

**CITY OF WOONSOCKET, RHODE ISLAND**

Single Audit

For the Year Ended June 30, 2017

**CITY OF WOONSOCKET, RHODE ISLAND**

June 30, 2017

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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 Mayor and  
Members of the City Council  
City of Woonsocket  
Woonsocket, 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 City of Woonsocket, Rhode Island (City), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 11, 2018.

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

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 first paragraph of this section 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 the City'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*.

*Continued*

**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.

*Hague, Sabady & Co. PC*

March 13, 2018  
Fall River, Massachusetts

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Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required under Uniform Guidance

To the Honorable Mayor and  
Members of the City Council  
City of Woonsocket  
Woonsocket, Rhode Island

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

We have audited the City of Woonsocket, Rhode Island's (City) compliance with the types of compliance requirements described in the *Uniform Guidance* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City'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 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and 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 City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Basis for Qualified Opinion on the Community Development Block Grant program**

As described in the accompanying schedule of findings and question costs, the City did not comply with requirements regarding CFDA 14.218 Community Development Block Grants as described in finding numbers 2017-001 for activities allowed, 2017-002 for allowable costs and procurement, 2017-003 for activities allowed, 2017-004 for reporting, 2017-005 for reporting, 2017-006 for reporting, and 2017-007 for program income.

*Continued*

### **Qualified Opinion on the Community Development Block Grant program**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Community Development Block Grant program for the year ended June 30, 2017.

### **Unmodified Opinion on Each of the Other Major Federal Program**

In our opinion, the City 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 auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2017.

### **Other Matters**

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 City 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 City'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 City's internal control over compliance.

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 have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questions costs as items 2017-001, 2017-002, 2017-003, 2017-004, 2017-005, 2017-006, and 2017-007 to be material weaknesses.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion in 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 City of Woonsocket, Rhode Island (City), as of and for the year ended June 30, 2017, and have issued our report thereon dated January 11, 2018 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Hague, Sabady & Co. PC*

March 13, 2018, except for our report on the Schedule of Expenditures of Federal Awards, for which the date is  
January 11, 2018  
Fall River, Massachusetts

**CITY OF WOONSOCKET, RHODE ISLAND**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA	Grant Identification/ Pass-Through Grantor's Number	Program or Award	Disbursements/ Expenditures	Distributed to Subrecipients
<b>US Department of Agriculture:</b>					
<i>Passed through the State of Rhode Island Department of Education:</i>					
Child Nutrition Cluster					
School Breakfast Program	10.553	N/A	\$ 796,319	\$ 796,319	\$ -
School Lunch Program	10.555	N/A	1,847,520	1,847,520	-
Special Milk Program for Children	10.556	N/A	599	599	-
Summer Food Service Program for Children	10.559	N/A	100,684	100,684	-
Total Child Nutrition Cluster				2,745,122	-
Child and Adult Care Food Program	10.558	N/A	\$ 185,494	185,494	-
Cooperative Forestry Assistance	10.664	N/A	1,392	1,392	-
<b>Total US Department of Agriculture</b>				<u>2,932,008</u>	<u>-</u>
<b>US Department of Education:</b>					
<i>Passed through the State of Rhode Island Department of Education:</i>					
Title I, Part A Grant	84.010	2725-11702-701	4,731,539	4,153,861	-
Special Education Cluster (IDEA)					
IDEA Part B	84.027	2725-13202-701	1,984,006	1,947,475	-
SPED Part B-Early Childhood	84.173	2725-13502-701	69,621	50,456	-
Total Special Education Cluster (IDEA)				1,997,931	-
Career and Technical Education	84.048	2725-15302-701	471,168	424,170	-
Education for Homeless Children and Youth	84.196	2725-10202-701	49,940	47,697	-
Title IV- Twenty-First Century Community Learning Centers	84.287	725-16602-710, 730, 750, 760	543,775	522,739	-
Title III-English Language Acquisition State Grant	84.365	2725-16502-701	77,879	77,879	-
Title IIA to Local Education Agencies	84.367	2725-16402-701	950,460	760,428	-
<b>Total U.S. Department of Education</b>				<u>7,984,705</u>	<u>-</u>
<b>U.S. Department of Housing and Urban Development:</b>					
<i>Passed through the State of Rhode Island Division of Planning, Office of Housing and Community Development:</i>					
Community Development Block Grants/ Entitlement Grants	14.218	N/A	1,177,671	993,191	111,182
Emergency Solutions Grant Program	14.231	N/A	104,388	95,414	87,585
Home Investment Partnership Program	14.239	N/A	973,806	973,806	-
<b>Total U.S. Department of Housing and Urban Development</b>				<u>2,062,411</u>	<u>198,767</u>

**CITY OF WOONSOCKET, RHODE ISLAND**

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA	Grant Identification/ Pass-Through Grantor's Number	Program or Award	Disbursements Expenditures	Distributed to Subrecipients
<b>U.S. Department of Justice:</b>					
<i>Passed through State of Rhode Island Public Safety Grant</i>					
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	48,334	48,334	-
<b>Total U.S. Department of Justice</b>				<u>48,334</u>	<u>-</u>
 <b>U.S. Department of Homeland Security:</b>					
<i>Passed through the State of Rhode Island Emergency Management Agency</i>					
Emergency Management Performance Grants	97.042	N/A	30,406	30,406	-
Homeland Security Grant Program	97.067	EMW-2015-SS-00027-S0	72,600	<u>65,427</u>	<u>-</u>
<b>Total U.S. Department of Homeland Security</b>				<u>95,833</u>	<u>-</u>
 <b>Total Expenditures of Federal Awards</b>				<u>\$ 13,123,291</u>	<u>\$ 198,767</u>

**CITY OF WOONSOCKET, RHODE ISLAND**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

**1. Definition of Reporting Entity**

The accompanying Schedule of Expenditures of Federal Awards presents activity of all Federal financial assistance programs of the City of Woonsocket, Rhode Island (City). Federal financial assistance received includes funds received directly from Federal agencies as well as Federal financial assistance passed through other governmental agencies and received by the City.

**2. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**3. Major Programs**

The City’s independent auditors have used a risk-based approach to determine whether federal programs are “major programs” in accordance with the Uniform Guidance, subpart F, section 518. This risk-based approach includes consideration of current and prior audit experience, oversight by Federal agencies and pass-through entities, the inherent risk of the Federal program, as well as other considerations. The process in paragraphs (b) through (i) of Section 518 govern auditor major program determination. Section 518(h) states that “when the major program determination was performed and documented in accordance with this Subpart, the auditor’s judgment in applying the risk-based approach to determine major programs must be presumed correct.”

The City has no responsibility to determine major programs. Our responsibilities are summarized within the Uniform Guidance, subpart F, sections 508 to 512.

**4. Program Cluster**

In accordance with the Uniform Guidance, certain programs have been clustered in determining major programs. The following represent the clustered programs:

Child Nutrition Cluster

School Breakfast Program	10.553
School Lunch Program	10.555
School Milk Program for Children	10.556
Summer Food Service Program for Children	10.559

Special Education Cluster

Special Education - Grants to States	84.027
Special Education - Grants to States - Preschool	84.173

**CITY OF WOONSOCKET, RHODE ISLAND**

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

**5. *10% De-Minimis Indirect Cost Rate***

The City did not elect to use the 10% de-minimis indirect cost rate as covered in 2 CFR Part 200 Section 414 "Indirect (F&A) Costs."

**6. *HOME Loan Receivables***

Pursuant with 2 CFR 200.502(b), the City of Woonsocket has included HOME loans that require continuing compliance in the amount of \$702,288 as a part of their expenditures in fiscal year 2017. This figure is an increase from the prior year loan expenditure total of \$640,765.

**CITY OF WOONSOCKET, RHODE ISLAND**

Summary of Audit Results

For the Year Ended June 30, 2017

1. *Summary of Audit Results*

*Financial Statements*

We have audited the financial statements of the City of Woonsocket, Rhode Island, as of and for the year ended June 30, 2017 and have issued our reports thereon dated January 11, 2018. We conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

The results of our audit are as follows:

Type of Report issued on the Financial Statements	
Internal Control over Financial Reporting:	Unmodified
Material Weakness(es) Identified?	No
Significant Deficiencies Identified that are not considered to be Material Weakness(es)?	No
Noncompliance Material to the Financial Statements Noted?	No

*Federal Awards*

We have audited the compliance of the City of Woonsocket, Rhode Island, with the types of compliance requirements described in the *Uniform Guidance* that are applicable to each of its federal programs for the Year Ended June 30, 2017 and have issued our reports thereon dated March 13, 2018.

The results of our audit are as follows:

Internal Control over Major Programs:	
Material Weakness(es) Identified?	Yes
Significant Deficiencies Identified that are not considered to be Material Weakness(es)?	No

Type of Report on Compliance for Major Programs:	
Community Development Block Grants/Entitlement Grants (CFDA 14.218)	Qualified
HOME Investment Partnership Program (CFDA 14.239)	Unmodified
Title I, Part A Grant (CFDA 84.010)	Unmodified

Disclosure of Audit Findings required to be reported under the Uniform Guidance:	Yes
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Identification of Major Programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Community Development Block Grants/Entitlement Grants	14.218
HOME Investment Partnership Program	14.239
Title I, Part A Grant	84.010

Threshold for distinguishing Type A and Type B Programs was \$750,000.

The City of Woonsocket, Rhode Island does not qualify as a low risk auditee.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

***1. Findings on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on our Audit of the Financial Statements***

*None*

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

**2. Findings and Questioned Costs Which Are Required to be Reported Over Major Federal Programs**

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-001	14.218	<p>The City’s code enforcement program is not specifically targeted to a deteriorated or deteriorating area as agreed to by an October 1, 2015 letter HUD sent closing the finding.</p> <p><b>Information on Federal Programs:</b>                      Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)</p>	Unknown

**Type of Finding:**

- Material Weakness in Activities Allowed

**Condition:**

The City’s description of the code enforcement program includes definitions of “deteriorated area” and “deteriorating area”, but it does not describe how the citywide service area for this program meets one of both definitions. HUD’s expectation is that CDBG-funded code enforcement activities be targeted to a deteriorating or deteriorated area and that CDBG funds not be used to fund code enforcement activities across the entire jurisdiction unless the entire jurisdiction is deteriorated or deteriorating. The City informed HUD staff that as part of their code enforcement activities, they would respond to phone calls from residents without establishing eligibility of the area

**Criteria:**

According to 24 CFR 570.202(c), eligible CDBG code enforcement activities are costs incurred for inspection for code violations and enforcement of codes (e.g., salaries and related expenses of code enforcement inspectors and legal proceedings, but not including the cost of correcting the violations) in deteriorating or deteriorated areas when such enforcement together with public or private improvements, rehabilitations, or services to be provided may be expected to arrest the decline of the area.

**Cause:**

The City has not complied with its 2015 Code Enforcement Policy. This is attributed to lack of management, staff capacity, and program oversight.

**Effect:**

CDBG funds are being used for the inspection of citywide code violations in undefined service areas. The City has also not combined its code enforcement inspections with public or private involvement, rehabilitation designed to arrest the decline of the area.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

1. The City shall suspend its CDBG code enforcement program and all associated activities immediately until further notice by HUD. 2. The City shall prepare a detailed report for the period reviewed by HUD, 2015/2016. The report shall detail the address of the property inspected, census tract, violations, sources of fund used (CDBG, other), indicate if property was in a targeted area, name of inspector and date deficiencies were corrected. 3. The City must identify other investments in the targeted areas, if any, and explain how they met the code enforcement standard.

CITY OF WOONSOCKET, RHODE ISLAND

Current Year Findings

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
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2017-002	14.218	The City purchased three (3) vehicles for code enforcement inspections without demonstrating the vehicles are only being used to conduct code enforcement inspections in eligible service areas and did not perform due diligence under procurement of the vehicles.	Unknown
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**Information on Federal Programs:**

Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)

**Type of Finding:**

- Material Weakness in Allowable Costs and Procurement

**Condition:**

The City purchased three (3) vehicles for use by inspectors to conduct code enforcement inspections. The vehicles were used ostensibly by one FTE inspector and one inspector. The City did not maintain a sign-out log for the vehicles nor were inspectors required to maintain a property inspection log for their CDBG code enforcement inspections

The City also failed to do its due diligence prior to purchasing the vehicles. Rather than obtaining price or rate quotations from an adequate number of qualified sources, the City received vehicle specifications from one company, no bids were solicited and none were received. The City also purchased a used vehicle from another City Department without conducting adequate due diligence.

**Criteria:**

24 CFR 570.502(a), 2 CFR 200.318-336, 2 CFR 200.313 and the City of Woonsocket Procurement Policy, Chapter VII-Purchasing, Section 6.

**Cause:**

The city did not follow its procurement policy by soliciting bids for the purchase of vehicles. A contributing factor is not having a purchase director

**Effect:**

The City is unable to support that the three vehicles purchased for code enforcement are used strictly for eligible CDBG code enforcement inspections. Inspection logs supporting the use of the vehicles for code enforcement were requested while onsite, but are not maintained.

The City purchased three vehicles without following federal procurement standards or its internal policy. Without maintaining a sign-out log and travel log, the City is unable to control use of vehicles for code enforcement activities only.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

The City shall revise its procurement policy to conform with 2 CFR 200.318-200.326 and applicable state and local standards where more stringent. The City must also ensure that subrecipients adhere to procurement standards as well. Revised policies and procedures shall be submitted to HUD.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-003	14.218	<b>The City has insufficient documentation to determine the national objective (NO) and eligibility of CDBG-funded activities.</b>	<b>Unknown</b>

**Information on Federal Programs:**

Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)

**Type of Finding:**

- Material Weakness in Activities Allowed

**Condition:**

Through its ranking and rating of applications during its selection process, the City listed multiple possible national objectives for each of the selected activities instead of identifying and providing documentation for one national objective. Documentation of an eligibility determination for each activity as also absent.

**Criteria:**

Per 24 CFR 570.200(a)(1)(2), 570.201-2016, and 570.208, grantees must maintain documentation that each of its activities funded by CDBG meets one of three national objectives and that each activity meets CDBG eligibility requirements.

**Cause:**

The City did not document national objective or eligibility of CDBG funded activities.

**Effect:**

Inadequate documentation to support national objective and the eligibility of activities which could result in ineligible costs which have to be repaid to the City's CDBG line of credit from non-federal sources.

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

1. The City must provide for HUD to review documentation to support eligibility determinations and national objective compliance for each 2015 and 2016 CDBG funded activity. For those activities determined to meet the low / mod area benefit (LMA) national objective, at a minimum, the City's project files must contain a description of the project service area including census tract information, a map of the boundaries of the LMA specific to the activity, whether the area is primarily residential, and text that describes how the LMA determination was made. For any activities that HUD determines do not meet CDBG requirements, the City shall use non-federal funds to reimburse its CDBG program.
2. The City must demonstrate how the addition of activity #1416 complied with the City's Citizen Participation Process.

CITY OF WOONSOCKET, RHODE ISLAND

Current Year Findings

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-004	14.218	<b>Misclassification of Activities in the Integrated Disbursement Information System (IDIS)</b>	<b>Unknown</b>

**Information on Federal Programs:**

Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)

**Type of Finding:**

- Material Weakness in Reporting

**Condition:**

At the time of the HUD monitoring, the City improperly selected the incorrect CDBG matrix code for activities that are set-up in IDIS. The City set-up Activity #1397, Road Reconstruction, in IDIS using LMJ as the matrix code and has since changed it to Urgent Need. It is unclear how this activity could be eligible under either of these classifications. For IDIS Activity \$1396, Commercial Façade, the City set up one activity for activities at several different locations. The address of City Hall was listed as the activity address. A separate activity must be set-up individually for each location where assistance is provided and the address fo that activity must be listed in the activity set-up. This is the same for Activity #1427, Commercial Façade Restoration Program. Additionally, as mentioned above, for each activity listed as meeting a low/mod area benefit national objective, the City indicated in IDIS that area benefit data was determined by a survey, yet the data included in the activity set-up for each is Census data, not survey data. Activities funded by the Woonsocket Redevelopment Authority (WRA), #1419 and #1425, for a hotel planning study were misclassified as LMJ, resulting in no jobs created.

**Criteria:**

Eligible CDBG activities are listed in 24 CFR 570.201 through 570.206.

**Cause:**

The City’s Housing and Community Development staff do not have an adequate understanding of IDIS and how to properly set-up and classify activities.

**Effect:**

Improper classification of activities in IDIS could result in ineligible costs that have to be repaid to HUD.

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

1. The City shall review all 2015 and 2016 CDBG activities in IDIS, make changes needed to properly classify and set up each activity and notify HUD when they are ready for review.
2. For funds that do not meet the NO or exceed the Planning and Administration cap, the City shall reimburse its CDBG program with non-federal funds.
3. For the hotel planning study, the City shall reallocate funds to Planning and Administration in IDIS. IF the reallocation calculation exceeds the cap, the City shall reimburse the CDBG from non-federal sources. Activity #1419 and #1425 shall be cancelled.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-005	14.218	Financial Management Systems Require Strengthening	Unknown

**Information on Federal Programs:**

Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)

**Type of Finding:**

- Material Weakness in Reporting and in Internal Control over Compliance

**Condition:**

During HUD’s review of the City’s policies and procedures, budgeting process, internal controls, and source documentation, the following was noted:

A. Policies and Procedures:

The requirements of 2 CFR 2 part 200 had not been fully incorporated into the City’s accounting policies and procedures. City staff had developed written procedures for grant management, however, detailed policies and procedures related to financial management systems, internal control, payments, program income, procurement standards, and subrecipient monitoring and management were not incorporated.

B. Budget Control:

In accordance with the standards for financial management systems, we found that the City has a detailed chart of accounts for each eligible activity which provides for the required framework for assets, liabilities, revenue, and expenditures. The City established a separate fund in the general ledger to accounts for the CDBG funds. However, no budget level detail or in general, obligations are entered into the accounting system. Instead, the City relies upon IDIS to maintain fund control. The standard for financial management systems require adequate reporting of the source and application of funds for federally-funded activities including records that contain pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation.

The City is also not using the prior year flag to associate expenditures in the correct program year. Any expenditures accrued as of June 30<sup>th</sup> but invoiced and paid between July 1<sup>st</sup> and September 30<sup>th</sup> may be associated with the prior year by utilizing the prior year flag. If the prior year flag is not used, the expenditure will be incorrectly reported in the wrong accounting period which can impact budgets and program caps.

C. Expenditures:

A sample of expenditures was selected to determine whether they were supported by invoices, contracts or purchase orders. As stated, purchase orders are not utilized and funds are not encumbered in the general ledger. Source documentation for expenditures was generally adequate. A sample of drawdown from IDIS was selected and traced the expenditures to the documentation. Documentation was found for each IDIS draw. It was also noted that controls were in place for reviewing and authorizing expenditures. In one instance, however, it was noted that the source documentation did not agree to the amount paid.

## CITY OF WOONSOCKET, RHODE ISLAND

### Current Year Findings

For the Year Ended June 30, 2017

Expenditures for IDIS activity number 1398, Haven of Grace Ministries reflected \$7,500. The source documentation for oil delivery and burner service totaled \$5,810.01 a difference of \$1,689.99. There was no explanation for the discrepancy. In addition, it was noted that the subrecipient did not follow proper procurement procedures for selecting a vendor.

**Criteria:**

Per 2 CFR Part 200(b), the financial management system of each non-Federal entity must provide for the accurate, current, and complete disclosure of the financial results of each Federal award. Records that identify adequately the source and application of funds for Federally-funded activities. These records must contain information pertaining to Federal awards, authorizations, obligations, unobligated balances, assets, expenditures, income and interest and be supported by source documentation and comparison of expenditures with budget amounts for each Federal award.

**Cause:**

Coordination of existing policies and need for additional procedures.

**Effect:**

Improper accounting and or use of Federal funds.

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

A. Policies and Procedures:

The Community Development Director shall review policies and procedures for consistency with 2 CFR Part 200. To ensure proper disbursement of and accounting for Federal funds, written accounting policies and procedures should contain information on allowable costs, budget control, cash management, internal controls (i.e. segregation of duties, approval authority, etc.), travel policies, accounting records, source documentation, payroll, payments, procurement, and subrecipient monitoring and management.

B. Budget Control

The Community Development Director and the Finance Director need to establish fund control over HUD's program in the City's financial management systems for the CDBG program. The grantee's accounting system must be an integral part of its total financial management structure and must provide sufficient fund control and produce reliable and useful financial information on results of the CDBG program.

The City shall develop a procedure to ensure that expenses are properly matched with the correct accounting period and program year in IDIS. Any expense accrued as of June 30<sup>th</sup> but paid between July 1<sup>st</sup> and September 30<sup>th</sup> should be flagged as prior year.

The City shall reconcile IDIS to the General Ledger on a monthly basis. The reconciliation shall include a comparison of obligations, expenditures, unexpended balance of funds. The City shall submit a detailed reconciliation of IDIS to the general ledger as of June 30, 2017 as part of its CAPER Submission.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

**Recommendation: (continued)**

C. Expenditures

The City shall review written policies and procedures to ensure that approving officials are responsible for ensuring that invoices are properly totaled and vendors / subrecipients are only reimbursed for actual costs incurred.

The City shall provide supporting documentation to justify the additional \$1,689.99 payment to Haven of Grace Ministries or reimburse the local CDBG account for unsupported costs from non-Federal funds.

The City shall ensure that all procurement transactions are conducted in a manner providing full and open competition. If a subrecipient fails to follow documented procedures, the city shall terminate the contract for cause.

**CITY OF WOONSOCKET, RHODE ISLAND**

Current Year Findings

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
2017-006	14.218	<b>The City submitted the SF 425, Federal Cash Transaction report on a quarterly basis as required but the report was not completely correct</b>	<b>Unknown</b>

**Information on Federal Programs:**

Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)

**Type of Finding:**

- Material Weakness in Reporting

**Condition:**

The SF 425 on file for the program year ending December 31, 2016 and March 31, 2017 were reviewed and it was noted that the receipts reported did not agree with the LOCCS disbursements. In addition, program income was not reported on the form. The report should include the total of funds received through IDIS drawdowns from the beginning of the reporting period. Program Income should include the income received during the reporting period plus program income cash on hand at the beginning of the period. Disbursements should include only disbursements made during the period. The City submitted a corrected SF 425 for the period ending March 31, 2017 that included program income. It was also noted that program income was included in the June 30, 2017 SF 425. The City is also carrying a cash balance of approximately \$600 in the CDBG account that resulted from a refund of an expenditures. The balance has been carried on the SF 425 for several reporting periods. Refunds should be utilized prior to drawing down from the letter of credit. In order to utilize these funds, the city will need to record an LA receipt in IDIS.

**Criteria:**

Per 2 CFR Part 200 and SF 425, grantees must submit the report no later than 15 working days following the end of each quarter. However, where an advance either by letter of credit or electronic transfer of funds is authorized at an annualized rate of one million dollars or more, the Federal agency may require the report to be submitted within 15 working days following the end of each month.

**Cause:**

Procedures had not incorporated the SF 425 reporting requirements.

**Effect:**

Over / understatement of cash balances on hand.

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

1. The Community Development director shall incorporate the requirements of CPD Notice 12-12, Submission of the Federal Financial Report, SF 425 into the City's accounting policies. Additional, the policy shall be updated to ensure that cash receipts on the SF 425 are reconciled to the treasury deposits and program income in the City's accounts on a quarterly basis to ensure accuracy of the report.
2. The Community Development Director shall update policies and procedures to ensure that refund of expenditures is properly recorded in IDIS.
3. The City shall record an LA receipt for the refund and expense the balance on the next available draw.

CITY OF WOONSOCKET, RHODE ISLAND

Current Year Findings

For the Year Ended June 30, 2017

<u>Reference Number</u>	<u>Program</u>	<u>Finding</u>	<u>Questioned Costs</u>
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2017-007	14.218	<b>The City is not recording program income received into IDIS in a timely manner and is not utilizing program income prior to drawing from the letter of credit. Program income was not always recorded in the program year received or associated with the correct activity.</b>	Unknown
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**Information on Federal Programs:**

Community Development Block Grant (CFDA Number 14.218, US Department of Housing, Direct Program, Award Number B-16-MC-44-0006)

**Type of Finding:**

- Material Weakness in Program Income

**Condition:**

Based on a review of IDIS and program incomes, it was confirmed that the City was not posting program income in IDIS when it was received. Program income has not been posted in the system since program year 2014. At the time of the review, the balance of CDBG program income on hand, as reported in IDIS under program year 2014 was \$21,254.56. Except for a small draw in the amount of \$500 on 8/2/16, the last program income draw was on 11/5/14. For the period ending March 31, 2017 the City reported a program income balance of \$44,733.30 on the SF 425. For the period ending June 30, 2017 the City reported a program income balance of 46,333.30 on the SF 425.

**Criteria:**

2 CFR Part 200 establishes the standards for financial management systems.

**Cause:**

Procedures for receipting and expending program income had not been fully established.

**Effect:**

Expenditures may exceed statutory caps on public service and administrative costs.

**Recommendation:**

The City should follow the required correction action from HUD from which includes:

1. The City shall ensure that policies and procedures for posting receipts to IDIS are updated to reflect the requirement that actual program income receipts be recorded in IDIS no less than monthly. Program income shall be recorded in IDIS and fully expended prior to requesting funds from the letter of credit.
2. The City shall update IDIS to adjust program income balances for the period ending June 30, 2017 and year to date to reflect actual receipts and expenditures.
3. The City shall edit the PR 26 report in IDIS to reflect actual program receipts for the period ending June 30, 2017 as part of the CAPER submission.

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

#### **MATERIAL WEAKNESS**

**2017-001 - The City's code enforcement program is not specifically targeted to a deteriorated or deteriorating area as agreed to by an October 1, 2015 letter HUD sent closing the finding.**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

#### **Required Corrective Action 1:**

The City has honored HUD's request to suspend the Code Enforcement program and new measures are currently being put in place. The City of Woonsocket is continuing to work with HUD to re-activate the Code Enforcement activity/program and is meeting the requirements set forth by HUD.

#### **Required Corrective Action 2:**

The City has implement a spread sheet for program years 2015 & 2016 to document and tract eligible sites for minimum housing/code enforcement activities and has presented to HUD (through e-mails). Documentation for PY's 2015 & 2016 that shows:

- Addresses of the property inspected
- Census tracts
- List of violations
- Sources of funds used
- Indicated if inspection was in a targeted area (eligible census tract)
- Inspectors name
- Date the violations need to be corrected and when they were corrected

The City has already started to implement a new system with spread sheets for millage and location of inspections. The City has submitting all inspection reports from July 1, 2015 to June 30, 2017 to the Dept. of HUD for review. They were mailed November 9<sup>th</sup>, 2017 to the HUD office in Boston. HUD sent them back stating that the information was overwhelming and requested that all info be compiled in a spread sheet format. This process is ongoing and is moving in a positive direction and is awaiting final approval from HUD.

#### **Required Corrective Action 3:**

The City through the Planning Department is implementing a new strategy of utilizing the Minimum Housing inspectors to identify potential opportunities for Housing Rehab, First Time Home buyer, CHDO opportunities and also continue to assist in the inspections for ESG recipients. Minimum Housing inspectors will be asked to work closely with the Construction Project Manager to identify code compliance issues on a potential HOME project site to better establish a plan of attach for the property owner or potential property owner and utilize the field information to give direction to potential contractors.

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

This has already been implemented as of August 1, 2017. Minimum Housing has accompanied the Construction Project Manager and the Deputy Director to inspect facilities of ESG recipients before funds are to be released. Property owners whose property has been visited for potential violations have been contacted about the Housing Rehab program that is available through the City/CDBG/HOME program. The Minimum Housing Inspector(s) will be required to visit potential sites with the Construction Project Manager and the Deputy Director on future Commercial Façade & Potential Small Business Loan program projects. All of these programs are contingent on the location within eligible census tracts within the city. The City will submit as an attachment the Code Enforcement policy with this finding. The City is starting to work closer again with the local CHDO's Neighborworks Blackstone River Valley and Habitat for Humanity to identify through minimum housing (Code Enforcement) to identify pockets of decay and to utilize CHDO fund to better arrest the issues. When working with the CHDO's they are able to leverage additional resources to projects that will grow out of the inspections. We are starting to work with Neighborworks Blackstone River Valley on joint neighborhood inspections and to gain greater neighborhood involvement. The City will utilize the police department to help identify vandalized/abandoned properties that could become neighborhood issues.

The Code Enforcement Policy was e-mailed to the CPD on Tuesday November 14, 2017. The Code Enforcement Policy was re-addressed with HUD in a January meeting and was re-submitted to HUD in an e-mail March 20, 2018.

The Code Enforcement Policy will address other investments that the City is able to utilize and with a defined area that is income eligible (51% LMI or higher). This is defined by the 8 eligible census tracts of 174 (67.73% LMI), 176 (60.17% LMI), 178 (51.45% LMI), 179 (72.70% LMI), 180 (73.83% LMI), 181 (70.01% LMI), 182 (52.22% LMI) & 183 (82.02% LMI).

The maps were provided in the National Objective/Eligibility sheets for PY 2015 & 2016.

**Proposed completion date:** The City will implement the above procedures immediately.

**2017-002 - The City purchased three (3) vehicles for code enforcement inspections without demonstrating the vehicles are only being used to conduct code enforcement inspections in eligible service areas and did not perform due diligence under procurement of the vehicles.**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

#### **Required Corrective Action 1:**

The City has taken measures to ensure that the vehicles are being used for inspections in eligible census tracts. This entails creating a log-in system through spread sheets to track inspections ((eligible compared to in-eligible) and millage to determine obtained 9determining eligible/ineligible millage). The City did follow Rhode Island procurement standards through price out vehicles in house (Planning Department)

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

and could not find a reasonable price. The State of RI does encourage municipalities to utilize the MHQ is a more reasonable price can be obtained. The reasoning for the selection of Ford vehicles was the Woonsocket Fire Department was purchasing their own vehicles and had priced out different vehicles (new & previously owned). They decided on Ford's and if the Planning Department placed an order with the Fire Department (vehicles paid for separately), the departments collectively would drive down the cost of new vehicles. If the Fire Department would have received a better price for a Dodge /GMC/Chevy, the Planning department would have followed their lead. Since MHQ specializes in working with municipalities, the vehicles are scrutinized/inspected more thoroughly than a traditional car dealership. The vehicles go through one last inspection at the Police garage before they are released to a specific department. The City presented to HUD additional reasoning for purchasing vehicles through photos submitted should substantial damage to old vehicles which were determined by the City garage and an outside mechanic at the City's cost to be unsafe for vehicular traffic. City/State Procurement was followed and City procurement policy is on file along with Fiscal Policies & Procedures pages 37 – 59) in the CDBG Policy & Procedures manual. The selected vendor for the vehicles MHQ is on the State Master Price/Vendor list and is used by multiple municipalities along with the State.

The cost of conducting code enforcement inspections is an eligible CDBG expense. Section 105(a)(3) of the HCDA permits the use of CDBG funds for code enforcement in deteriorated or deteriorating areas in which such enforcement, together with the public or private improvements or services to be provided, may be expected to arrest the decline of the area. The CDBG Entitlement program regulations at § 570.202(c) provide that costs incurred for inspection and enforcement of codes, such as salaries and related expenses of code enforcement inspectors and legal proceedings, are eligible costs. According to § 570.207(b)(1)(iii), purchase of equipment not an integral structural fixture (such as vehicles) with CDBG funds is eligible when necessary for use by a recipient or its sub-recipients in the administration of activities assisted with CDBG funds.

The use of the vehicles is being tracked on a daily basis through the implementation of a new spread sheet system. The Department will be able to track millage, eligible site visits versus non-eligible site visits. The department now has the ability to determine if the millage is allowable (eligible sites) versus non-allowable millage (non-eligible sites). This will be a separate spread sheet with daily and monthly totals. The only individuals that have access to the vehicles are minimum housing inspectors and the keys are kept in the Building Inspection office.

#### **Required Corrective Action 2:**

The City has reviewed its procurement policy and is following all procurement standards (City, State, Federal CFR 200.318-200.326). The Planning Department has created a formal Policies and Procedures Manual (CDBG) to ensure this and in the section Fiscal Policies and Procedures (pages 37 – 59) demonstrates the procedures that the City follows for procurement. This will be available to the Director of Planning, The Finance Department and the Minimum Housing Clerk to follow per HUDs approval. This document was originally e-mailed on November 14, 2017. The City does have its own Procurement Policy along with following State and Federal Procurement Regulations. The City of Woonsocket through the State of Rhode Island is allowed to use master price list and multi-jurisdictional Co-operatives (MHQ Vehicle/Equipment/Gear and the Houston- Galveston Area Council of Governments) to purchased vehicles for individual municipal departments.

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

I am submitting to HUD the legislation from the State of RI that allows this along with the City's Procurement Policy, the State of Rhode Island's Procurement Policy and other supporting documentation that shows the City of Woonsocket followed proper procedure and was well within their right as a municipality to purchase vehicles with CDBG funds for the Code Enforcement program. An Emergency situation was presented to HUD when dilapidation of the vehicles was documented with photographic evidence to show the need for new vehicles.

During HUD's initial visit, the City did produce evidence through a construction project (commercial façade) that the City goes beyond minimum standards and regulations of procurement and was able to display sufficient evidence. HUD did commend the City with the proper procurement standards. The typical route of procurement was not utilized because the severity of the need along with putting City Employees and the general public in harms way.

The allowance of the purchase of vehicles is stated in the HUD CDBG "Use of CDBG Funds for Code Enforcement activities.

**Proposed completion date:** The City will implement the above procedures immediately.

**2017-003 - The City has insufficient documentation to determine the national objective (NO) and eligibility of CDBG-funded activities.**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

#### **Required Corrective Action 1:**

All Nation Objectives/Eligibility activities for program Year 2015 & 2016 have been completed and sent to HUD by mail on Monday March 12<sup>th</sup>.

#### **Required Corrective Action 2:**

The Deputy Director had already attended a CDBG program in June of 2017 and in October of 2017. HUD did acknowledge this after they resubmitted their findings for follow up.

#### **Required Corrective Action 3:**

The City has resubmitted their finding for Corrective Action 3. The city maintains that this is part of a partnership with Community Care Alliance who was awarded funding during this program year. HUD did acknowledge that the activity is an eligible activity but appears to be treated as a separate activity from CCA's activity. HUD is continuing to look into this and is working with the City on a positive outcome.

**Proposed completion date:** The City will implement the above procedures immediately.

**CITY OF WOONSOCKET, RHODE ISLAND**

Corrective Action Plan

For the Year Ended June 30, 2017

**2017-004 - Misclassification of Activities in the Integrated Disbursement Information System (IDIS)**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

**Required Corrective Action 1:**

All activities in 2015 and 2016 have been properly classified utilizing the and set up in IDIS and HUD was notified.

**Required Corrective Actions 2 & 3:**

Funds were re-categorized and classified to fit well below the program administrative cap space. HUD was notified of responding to this corrective action. This was done by request of HUD and they were notified of the completion of this corrective action.

**Proposed completion date:** The City has implemented the above procedures and is waiting on responses from HUD.

**2017-005 - Financial Management Systems Require Strengthening**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

\*\*\*Please refer to submitted documents CDBG Policies & Procedures Manual and the City of Woonsocket's Procedures for Grant Management \*\*\*, e-mailed on March 14, 2018. A hard copy of this document is being sent for review.

**A) Policies and Procedures:**

**Required Corrective Action 1:**

The City of Woonsocket through the Division of Housing & Community Development has developed and composed a CDBG Policies & Procedures Manual that will be circulated to the Director of Planning & Development, Deputy Director of H & CD, Deputy Director of Finance, the Construction Project Manager, Housing Program Manager and Minimum Housing staff. This document has been submitted to HUD for review and approval through an e-mail on Wednesday March 14, 2018.

**B) Budget Control:**

**Required Corrective Action 2:**

The Deputy Director of H & CD will be providing the Deputy Director of Finance the AP-38 Activity Summary which will detail activities for the program year and what funding amounts have been allocated to a particular activity. Also the newly implemented CDBG Policies & Procedures Manual will be utilized and materials/regulations/requirements are to be referenced in the CDBG Policies & Procedures Manual and are located on pages 37 – 48.

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

#### **Required Corrective Action 3:**

The Deputy Director of H & CD is working with the Deputy Director of Finance to strengthen Policy and procedures regarding expenses and matching them in the correct accounting period.

#### **Required Corrective Action 4:**

The Deputy Director of H & CD has and will continue to work with the Deputy Director of Finance and IDIS was reconciled with the general ledger and was a part of the 2016 CAPER submission. The Capers is under final review by

#### **Required Corrective Action 5:**

The City of Woonsocket through the Division of Housing & Community Development has developed and composed a CDBG Policies & Procedures Manual that will be circulated to the Director of Planning & Development, Deputy Director of H & CD, Deputy Director of Finance, the Construction Project Manager, Housing Program Manager and Minimum Housing staff. This document is being submitted to HUD for review and approval. Material to be referenced in the CDBG Policies & Procedures Manual are located on pages 37 – 66.

#### **Required Corrective Action 6:**

Follow-up documentation was presented to HUD and was approved by HUD. More than one quote was presented and approved by HUD

#### **Required Corrective Action 7:**

The Planning and Finance Departments are reviewing procurement procedures and procurement procedures are being addressed in the CDBG Policies and Procedures Manual that has been presented to HUD. HUD did acknowledge that the Planning and Finance departments do follow procurement procedures and have reference IDIS activity 1429 "Museum of Work & Culture upgrades which displayed not only proper procurement procedures but also the fiscal management of two (2) separate funding sources for one (1) project.

**Proposed completion date:** The City will implement the above procedures immediately.

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

**2017-006 - The City submitted the SF 425, Federal Cash Transaction report on a quarterly basis as required but the report was not completely correct**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

#### **Required Corrective Action 1:**

The Finance Department has successfully submitted the SF 425 report on October 28<sup>th</sup> 2017. The Planning/Finance Departments have reviewed and are collectively working on implementing the CPD Notice 12-012 into the City's accounting policies. The City will keep HUD updated on the progress on the updating of the City's accounting policies. The City's Policies & Procedures Manual has been submitted to HUD through an e-mail on November 14, 2017. These latest findings have been shared with the Finance Department so responsibilities can be delegated to.

#### **Required Corrective Action 2:**

The Planning Department has already provided the Finance Department with the section AP-38 from the Annual Action Plan for the Finance Department. The Planning Department will provide the Finance Department with amendments if necessary. The Planning Department will inform the Finance Department of activity involving Program Income. The Finance department will work closely with the Planning Department to accurately record expenditures/draw-downs in the proper fiscal years for greater accuracy for auditing purposes.

#### **Required Corrective Action 3:**

The City will look to work with HUD on a proposed re-allocation of funds from the Woonsocket Redevelopment Agency to Program Administration for program years 2015 & 2016 and cancel the activities for both program years if necessary. Activities did not need to be cancelled.

The activity #1419 (Job Creation) was put in place to study potential/future job growth and how that can be linked to potential developers. Activity #1419 (Job Creation) was linked with the Hotel Study activity #1425 was directed towards the eligible census tract 179 (L/M% 72.70) 115 Front Street and census tract 180 (L/M% 73.83) 162 Main Street and the corner of Social Street & Worrall Street. Site map with census map accompanied Finding 3.

Per a January 18<sup>th</sup> meeting, HUD recommended that funds allocated to the Redevelopment Agency of Woonsocket be re-classify to 20-Planning. The Planning Department accomplished that and all funds were calculated and still were below the 20% cap.

**Proposed completion date:** The City will implement the above procedures immediately.

## CITY OF WOONSOCKET, RHODE ISLAND

### Corrective Action Plan

For the Year Ended June 30, 2017

**2017-007 - The City is not recording program income received into IDIS in a timely manner and is not utilizing program income prior to drawing from the letter of credit. Program income was not always recorded in the program year received or associated with the correct activity.**

**Name of contact person:** Chris Carcifero, Deputy Director of Housing and Community Development

#### **Required Corrective Action 1:**

The Planning Department will be addressing the recording of Program Income (PI) into IDIS by the end of November 2017. The Finance Department updates the processing of program Income every month and quarterly. The Planning Department has utilizing chapter 7 of the IDIS training manual to assist in the updating of the program income.

The Planning Department has incorporated in the newly created CDBG Policies & Procedures (Fiscal Policies & Procedures page 51) a frame work on how program income needs to be documented and the steps taken for documentation.

To date (March 27, 2018) the Planning Department is up to date on inputting program income into IDIS and has also updated the Finance Department. HUD is knowledgeable of the City of Woonsocket/Planning Department staying current on reporting program income through IDIS.

#### **Required Corrective Action 2:**

The Planning Department has already addressed the recording of Program Income (PI) into IDIS. The Finance Department is updated by the Planning Dept on the processing of Program Income and is looking to work with the Finance Dept closer to develop a system to initiate this process. every month and quarterly. The Planning department will be utilizing chapter 7 of the IDIS training manual to update the program income.

The Planning Department is already working with the Finance Department and has received updated program income amounts. This information has been inputted into IDIS and will be submit as an update to the 2016 CAPER if needed. HUD has acknowledge that they have viewed the updates in IDIS.

#### **Required Corrective Action 3:**

The Planning Department has addressed the recording of Program Income (PI) into IDIS. The Finance Department submits on a monthly basis, corresponding information pertaining to funds being classified as Program Income updates, through a spread sheet and copy of the check which the Planning Department used to place in the file of the activity. The City included this in its revised 2016 CAPER submission to HUD. Funds will be reflected in the PY2017 PR-26 report.

**Proposed completion date:** The City will implement the above procedures immediately.

**CITY OF WOONSOCKET, RHODE ISLAND**

Status of Prior Year Findings

For the Year Ended June 30, 2017

***1. Status of Prior Year Findings***

*None*