of Federal Awards.
9. The City of Central Falls qualifies as a low risk auditee.

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS

Current Year Findings:

2008-1 Timely Reconciliation and Closing Procedures

Our audit procedures revealed there is no systematic method of ensuring that timely and complete monthly reconciliation and closing procedures take place. This situation leads to a continuing and growing backlog of transactions and journal entries that are not posted into the accounting system in a timely manner, which limits the accounting information's usefulness in making well informed business decisions. This accounting function deficiency may ultimately cause significant errors in the financial records and financial statements, as well as allow possible irregularities, including fraud, to exist and continue without notice. This situation should be corrected as soon as possible with the establishment of a system of consistent and timely monthly reconciliations and closing procedures.

CITY OF CENTRAL FALLS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008**

B. FINDINGS – RELATED TO AUDIT OF FINANCIAL STATEMENTS (Continued)

Prior Year Findings:

2007-1: Timely Financial Reports

We noted that the City's accounting and reporting process is being significantly delayed. Continual problems in receiving timely and current financial information can significantly impact management's ability to effectively make decisions regarding the City's finances. Critical areas such as financial analysis, budgetary control, and cash flow can all be negatively impacted. Additionally, the City is required to comply with Rhode Island General Law, requiring that annual reports are to be submitted to the State Auditor General no later than six months after year end. For the year ended June 30, 2007, the city was not in compliance with this requirement.

We recommend that the accounting department take whatever steps are necessary to ensure that the City Council and the State Auditor General receive current and accurate financial information on a timely basis. If it is determined that the department is understaffed, steps should be taken to alleviate this problem so that work can remain current without an undue hardship on any one employee. Once the department is up to date, the accounting staff must consistently provide management with the accurate financial reports and information necessary to effectively manage the City's operations.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current Year Findings:

None

Prior Year Findings:

There are no known but uncorrected findings and recommendations from prior audits that affect the current audit objective