



Issued jointly by the:

October 2016

- Division of Municipal Finance (DMF), Department of Revenue (DOR)
- Office of the Auditor General (OAG)

## Municipal Transparency Portal



Newly enacted legislation ([Article 8](#)) creates a municipal transparency portal – an important effort to enhance transparency and provide citizens with a clear and uniform view of key financial data for their

city or town. Due to launch in 2017, it will also provide the ability to make meaningful comparisons among communities, foster collaboration, and facilitate exploration of shared services among communities.

Rhode Island General Laws §45-12-22.2 and §44-35-10 are amended to improve current required reporting and reduce the currently required four quarterly reports to just three (now called budget-to-actual reports). The first report, normally due in October, is no longer required.

The statute also creates a centralized location for municipal financial information. We have unified the format of the adopted budget survey, 5-year forecast, and budget-to-actual reports. With this new format, we streamline the process for municipalities and create a municipal data report to be included in the scope of the final municipal audits. Annual reporting will be presented in a consistent format reflecting reportable government services.

### What's a transparency portal?

The municipal transparency portal is an electronic interface where municipalities and school districts will submit their respective data sets directly through the portal rather than the current process of emailing documents to the state. Housed on DMF's website, it can be viewed by the public, municipalities, school districts, and other stakeholders. The portal supports the development of best practices, as well as having comparable information available to develop sound policies and budgets which can, in turn, engender greater community support.

DMF, OAG, and RIDE, along with a pilot group of municipal and school finance officers, have been working on developing a unified format over the last few months,

providing feedback to make this a better process for everyone. Phased in over time, this new format will carry through on all required reports and reporting periods.

Implementation guidance is being continually enhanced reflecting input from our pilot communities. To ensure consistency, guidelines have been developed to address allocation of personnel related costs and distribution of costs to departmental expenditure codes. Most importantly, "reportable government services" or RGS has been defined to ensure the same activities and functions are reported for all communities regardless of the fund used or the specific accounting and budgetary practices followed.

Pilot communities include: Barrington, Bristol, Bristol-Warren Regional School District, Cranston, Gloucester, Lincoln, Middletown, North Providence, Pawtucket, Providence, Smithfield, South Kingstown and West Warwick.

### Highlights of the reporting requirements:

- Pilot municipalities will report FY2016 actual audited data to the portal in the new format – the annual data report, including a reconciliation to the audited financial statements, will be included in the audit report. The annual data report applies only to pilot municipalities for 2016 but all municipalities beginning in 2017.
- Information reported to the portal for school districts will be consistent with existing Uniform Chart of Accounts guidance – a crosswalk has been developed to map the UCOA data to amounts required for portal reporting.
- Article 8 requires that the adopted budget survey, five-year forecast, budget-to-actual, and municipal data report are to be submitted to DMF through the portal beginning in January 2017. Submissions to the portal in the new format are phased in, with the aim of allowing additional time for budgetary data to be adapted to the new portal templates/formats. Pilot communities will proceed first with non-pilot communities following a year later.
- Beginning with the budget-to-actual report due in January 2017, all municipalities will submit financial information through the transparency portal (regardless

of whether following the newer or older templates/formats).

Training is planned for the non-pilot communities over the coming months to more fully explain the new requirements and results of our work with the pilot municipalities. More information, including all the templates and guidance materials made available to the pilot communities will be available on the DMF website.

### Meet DOR Director Robert Hull



As Director of Revenue, Robert Hull is responsible for five state divisions: Lottery, Motor Vehicles, Municipal Finance, and Taxation, as well as the Office of Revenue Analysis. He manages a department with 521 full-time equivalent positions and a fiscal year 2017 budget of \$502.6 million.

A financial industry veteran, Hull comes to state government from Providence Equity Partners, where he served as senior advisor, managing director, and chief financial officer.

Previously, Hull was executive vice president and chief financial officer of Ally, Inc., formerly GMAC, Inc. At Ally, he was part of the restructuring team that worked with the U.S. Treasury Department and other federal regulators to reshape the auto and mortgage lender into a publicly-traded company that eventually paid off 100% of its \$17 billion in federal TARP assistance.

Hull served on the boards of both Ally, Inc. and Ally Bank. In his role as Ally's chief financial officer, he managed a staff of 1,500 professionals across 40 countries. Before Ally, Hull held senior finance positions with Bank of America. He is a former member of the board of directors of the Providence Foundation.

Hull holds a bachelor's degree from the University of Virginia and a master's degree in business administration from Harvard Business School.

During his private-sector career, Hull managed financial, technology, regulatory, and strategic planning efforts for large-scale business enterprises. He is now at work assessing how the Department of Revenue can better conduct its mission of assisting Rhode Islanders, other state agencies, and local governments. One effort is the department's municipal transparency portal, (described on the previous page), which will collect municipal financial and expenditure data in a central repository accessible to the

public. The portal is part of the state's efforts to broaden access to government information.

Another focus is the status of local pension funds - while the department already posts selected pension data on the Municipal Finance website, the portal will help provide a fuller picture of those funds.

### Municipal Income Tax Refund Offset Program Expanded

Rhode Island General Law §45-13-12 was amended to require municipalities to participate in the Income Tax Refund Offset Program if receiving state aid through the Distressed Communities Relief Fund. The intent is to increase the collection of overdue taxes in those distressed communities. This debt collection program allows the Division of Taxation to intercept state income tax refunds and apply them to outstanding liabilities owed to municipal entities.



- Currently, the following municipalities participate in the refund offset program: Bristol, Burrillville, Central Falls, Coventry, East Providence, Pawtucket, Providence, Richmond, Tiverton, West Warwick, and Woonsocket where a combined \$2.1 million has been collected since the program started.
- Cranston and North Providence have signed agreements to begin participating in the offset program.
- Participating municipalities typically receive a large number of payments from delinquent taxpayers after the initial notification of this program to delinquent taxpayers.

Distressed communities are required, but all communities, are encouraged to participate. DMF will work with these municipalities directly. If you have questions on this program, please don't hesitate to contact our staff at <http://www.municipalfinance.ri.gov/feedback/>.

### New Single Audit and Uniform Grant Guidance



Changes which result from new federal Uniform Grant Guidance (Guidance) will affect your single audits for fiscal 2016.

The new guidance had multiple objectives and effective dates. Among those were updated audit requirements which are effective for fiscal 2016, including an increase in the dollar threshold triggering a required single audit. Some of the changes in cost principles etc. also contained in the Uniform Guidance were already effective depending on the timing of the federal award.

The following are highlights of some of the changes that may affect your fiscal 2016 Single Audits:

- A key threshold triggering a single audit for entities that expend federal awards was raised from \$500,000 to \$750,000 per year.
- The Uniform Guidance replaces previous guidance included in OMB Circulars A-133, A-102.
- There were various changes to cost principles previously found in Circulars A-21, A-87, and A-122. One of the challenges is that federal awards made before December 26, 2014 follow the previous guidance, whereas subsequent awards follow the new Uniform Guidance. Identification of the award date is a key data element in these transition years.
- A new data collection form has been developed and is required for fiscal 2016 to transmit the completed single audit results and report to the federal clearinghouse.
- Changes were made to the auditor's risk assessment process for major programs – a likely impact is that fewer Type A programs may be audited as major and more Type B programs could be selected for testing.
- More information is required on an entity's Schedule of Expenditures of Federal Awards – notably more stringent requirements affect the identification of pass-through awards and awards made to subrecipients.

Early planning for these new provisions of the Uniform Guidance with your auditors is recommended.

Here's a link to the Uniform Guidance in its entirety:  
[Single Audit Guidance](#)

There is also a [FAQ](#), *Frequently Asked Questions For The Office of Management and Budgets, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200*, which was issued in response to questions received from various grant stakeholders on the new Guidance.

## What's new with GASB



### GASB 72 - Fair Value Measurement and Application

is effective for fiscal 2016 financial reporting. The likely impact for most municipalities will be some expanded note disclosures about investments including the fair value hierarchy (e.g., level 1, 2 or 3 inputs). However, the standard is broader in application and could impact the fair value measurement process for other assets. Additionally, the standard includes guidance for the fair value measurement process for certain investments often held within pension trust funds such as alternative investments, and investments reported at net asset value. Municipalities should immediately assess the impact of this new accounting standard in conjunction with their auditors.

**GASB 68 – Year 2 !** - This is the 2<sup>nd</sup> year of implementation of GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*. The initial year of implementing GASB 68 was challenging for all.

The Office of the Auditor General will soon be issuing the various GASB 68 reports for employers participating in the State administered retirement plans (ERS –teachers, MERS and TSB). The OAG will also be providing updated journal entries, note disclosures and required supplementary information schedules.

Certain information will be available on the OAG's website – [oag.ri.gov](http://oag.ri.gov); however, all the various audit reports, actuarial information, and GASB 68 specific information to assist municipalities will be available on the [ersri.org](http://ersri.org) website. A communication with links to the data will be sent to all by not later than the beginning of November.

The OAG has scheduled a training session on Monday November 21 from 2:30 to 4:00 p.m. at the Department of Labor and Training Conference Center in Cranston for those who would like a refresher on using the GASB 68 information for state administered pension plans and for anyone new to the process. Information about the training session will be sent to municipal CFO's and their auditors. You may also call the Office of the Auditor General at 401.222.2435 for more information.

**GASB 73 and 78** - additional pension guidance is contained in GASB Statements No. 73 and 78 which may have applicability for some municipalities. GASB 73 relates to recording pension expense and pension liabilities for plans not administered through a qualifying trust (e.g., pay-as-you-go plans). GASB 78 relates to defined benefit plans administered by non-governmental entities (e.g., union sponsored plans).

## School UCOA – Revised Agreed-Upon Procedures for Fiscal 2016

The OAG and RIDE have revised the Uniform Chart of Accounts (UCOA) Annual Compliance Testing Requirements (Agreed-Upon Procedures) applicable for 2016 engagements.

The revisions have a minimal impact on the scope of work to be performed. All of the previous procedures are still applicable for fiscal 2016 – the changes for fiscal 2016 consist of:

- A new template for the reconciliation between the UCOA file and the audited financial statements when reporting the results for procedure #2. The new reconciliation template is consistent with the annual municipal data report reconciliation to be included in the annual audit report as Supplementary Information (see article about the municipal transparency portal on pg 1).
- Clarifications have been made to some of the UCOA rules.
- A new agreed-upon procedure that will require tracing a sample of coding errors, identified during the UCOA file uploading process with RIDE, to the corrections posted to the accounting system. The sample of errors would be selected from the last error report before the upload file was accepted with zero errors. The sample size would be limited to no more than five errors.

The agreed-upon procedures report is required to be submitted at the same time as the audited financial statements. For all school districts, the due date is December 31, unless an extension has been approved by the OAG or RIDE.

Quick reminder – include the newly revised Agreed-Upon Procedures document with your RFP's when procuring audit services.

## The Office of the Auditor General has moved

The OAG has relocated to 33 Broad Street - Suite 201 in Providence (on the corner of Empire and Broad/Weybosset). The new location has a larger training/meeting room that will facilitate training events and meetings with municipalities.



The OAG's phone number, 401.222.2435 remains the same. Email addresses for OAG contacts have moved from the oag.ri.gov domain to rioag.gov.

## Tips to Ensure Timely Financial Reporting



Timely financial reporting is important not only because it is required by state law but also as a strong indicator of financial health for a municipality. Most importantly it ensures those charged with governance have timely access to audited financial results.

The OAG monitors the timely receipt of audited financial statements, approving extensions when necessary, and working with municipalities to get back on schedule when reports have been delayed.

The following are recommended best practices to help ensure audited financial statements are submitted on time:

- Develop a comprehensive plan with your auditors which details a timeline for all the required deliverables for both the municipality and the auditor.
- Ensure the schedule to complete the audit allows for sufficient internal review time and then time for presentation and acceptance by your governing body.
- Adopt a plan with your auditors before the fiscal year ends for the implementation of new accounting standards – assess if new information is required and where it can be obtained, and what impact it may have on the financial statements, notes, and required supplementary information.
- Anticipate the need and required timeline for information required from external parties, specifically actuaries. This is often a cause for delay but can be anticipated and addressed well in advance of the audit completion deadline.
- Assess your prior year experience, making note of pitfalls that could have been avoided and where certain tasks could be performed earlier.
- Assess your staffing situation – determine if external resources are needed, e.g., engage an accounting firm to assist in preparing for the audit or hire temporary accounting personnel. If staff resources are inadequate, engage external help early in the process to ensure those resources are used optimally.



- Coordinate and communicate effectively with your auditors – timely financial reporting is the product of a well-orchestrated team effort.

### Audit Report Submissions

Reminder - audit reports are due 6 months after fiscal year end (December 31, for most municipalities). If you anticipate being unable to meet that schedule, contact Lori Gelfuso ([lori.gelfuso@rioag.gov](mailto:lori.gelfuso@rioag.gov)) at the Office of the Auditor General immediately.

Please be sure when submitting an audit report to the Office of the Auditor General (OAG), by the legal deadline or approved extension date, that it has been accepted and/or approved by local officials, as may be required by local charter. Once received by the OAG, the report is a public record and can be distributed upon request.

### Quick notes:

The newly created **Advisory Council to Locally Administered Pension Plans** met for the first time on October 20<sup>th</sup>. The five-member advisory council was created by amendment of Chapter 45-65 of the General Laws. The General Treasurer chairs the Council and other members include the Director of Revenue, Auditor General, and representatives of organized labor and the League of Cities and Towns. The Council is charged with providing a report by April 30 of each year to include a performance dashboard detailing various performance and funding metrics for the locally-administered pension plans.

GASB has issued statements No. 74 and 75 detailing new guidance on financial reporting for **OPEB plans and employer recognition of OPEB costs**. OPEB plans will first implement the new standards for fiscal 2017 whereas employers will implement the new requirements in fiscal 2018. These new OPEB standards are conceptually similar to the recent standards for pension plans and employer reporting of pension costs (GASB Statements No. 67 and 68). GASB recently issued a proposed implementation guide for GASB 74 – Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Because these standards are challenging to implement, it is always recommended that you begin discussing implementation with your auditors during the current audit cycle.

**GASB Statement No. 77 – Tax Abatement Disclosures** is generally effective for fiscal 2017 financial reporting. Implementation of this new standard requires a significant amount of new disclosures to be included in the notes to the financial statements. Municipalities should assess whether the new disclosure information is readily available or

whether additional research and effort is required to assemble the required information.

GASB offers a good, free (for the basic view) resource tool on their website - **GARS online**: <https://gars.gasb.org/> One can find all the original statements plus the new implementation guides. More importantly, the codification section brings all the applicable standards together.

### The value of collaboration

Email your ideas for future articles or share a success story to Elaine Colarusso at [elaine.colarusso@dor.ri.gov](mailto:elaine.colarusso@dor.ri.gov) or Brenda Forsyth at [brenda.forsyth@rioag.gov](mailto:brenda.forsyth@rioag.gov).

### Newsletter policy

*Muni-news is a joint effort between the Department of Revenue and the Office of the Auditor General to communicate matters of interest to municipalities on a periodic basis.*

*This newsletter is intended to provide municipal officials and other interested parties with general information on matters of interest to municipalities. It is neither designed nor intended to address complex issues in detail. Accordingly, guidance provided in this newsletter cannot replace specific guidance provided to a municipality.*

*Inquiries about matters included in the newsletter can be directed to:*

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