

TOWN OF WARREN

***Auditors' Reports as Required by
OMB Circular A-133
and
Government Auditing Standards***

Year Ended June 30, 2013

TOWN OF WARREN

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TOWN OF WARREN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor Pass-Through Grantor Program title	Federal CFDA Number	Pass-Through Grantor's Number	Type of Program	Expenditures
U.S. Environmental Protection Agency				
Congressionally Mandated Projects	66.202	NA	Non-Major	\$ 27,563
Capitalization Grants for Clean Water State Revolving Funds	66.458	NA	Major	152,193
Total U.S. Environmental Protection Agency				<u>179,756</u>
U.S. Department of Justice				
Public Safety Partnership and Community Policing Grants	16.710	NA	Major	310,871
Total U.S. Department of Justice				<u>310,871</u>
U.S. Department of Transportation				
Planning Challenge Grant	20.205	N/A	Non-Major	5,224
Passed through State of RI Department of Transportation				
Safe Routes to School Program	20.205	Unknown	Non-Major	8,328
Highway Planning and Construction - ARRA	20.205	Unknown	Non-Major	40,088
Total U.S. Department of Transportation				<u>53,640</u>
U.S. Department of Energy				
Passed through State of RI Department of Energy				
Energy Efficiency and Conservation Block Grant Program-ARRA	81.128	Unknown	Non-Major	30,907
Total U.S. Department of Energy				<u>30,907</u>
U.S. Department of Housing and Urban Development				
Passed through Governor's Office of				
Community Block Development Grant	14.228	Unknown	Non-Major	123,958
Total U.S. Department of Housing and Urban Development				<u>123,958</u>
U.S. Department of Health and Human Services				
Passed through RI Dept of Healthcare, Dev Disabilities & Hospitals				
Block Grants for Prevention and treatment of Substance Abuse	93.959	Unknown	Non-Major	43,425
Total U.S. HHS				<u>43,425</u>
U.S. Department of Homeland Security (FEMA)				
Passed through State of RI Emergency Agency Management	97.036	Unknown	Non-Major	63,300
Total U.S. Department of Homeland Security (FEMA)				<u>63,300</u>
Total Federal Awards				<u>\$ 805,857</u>

TOWN OF WARREN

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Town of Warren. All federal awards received from federal agencies are included on the Schedule. 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 of Expenditures of Federal Awards is presented using the modified 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 Town of Warren. 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, 2013, the following programs were considered to be a major program:

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.458
Public Safety Partnership and Community Policing Grant	CFDA #16.710

REPORT OF INDEPENDENT AUDITORS 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 Town Council
Town of Warren
Warren, 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, each major fund, and the aggregate remaining fund information of the Town of Warren as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Warren's basic financial statements, and have issued our report thereon dated December 30, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Warren's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Warren's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Warren'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 deficiencies 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 deficiency described in the accompanying schedule of findings and questioned costs (noted as item 2013-001) to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs (noted as items 2013-002) to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Warren'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 matter that is 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 *Governmental Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Providence, Rhode Island
December 30, 2013

Brian P.C.

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

To the Honorable Town Council
Town of Warren
Warren, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited the Town of Warren's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Town of Warren's major federal programs for the year ended June 30, 2013. The Town of Warren'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 program.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Town of Warren'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 programs occurred. An audit includes examining, on a test basis, evidence about the Town of Warren'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 on the Town of Warren's compliance.

Basis for Modified Opinion on Capitalization Grants for Clean Water State Revolving Funds

As described in the accompanying schedule of findings and questioned costs, the Town of Warren did not comply with requirements regarding CFDA # 66.458 Capitalization Grants for Clean Water State Revolving Funds as described in finding number 2013-003. Compliance with such requirements is necessary, in our opinion, for the Town of Warren to comply with the requirements applicable to that program.

Modified Opinion on Capitalization Grants for Clean Water State Revolving Funds

In our opinion, except for the noncompliance described in the Basis for Modified Opinion paragraph, the Town of Warren complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Capitalization Grants for Clean Water State Revolving Funds for the year ended June 30, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Town of Warren 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 other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2013.

Other Matters

The Town of Warren's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Warren'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 Warren 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 Warren's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 the Town of Warren's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2013-003 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or 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.

Town of Warren's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Town of Warren'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Town of Warren as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town of Warren's basic financial statements. We issued our report thereon dated December 30, 2013, which contained adverse and 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 the purpose of additional analysis as required by OMB Circular A-133 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 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.

Barry P.C.

Providence, Rhode Island
January 22, 2014, except for the paragraph
Regarding the Schedule of Expenditures of Federal Awards
As to which the date is December 30, 2013

TOWN OF WARREN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

A. SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expressed an adverse opinion on the government-wide financial statements and an unmodified opinion on the major funds and aggregate remaining fund financial statements of the Town of Warren.
2. One deficiency in internal control over financial reporting that we consider to be a material weakness has been identified and is described in Part B below as item 2013-001.
3. One deficiency in internal control over financial reporting that we consider to be a significant deficiency and is described in Part B below as 2013-002.
4. No instances of noncompliance material to the financial statements of the Town of Warren were disclosed during the audit.
5. One material weakness in internal control over compliance with requirements applicable to major federal award programs was identified.
6. The auditors' report on compliance for the major federal award programs for the Town of Warren expresses a modified opinion.
7. The programs tested as major programs include:

Capitalization Grants for Clean Water State Revolving Funds	CFDA #66.458
Public Safety Partnership and Community Policing Grant	CFDA #16.710
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 Town of Warren does not qualify as a low-risk auditee.

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TOWN OF WARREN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013**

B. FINDINGS -- RELATED TO THE AUDIT OF FINANCIAL STATEMENTS

Current Year Findings (material weakness):

2013-001: Complete General Ledger

Governmental Accounting Standards Statement #34 requires governmental entities to prepare a government-wide financial statement utilizing the full accrual basis of accounting. Accordingly, the government-wide statements include all capital assets of the governmental activities. As of June 30, 2013 and 2012, the Town was maintaining the capital asset records utilizing the capital asset module of the Edmunds general ledger system. During our audit, we noted that the beginning balances did not agree with the prior year ending balances as documented in the various capital assets reports. We also noted that there were inconsistencies in the amounts reported on various reports, such as current year additions and depreciation expense. We also noted that the capital additions found during the prior year audit as well as the additions related to the activity funded by the Rhode Island Clean Water Financing Agency (RICWFA) were not included in the capital asset listings. As a result of these issues, we were unable to audit the capital assets of the Town and issued an adverse opinion on the government-wide statements.

2013-002: Accounting Policy and Procedures Manual

We noted that the Town of Warren currently does not have an updated accounting policy and procedures manual. Written procedures, instructions and assignments of duties will prevent or reduce misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate or untimely accounting records. A well-devised accounting manual can also help to ensure that procedures used are proper, and that records are produced in the form desired by management. A good accounting manual will also aid in the training of new employees.

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Current year findings:

2013-1: Capitalization Grants for Clean Water State Revolving Funds CFDA #66.458

Condition: The Town of Warren did not comply with the Davis-Bacon Act requirement for the Capitalization Grants for Clean Water State Revolving Funds.

Cause: The Town of Warren is not verifying that the Davis-Bacon Act wages reported on Certified Payroll reports obtained from contractors are in compliance with the Wage Determinations published by the Department of Labor.

Effect: This can lead to improper approval and payment of invoices, where the vendor did not properly comply with the Davis-Bacon Act.

Recommendation: We recommend that the Town of Warren develops and maintains a policy for ensuring that all Davis-Bacon Act wages reported on Certified Payroll reports obtained from contractors are in compliance with the Wage Determinations published by the Department of Labor.

Corrective Action Plan: Management will develop and maintain a policy for ensuring that all Davis-Bacon Act wages reported on Certified Payroll reports obtained from contractors are in compliance with the Wage Determinations published by the Department of Labor.

(Continued)

TOWN OF WARREN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2013

C. FINDINGS AND QUESTIONED COSTS RELATING TO FEDERAL AWARDS

Prior year findings:

None noted

(Concluded)