



## Office of the Auditor General

State of Rhode Island and Providence Plantations - General Assembly

Dennis E. Hoyle, CPA - Auditor General

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April 4, 2018

Honorable Leonidas P. Raptakis, State Senator  
Honorable Patricia L. Morgan, State Representative  
Honorable Michael Chippendale, State Representative  
Honorable Robert A. Nardolillo, III, State Representative  
Honorable Jared R. Nunes, State Representative  
Honorable Sherry Roberts, State Representative  
Honorable Patricia Serpa, State Representative  
Honorable Karen Carlson, Coventry Town Council  
Honorable Debra Bacon, Coventry Town Council

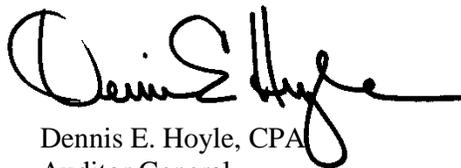
Dear Ladies and Gentlemen:

As a follow-up to my earlier letter dated February 26, 2018, we will be moving forward to address certain issues related to the challenges of the Town of Coventry's sewer fund and related operational issues. I have enclosed a summary of work we have performed to date and work planned over the next few weeks.

As noted in the enclosed summary, we will ascertain the status of work being performed by Citrin Cooperman which has been engaged by the Town of Coventry to perform a review of the Town's sewer program.

I am available to meet and discuss any of these issues further at your convenience.

Sincerely,



Dennis E. Hoyle, CPA  
Auditor General

c: Joint Committee on Legislative Services  
Frank Montanaro, Executive Director, JCLS

**Overview of OAG efforts to date on the Town of Coventry Sewer Program:**

- Meeting with Senator Raptakis and James LeBlanc (Coventry Town resident who has led the taxpayer opposition to the operations of the sewer program.) Discussed his involvement and observations on the program – Mr. LeBlanc shared a significant volume of material that he has accumulated on the matter.
- Meeting with Coventry Town Manager, Town Solicitor, and Finance Director to discuss all aspects of the challenges facing the Coventry Sewer Program. Obtained management and legal counsel's perspective on the history of the program, efforts to address the liquidity issues that potentially impact repayment of amounts borrowed, and some of the significant challenges of the program and potential options to address. Discussed the Town's need to prepare and document a plan to address the various concerns centering on the program.
- Reviewed the engagement letter between Citrin Cooperman and the Town of Coventry for the scope of work planned on the Town's Sewer program as engaged by the Coventry Town Council.
- Meeting with the partner responsible for the Town's annual financial statement audit to discuss the Coventry Sewer program based on his experience as the Town's auditor.
- Meeting with the partner responsible for the Town's annual audit to discuss specific accounting issues related to the sewer fund operations, the intermunicipal agreement with the Town of West Warwick, and how advances from the Town's General Fund to the Sewer Fund should be reflected on the Town's 2017 financial statements (fiscal 2017 audit is pending completion).
- Teleconference with Rhode Island Infrastructure Bank in their role as principal lender to the Town of Coventry to finance the sewer program
- Made a technical inquiry to the Governmental Accounting Standards Board regarding the unique aspects of the Town of Coventry's agreement to participate in the debt service related to certain upgrades to the Town of West Warwick's sewer treatment plant (Coventry has an inter-municipal agreement with West Warwick to utilize capacity within West Warwick's sewer treatment plant). Discussed the accounting issue with technical staff of the Governmental Accounting Standards Board.
- Internal review of Coventry and West Warwick financial reports to assess how the unique aspects of the intermunicipal agreement are handled from an accounting perspective by the two communities.
- Reviewed draft legislation introduced in the General Assembly regarding the operation of the Town's sewer program.
- Reviewed material provided by James LeBlanc and selected Town Council and Sewer subcommittee minutes.
- Requested and reviewed data from the Town of Coventry on how it is billed for its proportionate share of the operations of the Town of West Warwick's sewer treatment plant and their proportionate share of debt service on plan upgrades.

**OAG Planned Efforts – April 2, 2018 to May 10, 2018**

- Set-up additional meetings with Coventry Town management – specifically Town Solicitor and Finance Director (Town Manager has announced resignation leaving in early April)
- Meet with Citrin Cooperman to discuss and gain deeper understanding of their efforts and status relative to their work.

- Request and review a cash flow budget for the Town of Coventry's sewer fund to assess ability to repay debt in the near term.
- Request documentation demonstrating how the connection costs are calculated for a specific neighborhood/street to understand the methodology employed by the Town in making such assessments.
- Review a sample of actions proposed by the sewer subcommittee and referred to the Town Council for full action to gain an understanding of the governance structure in place for oversight of the sewer program.
- Explore liquidity enhancement options with the near-term intent of providing time for the Town to develop more comprehensive restructuring of the Town's sewer program.
- Enhance understanding of the financial transactions between Coventry and West Warwick for usage billing and debt service reimbursement for sewer plant upgrades.
- Assess the sufficiency of the resources now available to the Town in the legal, engineering, and finance areas to assist in the development of near and longer-term goals and objectives for the sustainability of the Town's sewer program. Make recommendations regarding additional technical resources to assist the Town to develop a sustainability plan for the sewer program.
- Assess the reasonableness of the Town's strategy which guides where sewer connections will be expanded.
- Assess possible strategies to reduce the costs to each homeowner to make the sewer connection costs more affordable.
- Review the issue related to the interest rate charged to homeowners who pay the connection costs over a period of years.
- Assemble summary observations reflecting our preliminary assessment and formulate recommendations to move forward.