

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and
Providence Plantations)

**INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY THE UNIFORM GUIDANCE AND *GOVERNMENT*
AUDITING STANDARDS AND RELATED
INFORMATION**

JUNE 30, 2016

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

**Independent Auditors' Reports as Required by the Uniform Guidance and
Government Auditing Standards and Related Information**

June 30, 2016

C O N T E N T S

Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1-3
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 <i>Government Auditing Standards</i>	4-5
Schedule of Expenditures of Federal Awards	6-7
Notes to the Schedule of Expenditures of Federal Awards	8-9
Schedule of Findings and Questioned Costs	10-14
Required Auditee Information:	
Management's Summary Schedule of Prior Audit Finding	15
Management's Corrective Action Plan	16



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

To the Board of Education of
State of Rhode Island and Providence Plantations
Providence, Rhode Island

Report on Compliance for Each Major Federal Program

We have audited Rhode Island College's (the "College") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the College's major federal programs for the year ended June 30, 2016. The College'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 programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College'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 College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses; however, material weaknesses may exist that have not been identified.

We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2016-001 that we consider to be a significant deficiency.

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.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the College, as of and for the year ended June 30, 2016. We issued our report thereon dated October 6, 2016, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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.

O'Connor and Duen, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

November 30, 2016

(except for the Schedule of Expenditures of Federal Awards, for which the date is October 6, 2016)



DEPENDENT 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 Board of Education of
State of Rhode Island and Providence Plantations
Providence, 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 Rhode Island College (the "College"), which comprise the statement of net position as of June 30, 2016, the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated October 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the College'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 College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connell and Drew, P.C.

**Certified Public Accountants
Braintree, Massachusetts**

October 6, 2016

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

Rhode Island College
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
STUDENT FINANCIAL ASSISTANCE CLUSTER					
U.S. Department of Education:					
Direct Awards:					
Federal Supplemental Educational Opportunity Grant	84.007	N/A	N/A	\$ 799,348	\$ -
Federal Work-Study Program	84.033	N/A	N/A	760,656	-
Federal Perkins Loan Program (beginning of year)	84.038	N/A	N/A	4,903,573	-
Federal Perkins Loan Program (current year expenditures)	84.038	N/A	N/A	465,053	-
Federal Pell Grant Program	84.063	N/A	N/A	13,265,878	-
Federal Direct Student Loans	84.268	N/A	N/A	<u>39,473,764</u>	<u>-</u>
Total Student Financial Assistance Cluster				<u>59,668,272</u>	<u>-</u>
RESEARCH AND DEVELOPMENT CLUSTER					
National Science Foundation:					
Pass-through Awards:					
Office of International Science and Engineering	47.079	Brown University	N/A	3,686	-
Office of Experimental Program to Stimulate Competitive Research	47.081	University of Rhode Island	N/A	<u>86,113</u>	<u>-</u>
Total Research and Development Cluster				<u>89,799</u>	<u>-</u>
TRIO CLUSTER					
U.S. Department of Education:					
Direct Awards:					
TRIO - Upward Bound	84.047	N/A	N/A	<u>610,696</u>	<u>-</u>
NON-CLUSTER					
U.S. Department of Agriculture:					
Pass-through Awards:					
Specialty Crop Block Grant Program - Farm Bill	10.170	Rhode Island Department of Environmental Management	N/A	<u>8,162</u>	<u>-</u>
U.S. Department of Labor:					
Pass-through Awards:					
Work Incentive Grants	17.266	Rhode Island Department of Education	N/A	<u>3,416</u>	<u>-</u>
U.S. Department of Energy:					
Pass-through Awards:					
Office of Science Financial Assistance Program	81.049	Brown University	N/A	<u>1,126</u>	<u>-</u>
U.S. Department of Education:					
Direct Awards:					
Special Education - Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326	N/A	N/A	99,991	-
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407	N/A	N/A	<u>103,127</u>	<u>-</u>
Subtotal - Direct Awards				<u>203,118</u>	<u>-</u>

The accompanying notes are an integral part of this schedule.

Rhode Island College
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

	CFDA Number	Pass-Through Entity	Pass-Through Entity Award Number	Federal Expenditures	Passed Through to Subrecipients
NON-CLUSTER - CONTINUED					
U.S. Department of Education - Continued:					
Pass-through Awards:					
Federal Loan Guarantees for Innovative Energy Technologies	84.126	Rhode Island Department of Human Services	N/A	\$ 26,800	\$ -
Special Education - Grants for Infants and Families	84.181	Rhode Island Department of Human Services	N/A	79,086	-
Supporting Effective Instruction State Grant	84.367	Rhode Island Office of Higher Education	N/A	138,005	-
College Access Challenge Grant Program	84.378	Rhode Island Office of Higher Education	N/A	349,688	-
Race to the Top - Early Learning Challenge	84.412	Rhode Island Department of Education	N/A	579,670	-
Subtotal - Pass-through Awards				<u>1,173,249</u>	<u>-</u>
U.S. Department of Health and Human Services:					
Direct Awards:					
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	N/A	N/A	174,974	-
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632	N/A	N/A	531,506	-
Child Health and Human Development Extramural Research	93.865	N/A	N/A	107,996	-
Subtotal - Direct Awards				<u>814,476</u>	<u>-</u>
Pass-through Awards:					
Lifespan Respite Care Program	93.072	Rhode Island Department of Human Services	N/A	24,322	-
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	Brown University	N/A	26,954	-
Refugee and Entrant Assistance - State Administered Programs	93.566	Rhode Island Department of Human Services	N/A	23,631	-
Adoption Opportunities	93.652	Rhode Island Department of Children, Youth and Families	N/A	69,222	-
Biomedical Research and Research Training	93.859	University of Rhode Island	N/A	723,790	-
HIV Care Formula Grants	93.917	Rhode Island Executive Office of Health and Human Services	N/A	56,125	-
PPHF Geriatric Education Centers	93.969	University of Rhode Island	N/A	25,229	-
Subtotal - Pass-through Awards				<u>949,273</u>	<u>-</u>
Social Security Administration:					
Direct Awards:					
Social Security - Work Incentives Planning and Assistance Program	96.008	N/A	N/A	62,507	-
Total Non-Cluster				<u>3,215,327</u>	<u>-</u>
Total Federal Funds				<u>\$ 63,584,094</u>	<u>\$ -</u>

The accompanying notes are an integral part of this schedule.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Note 1 - **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Rhode Island College (the “College”) under programs of the Federal Government for the year ended June 30, 2016. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position, changes in net position or cash flows of the College.

Note 2 - **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance.

Note 3 - **Indirect Cost Rate**

The College has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - **Federal Student Loan Programs**

Perkins Loan Program

The Federal Perkins Loan Program (“Perkins”) is administered directly by the College and balances and transactions relating to this program are included in the College’s basic financial statements. During the year ended June 30, 2016, \$425,086 of loans were advanced under the Perkins program and \$39,967 of administrative costs were incurred. As of June 30, 2016, loan balances receivable under Perkins was \$4,653,355.

There was no federal capital contribution or match by the College during the current year.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Notes to the Schedule of Expenditures of Federal Awards - Continued

Year Ended June 30, 2016

Note 4 - **Federal Student Loan Programs - Continued**

Direct Student Loan Program

The College disbursed \$39,473,764 of loans under the Federal Direct Student Loans program, which include Stafford Subsidized and Unsubsidized Loans and Parent Plus Loans. The College is only responsible for the performance of certain administrative duties and, accordingly, there are no significant continuing compliance requirements and these loans are not included in the College's financial statements.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Section I – Summary of Auditors’ Results:

Financial Statements

Type of auditors’ report issued:		Unmodified
Internal control over financial reporting:		
• Material weaknesses identified?	_____ yes	___x___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_____ yes	___x___ no
Noncompliance material to the financial statements noted?	_____ yes	___x___ no

Federal Awards

Type of auditors’ report issued on compliance for major programs:		Unmodified
Internal control over major programs:		
• Material weaknesses identified?	_____ yes	___x___ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___x___ yes	_____ no
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	___x___ yes	_____ no

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Identification of Major Programs

Name of Federal Program or Cluster	CFDA Number
Student Financial Assistance Cluster	
Federal Supplemental Educational Opportunity Grant Program	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans (Note 4)	84.268

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

\$13,500,000

Auditee qualified as a low-risk auditee?

yes no

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Section II – Financial Statement Findings:

None

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs:

Finding number:	2016-001
Federal agency:	U.S. Department of Education
Programs:	Federal Work-Study Program
CFDA #'s:	84.003
Award year:	2016

Criteria

According to 34 CFR Section 675.16(a)(1):

An institution must pay a student federal work-study compensation at least once a month.

Also, the 2015-2016 Federal Student Aid Handbook (Vol. 6, Pg. 48) states:

A student's FWS compensation is earned when the student performs the work, and the school must pay the student that FWS compensation at least once a month. Regardless of who employs the student, the school is responsible for ensuring that the student is paid for work performed.

Condition

The Federal Government requires an institution to pay student FWS compensation at least once per month. Our testing of twenty-five students revealed one student who was not paid at least once per month.

Cause

The College did not have policies and procedures to ensure federal work-study students employed by non-institution employers are paid at least once per month.

Effect

The College paid a federal work-study student a lump-sum for services the student performed in excess of one month.

Questioned Costs

\$2,000

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Schedule of Findings and Questioned Costs - Continued

Year Ended June 30, 2016

Perspective

Our sample was not, and was not intended to be statistically valid. Of twenty-five students selected for testing, one student or 4% of our sample was not paid at least once per month.

Identification as a Repeat Finding, if applicable

Not applicable

Recommendation

Management of the College should establish policies and procedures to ensure federal work-study students are paid at least once per month. The finding was related to a student employed by a non-institution employer. The College should consider the implementation of a control sheet detailing each FWS student employed by non-institution employers and monitor the control sheet to ensure all students are paid at least once monthly.

Views of Responsible Officials

The College agrees with the finding. Although the student was paid as soon as the College was notified of hours worked, it recognizes that due to the timing of notification from the non-institution employer, the FWS student was not paid at least once per month within the timeframe of hours worked.

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Summary Schedule of Prior Audit Finding

Year Ended June 30, 2016

Finding number:	2015-001
Federal agency:	U.S. Department of Education
Programs:	Federal Work-Study Program
CFDA #'s:	84.003
Award year:	2015

Condition

Federal Work-Study Program testing procedures included a review of documentation to determine if the institution maintained adequate time records to support amounts students worked and were paid for.

Award Year 2015:

One of ten students, or 10% of our sample did not have an adequate time record.

Current Year Status:

The College took corrective action and strengthened the controls in place over manual reporting of time as described in the prior year "Views of Responsible Officials."

RHODE ISLAND COLLEGE
(a Component Unit of the State of Rhode Island and Providence Plantations)

Management's Corrective Action Plan

Year Ended June 30, 2016

Finding number:	2016-001
Federal agency:	U.S. Department of Education
Programs:	Federal Work-Study Program
CFDA #'s:	84.003
Award year:	2016

Corrective Action Plan:

The College will work with the Career Development Center to establish a policy governing obligations of non-institution employers. Our current policies ensure students are paid in a timely manner, in accordance with Federal Work Study regulations, as soon as the College is notified of hours worked. In order for the College to ensure timely payment, non-institution employers should submit notice of employment of a FWS student at the time employment is agreed to. The College and the Career Development Center will notify all non-institution employers of the new policy once approved to ensure timely communication and notice of employment.

Timeline for Implementation of Corrective Action Plan:

The College plans to implement the corrective action plan by June 30, 2017.

Contact Person

Stephen J Nedder Jr.
Controller