

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

**INDEPENDENT AUDITORS' REPORTS REQUIRED BY TITLE 2 U.S. CODE OF
FEDERAL REGULATIONS PART 200, *UNIFORM ADMINISTRATIVE
REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL
AWARDS* ("UNIFORM GUIDANCE") AND *GOVERNMENT AUDITING STANDARDS***

FOR THE YEAR ENDED JUNE 30, 2021

RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)

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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 Board of Directors
Rhode Island Commerce Corporation

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Rhode Island Commerce Corporation, a component unit of the State of Rhode Island, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Rhode Island Commerce Corporation's basic financial statements and have issued our report thereon dated November 8, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Rhode Island Commerce Corporation's internal control over financial reporting (internal control) as a basis for designing 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 Rhode Island Commerce Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Rhode Island Commerce Corporation'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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as items 2021-001 to be a material weakness.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rhode Island Commerce Corporation'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 financial statements. 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*.

Rhode Island Commerce Corporation's Response to the Finding

The Rhode Island Commerce Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Rhode Island Commerce Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Marcum LLP

Providence, RI
November 8, 2021

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

To the Board of Directors
Rhode Island Commerce Corporation

Report on Compliance for Each Major Federal Program

We have audited the Rhode Island Commerce Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Rhode Island Commerce Corporation's major federal program for the year ended June 30, 2021. The Rhode Island Commerce Corporation's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the Rhode Island Commerce Corporation's major federal program 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* (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 Rhode Island Commerce Corporation'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 the Rhode Island Commerce Corporation's major federal program. However, our audit does not provide a legal determination of the Rhode Island Commerce Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, the Rhode Island Commerce Corporation, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Rhode Island Commerce Corporation 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 Rhode Island Commerce Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each of its major federal programs to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its 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 Rhode Island Commerce Corporation'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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.

Rhode Island Commerce Corporation's Response to Finding

The Rhode Island Commerce Corporation's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Rhode Island Commerce Corporation's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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 Rhode Island Commerce Corporation, a discretely presented component unit of the State of Rhode Island, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Rhode Island Commerce Corporation's basic financial statements. We issued our report thereon dated November 8, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Marcum LLP

Providence, RI

June 28, 2022

(Except for our audit opinion on the schedule of expenditures of federal awards which is dated November 8, 2021)

**RHODE ISLAND COMMERCE CORPORATION
(A COMPONENT UNIT OF THE STATE OF RHODE ISLAND)**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Provided to Subrecipients	Total Federal Expenditures
U.S. Department of Defense			
Direct Programs:			
Procurement Technical Assistance for Business Firms	12.002	\$ --	\$ 313,474
Total U.S. Department of Defense		--	313,474
U.S. Department of Commerce			
Section 8 Project-Based Cluster			
Economic Adjustment Assistance	11.307	--	9,050,448
Coronavirus Relief Fund			
U.S. Department of Commerce	21.019	--	3,745,860
U.S. Department of Treasury, pass-through program from the State of Rhode Island	21.019	4,280,746	87,271,251
Total Coronavirus Relief Fund	21.019	4,280,746	91,017,111
U.S. Department of Energy			
Pass-through Program from the State of Rhode Island			
State Energy Program	81.041	--	7,993
Total U.S. Department of Energy		--	7,993
Total Schedule of Expenditures of Federal Awards		\$ 4,280,746	\$ 100,389,026

See Notes to the Schedule of Expenditures of Federal Awards.

RHODE ISLAND COMMERCE CORPORATION
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NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

NOTE 1 - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of Rhode Island Commerce Corporation under programs of the federal government for the year ended June 30, 2021. 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 Rhode Island Commerce Corporation, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Rhode Island Commerce Corporation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - DETERMINATION OF MAJOR PROGRAMS

The Schedule is presented as supplementary information required by the State of Rhode Island. The federal programs of Rhode Island Commerce Corporation are included in the State of Rhode Island’s schedule of expenditures of federal awards, which is audited under the Uniform Guidance by the State of Rhode Island’s Office of the Auditor General. The determination of major programs is made at the State level based on the State of Rhode Island’s schedule of expenditures of federal awards. Since the determination of major programs is made at the State level, the State of Rhode Island’s Office of the Auditor General determined that the Coronavirus Relief Fund (CFDA #21.019) was a major program for the year ended June 30, 2021. As a result, the Rhode Island Commerce Corporation is not required to file a Data Collection Form to report its expenditures of federal awards.

NOTE 4 - CARES ACT REVOLVING LOAN FUND

The Rhode Island Commerce Corporation administers the CARES Act Revolving Loan Fund, and balances and transactions relating to these programs are included in the Rhode Island Commerce Corporation’s basic financial statements. Loans outstanding consist of \$3,565,000 as of June 30, 2021.

NOTE 5 - INDIRECT COST RATE

Rhode Island Commerce Corporation has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**RHODE ISLAND COMMERCE CORPORATION
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP ***Unmodified Opinion***

Internal control over financial reporting:

Material weakness(es) identified?

 X Yes No

Significant deficiency(ies) identified?

 Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major federal awards programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None reported

Type of auditors' report issued on compliance for major federal awards programs:

Unmodified Opinion

Any findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes X No

Major Programs:

Name of Federal Program or Cluster

CFDA Number

Coronavirus Relief Fund

21.019

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

\$25,224,993

Auditee qualified as low-risk auditee?

 Yes X No

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2021-001 REVENUE RECOGNITION

Criteria

The Rhode Island Commerce Corporation should recognize revenue in the period in which it is earned.

Condition

In regards to the Small Business Loan Fund, there was \$1,000,000 of CARES Act Revolving Loan Fund revenue recognized on June 29, 2021, during the year ended June 30, 2021, when the funds were received. The Rhode Island Commerce Corporation should have deferred revenue recognition until expenses were appropriately recognized for the year ending June 30, 2022. This appears to be an isolated incidence and is not systemic.

Cause

There are multiple causes, including (1) the Rhode Island Commerce Corporation experienced significant turnover in accounting staff, including the loss of two chief financial officers during the year, and hiring two new personnel, (2) a significant increase in the volume of transactions, and (3) the impact of the ongoing COVID-19 pandemic.

Effect

The Rhode Island Commerce Corporation's internal controls were unable, on a timely basis, to prevent, or detect and correct, a material error resulting in revenue being overstated by \$1,000,000.

Prior Year Finding

No

Recommendation

We recommend that the Rhode Island Commerce Corporation review its revenue recognition policy to ensure proper recognition or deferral of amounts.

View of Responsible Officials and Planned Corrective Actions

See attached response for view of responsible officials and planned corrective actions.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Current Year Findings

None reported.

**RHODE ISLAND COMMERCE CORPORATION
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2021

SECTION IV – FINANCIAL STATEMENT FINDINGS

Prior Year Findings

None reported.

SECTION V – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Prior Year Findings

None reported.



September 24, 2021
Jesse Saglio, President
Jesse.Saglio@CommerceRI.com

Due to significant turnover at the CFO position, the relative inexperience of staff accountants, the considerable increase in transactions for federal grant programs, and new programs related to the ongoing pandemic, a cutoff transaction was not accounted for properly at year-end by the accounting staff. Rhode Island Commerce Corporation has since hired a full-time CFO starting in early October 2021. Having a full-time CFO will provide consistent management oversight, and experience to ensure the accounting staff manages revenue recognition appropriately at critical cut off points for reporting purposes.