

**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, 2022**

**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 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 Rhode Island Commerce Corporation, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Rhode Island Commerce Corporation's basic financial statements, and have issued our report thereon dated October 20, 2022.

**Report on 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. 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 or significant deficiencies may exist that were not identified.

## **Report on 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*.

### **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  
October 20, 2022

**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**

*Opinion on Each Major Federal Program*

We have audited the Rhode Island Commerce Corporation's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Rhode Island Commerce Corporation's major federal programs for the year ended June 30, 2022. The Rhode Island Commerce Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Rhode Island Commerce Corporation complied, in all material respects, with the 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, 2022.

*Basis for Opinion on Each Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Rhode Island Commerce Corporation and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Rhode Island Commerce Corporation's compliance with the compliance requirements referred to above.

## ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Rhode Island Commerce Corporation's federal programs.

## ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Rhode Island Commerce Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about The Rhode Island Commerce Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Rhode Island Commerce Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Rhode Island Commerce Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Rhode Island Commerce Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 as of and for the year ended June 30, 2022, and have issued our report thereon dated October 20, 2022, which contained an unmodified opinion on those financial statements. Our audit was performed 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 expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Marcum LLP*

Providence, RI

May 11, 2023

(Except for our audit opinion on the schedule of expenditures of federal awards which is dated October 20, 2022)



**RHODE ISLAND COMMERCE CORPORATION**  
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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Provided to Subrecipients	Total Federal Expenditures
<b>U.S. Department of Defense</b>			
Direct Programs:			
Procurement Technical Assistance for Business Firms	12.002	\$ --	\$ 329,000
<b>Total U.S. Department of Defense</b>		<u>    --</u>	<u>329,000</u>
<b>U.S. Department of Commerce</b>			
Economic Development Cluster			
Economic Adjustment Assistance	11.307	<u>    --</u>	<u>9,909,040</u>
<b>Coronavirus Relief Fund</b>			
U.S. Department of Commerce	21.019	--	5,572,910
U.S. Department of Treasury, pass-through program from the State of Rhode Island	21.019	<u>    --</u>	<u>84,715</u>
<b>Total Coronavirus Relief Fund</b>	21.019	<u>    --</u>	<u>5,657,625</u>
<b>Coronavirus State and Local Fiscal Recovery Funds</b>			
U.S. Department of Commerce	21.027	--	142,282
Pass-through program from the State of Rhode Island - American Rescue Plan Act - RI Rebounds	21.027	<u>312,036</u>	<u>14,914,476</u>
<b>Total Coronavirus State and Local Fiscal Recovery Funds</b>	21.027	<u>312,036</u>	<u>15,056,758</u>
<b>U.S. Department of Energy</b>			
Pass-through Program from the State of Rhode Island State Energy Program	81.041	<u>    --</u>	<u>1,002</u>
<b>Total U.S. Department of Energy</b>		<u>    --</u>	<u>1,002</u>
<b>Total Schedule of Expenditures of Federal Awards</b>		<u>\$ 312,036</u>	<u>\$ 30,953,425</u>

*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, 2022**

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**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, 2022. 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 (Assistance Listing Number #21.019) and the Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing Number #21.027) were major programs for the year ended June 30, 2022. 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**

There are no balances of loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2022. The Small Business Loan Fund Corporation had \$0 in loans outstanding with continuing compliance requirements under federal loan and loan guarantee programs at June 30, 2022.

**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, 2022**

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**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? \_\_\_\_\_ Yes     X  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:**

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
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Coronavirus Relief Fund	21.019
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Coronavirus State and Local Fiscal Recovery Funds	21.027
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Dollar threshold used to distinguish between Type A and Type B programs: \$20,680,389

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, 2022**

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

*Current Year Findings*

None reported.

**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*Current Year Findings*

None reported.

**SECTION IV – FINANCIAL STATEMENT FINDINGS**

*Prior Year 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.

*Status*

No such findings were noted during the audit for the year ended June 30, 2022.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

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**SECTION V – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

*Prior Year Findings*

None reported.