

Quality Control Review of Bacon & Company's Fiscal Year 2022 Single Audit of the Narragansett Bay Commission

April 23, 2025 | Report No. 25-N-0025



Report Contributors

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Abbreviations

EPA	U.S. Environmental Protection Agency
FY	Fiscal Year
OIG	Office of Inspector General

Cover Image

View of the Sakonnet River, the eastern arm of the Narragansett Bay, in Rhode Island. (U.S. Geological Survey photo)

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OFFICE OF INSPECTOR GENERAL
U.S. ENVIRONMENTAL PROTECTION AGENCY

April 23, 2025

Ms. Patricia Boucher
Audit Partner
Bacon & Company, CPAs, LLC
875 Centerville Road, Building 3, Unit 10
Warwick, Rhode Island 02886

Dear Ms. Boucher:

This is our final report on the quality control review conducted by the U.S. Environmental Protection Agency Office of Inspector General. The project number for this audit was OA-FY24-0066. The OIG initiated this project to determine whether Bacon & Company, CPAs, LLC performed the fiscal year 2022 single audit of the Narragansett Bay Commission in Rhode Island in accordance with applicable auditing standards and federal requirements for single audits.

We determined that Bacon & Company complied with the applicable auditing standards and federal requirements when it performed the FY 2022 single audit of the Narragansett Bay Commission. As a result, we assign Bacon & Company a pass rating. The report contains one item we noted during our review and Bacon & Company's agreement with the issue. We have included Bacon & Company's response to the draft report as an appendix.

We are sending a copy of this report to the Narragansett Bay Commission to inform the commission of the results of our review and will post this report to our website at www.epaoig.gov. We appreciate the assistance that Bacon & Company staff provided during our review.

Sincerely,

Nicole N. Murley
Acting Inspector General

cc: Laurie Horridge, Executive Director, The Narragansett Bay Commission
Leah F. Foster, CPA, Controller, The Narragansett Bay Commission
Melissa Wise, Director, EPA Office of Grants and Debarment

Background

Pursuant to the Single Audit Act, as amended, effective during the relevant time period, and 2 C.F.R. Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, commonly referred to as the *Uniform Guidance*, any nonfederal entity that expended \$750,000 or more in federal funds in a fiscal year is required to have a single or program-specific audit.¹ The audit must be performed in accordance with generally accepted government auditing standards and the entity must submit the audit reporting package to the Federal Audit Clearinghouse—an online submission tool managed by the U.S. General Services Administration.

The Single Audit Act was enacted for multiple purposes, including to promote sound financial management of federal awards administered by nonfederal entities and to establish uniform requirements for audits of federal awards. The *Uniform Guidance* establishes uniform administrative requirements, cost principles, and audit requirements for federal awards to nonfederal entities.

During a single audit, an auditor reviews the nonfederal entity's financial statements and federal awards. This step determines whether the financial statements are fairly presented in all material respects in accordance with generally accepted accounting principles. An auditor also evaluates the entity's internal controls over its federal programs. Lastly, an auditor determines whether the entity complied with federal laws, regulations, and the terms and conditions of the federal awards that may have a direct and material effect on each of the entity's major programs.

The Single Audit Act and the *Uniform Guidance* both require federal agencies to assess the quality of single audits. Federal agencies can obtain or conduct a quality control review on selected audits performed by a nonfederal auditor. For a quality control review, a nonfederal auditor's work can receive a rating of pass, pass with deficiencies, or fail. We performed this quality control review to assist in meeting this requirement.

Narragansett Bay Commission

According to the Narragansett Bay Commission's *Annual Comprehensive Financial Report* for the fiscal year that ended on June 30, 2022, the Narragansett Bay Commission is a public corporation that provides wastewater treatment and collection service to the greater Providence, Rhode Island, metropolitan area. The Narragansett Bay Commission, which is funded by user fees, serves about 390,000 residents and 7,700 businesses. Its mission is to "maintain a leadership role in the protection and enhancement of water quality in Narragansett Bay and its tributaries by providing safe and reliable wastewater collection and treatment services to its customers at a reasonable cost."

¹ Effective October 1, 2024, the threshold amount for the required audit increased from \$750,000 to \$1,000,000.

For the fiscal year that ended on June 30, 2022, the Narragansett Bay Commission reported federal expenditures of \$164,766,660, all from the EPA, as detailed in Table 1.

Table 1: Schedule of expenditures of federal awards

Program title	Federal assistance listing number	Federal expenditures (\$)
Water Infrastructure Finance and Innovation Act	66.958	137,448,080
Clean Water State Revolving Fund	66.458	27,318,580
Total expenditures of EPA awards	—	164,766,660
Total expenditures of federal awards	—	164,766,660

Source: Fiscal year 2022 single audit of the Narragansett Bay Commission. (EPA OIG table)

Bacon & Company

Bacon & Company, CPAs, LLC is an accounting firm located in Warwick, Rhode Island. As required by generally accepted government auditing standards, nonfederal auditors that conduct single audits, such as Bacon & Company, are responsible for establishing and maintaining a system of quality control to provide assurance that they comply with professional standards and applicable legal and regulatory requirements. In addition, generally accepted government auditing standards require that independent reviewers conduct an external peer review to assess the system of quality control. The most recent external peer review report, dated August 31, 2023, concluded that Bacon & Company quality controls were suitably designed and complied with applicable professional standards.

Scope and Methodology

We conducted this quality control review from March 2024 to March 2025 in accordance with the 2021 *Guide for Quality Control Reviews of Single Audit Reports* issued by the Council of the Inspectors General on Integrity and Efficiency. The council’s *Quality Standards for Federal Offices of Inspector General* requires that our work adhere to the highest ethical principles of integrity, objectivity, confidentiality, independence, and professional judgment. We adhered to these principles in performing our work. Additionally, we followed the OIG’s quality-control procedures for ensuring that the information in this report is accurate and supported.

We performed a risk assessment of the 20 nonfederal entities for which the Office of Management and Budget designated the EPA as responsible for carrying out the requirements in 2 C.F.R. § 200.513(a). Based on its financial statement risk, compliance risk, and audit firm risk, we selected Bacon & Company and its Narragansett Bay Commission single audit report for the fiscal year that ended on June 30, 2022, to perform our quality control review.

To answer the review objective, we performed a desk review of the Narragansett Bay Commission single audit report using the Council of the Inspectors General on Integrity and Efficiency’s *Guide for*

Desk Reviews of Single Audit Reports, 2021 edition.² We also visited Bacon & Company's office to review its workpaper software. We reviewed Bacon & Company workpapers that supported the single audit using the Council of the Inspectors General on Integrity and Efficiency's *Guide for Quality Control Reviews of Single Audit Reports*, 2021 edition. We interviewed a partner, an audit manager, and a senior accountant for Bacon & Company. In addition, we interviewed two EPA Office of Water personnel to better understand the Clean Water and Drinking Water State Revolving Fund program. We also reviewed federal guidance including the April 2021 technical update to the 2018 revision of the *Government Auditing Standards*, commonly referred to as the generally accepted government auditing standards, as well the American Institute of Certified Public Accountants' *2022 Professional Standards*, and the *Audit Guide-Government Auditing Standards and Single Audits*, April 1, 2022, edition.

Results

We determined that Bacon & Company complied with applicable auditing standards and federal requirements when it performed the FY 2022 single audit of the Narragansett Bay Commission. As a result, we assign Bacon & Company a pass rating.

During our review, we also identified an error in Bacon & Company's major program determination for compliance testing. However, this error did not impact the overall quality or our assigned rating. See the "Other Matter" section for details.

Other Matter

During our review, we identified an error in Bacon & Company's calculation of the Type A and Type B program dollar threshold. Auditors calculate these thresholds to distinguish between federal programs that require an audit and those that do not. For its single audit of the Narragansett Bay Commission, Bacon & Company calculated a threshold of \$3 million. We calculated a threshold of \$819,557. The threshold difference is a result of Bacon & Company's misinterpretation of the Clean Water State Revolving Fund program type. This misinterpretation led Bacon & Company to miscalculate the related federal expenditures used to determine the threshold as part of the risk assessment for selecting federal programs for compliance testing. We discussed the error in consultation with a partner at Bacon & Company, who agreed that the Type A and Type B threshold was calculated incorrectly. See Appendix A for the Bacon & Company response. Although the error impacted the threshold amount, it did not impact the federal programs that Bacon & Company selected for federal compliance testing. For future Type A and Type B dollar threshold calculations, we suggest that Bacon & Company follow the *Uniform Guidance's* major program determination process outlined in 2 C.F.R. § 200.518.

² As provided in the *Guide for Desk Reviews of Single Audit Reports*, "A desk review should be performed whenever a [quality control review] is performed." The objectives are to "determine whether audit reports ... are acceptable under the reporting requirements of the Uniform Guidance" and "identify any quality issues that may warrant follow-up audit work and/or revisions to the reporting package."



February 18, 2025
Office of Inspector General
U.S. Environmental Protection Agency

Below is Bacon & Company CPAs, LLC's response to the other matter identified in the report on the quality control review conducted by the U.S. Environmental Protection Agency Office of Inspector General of Narragansett Bay Commission's Single Audit report the fiscal year ended June 30, 2022.

Bacon & Company CPAs, LLC concurs with the error noted in the report related to the calculation of the threshold to distinguish between Type A and Type B programs. The error was the result of the misinterpretation of the Clean Water State Revolving program type.

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U.S. Environmental Protection Agency

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