



Audit Summary

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State of Rhode Island Single Audit Report

Fiscal Year Ended June 30, 2020

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2020. The Single Audit is required by federal law and regulation as a condition of continued federal assistance.

The *Single Audit Report* includes findings and recommendations related to the State's key operations and the administration of federal programs. The report also includes a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating to financial reporting and the administration of federal programs. The Single Audit Report includes the State's financial statements (and our Independent Auditor's Report thereon) which were previously communicated in the State's Fiscal 2020 Annual Financial Report.

Federal funding represents approximately 40% of the State's General Fund expenditures and is the State's second largest revenue source. Expenditures funded from federal sources increased dramatically in Fiscal 2020 due to assistance made available in response to the global COVID-19 pandemic. The major sources of COVID-19 funding available during fiscal 2020 and expenditures through June 30, 2020, are detailed below:

COVID-19 Federal Assistance:	Expenditures through June 30, 2020
Coronavirus Relief Fund (CRF) – (total award \$1.25 billion)	\$ 255,053,124
Unemployment Insurance (UI)	1,015,601,829
Education Stabilization Fund	57,460,719
Enhanced Federal Medicaid Assistance	70,671,156
Percentage (FMAP) for Medicaid	
Other COVID-19 related assistance	10,146,306
Total	\$ 1,408,933,134

Federal assistance consists of both direct cash and noncash awards (e.g., loan and loan guarantee programs and donated food commodities). Federal assistance is received under a wide variety of more than 450 individual programs. Many programs are jointly financed with federal and state funding. Medicaid is the single largest program with fiscal 2020 expenditures totaling approximately \$2.9 billion - the federal government shared \$1.7 billion of that cost.

Financial Statement Findings

Weaknesses identified in the State's internal control over financial reporting, result from our annual audit of the State's financial statements for the year ended June 30, 2020. The State's management has responsibility for, and maintains internal control over, financial reporting. *Government Auditing Standards* require that we communicate deficiencies in internal control over financial reporting based on our audit.

We previously communicated (in a separate report released in April 2021) 25 findings related to the State's controls over financial reporting. Those financial statement related findings are also included in the Single Audit Report as required by federal regulation. A link to that separate report, which also includes 19 management comments, (not included in the single audit report) is shown below:

http://www.oag.ri.gov/reports/2020_FinStmt_FindingsMC.pdf

Federal Program Findings

Consistent with federal guidelines, we tested 76% of the total expenditures of federal awards as major programs following risk-based criteria established in the federal Uniform Guidance. Major program expenditures are summarized in the chart below.

2020 Major Programs
Supplemental Nutrition Assistance Program (SNAP) Cluster
WIC Special Supplemental Nutrition Program for Women, Infants, and Children
Qualified Participating Entities (QPE) Risk Sharing
Unemployment Insurance
Federal Transit Cluster
Coronavirus Relief Fund
Student Financial Assistance Cluster
Education Stabilization Fund
Temporary Assistance for Needy Families (TANF)
Low-Income Home Energy Assistance Program (LIHEAP)
Child Care and Development Fund (CCDF) Cluster
Foster Care Title IV-E
Adoption Assistance
Children's Health Insurance Program (CHIP)
Medicaid Cluster
Opioid STR
HIV Care Formula Grants

See Chart – A for the categories of expenditures tested as major programs in fiscal 2020.

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Summary of findings included in the 2020 <i>Single Audit Report</i>			
	Primary government	Component units	Total
Findings related to the financial statements			
Material weaknesses in internal control	7	1	8
Significant deficiencies in internal control	14	2	16
Material noncompliance		1	1
Findings related to the administration of federal programs			
Material noncompliance / material weakness in internal control	6		6
Material weaknesses in internal control	11		11
Significant deficiencies in internal control	21	2	23
Noncompliance / significant deficiency in internal control	3	4	7
Total	62	10	72

Coronavirus Relief Fund (CRF) – Controls over final centralized approval of expenditures funded by the Coronavirus Relief Fund (CRF) should be improved. Questioned costs were identified by an internal monitoring audit for Workforce Stabilization Loans made to congregate care providers who could not demonstrate the funds were used in accordance with loan agreements. These amounts are in the process of being recouped from providers.

See Chart – B for detail on the categories of expenditures made from the CRF.

Unemployment Insurance – Controls over the processing of unemployment insurance claims are ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. The Department of Labor and Training's (DLT) current estimate of known or suspected fraudulent benefits paid during fiscal 2020 is \$171 million.

DLT did not make the necessary changes to its system to allow for the imposition of penalties on overpayments due to fraud, and to prohibit relief from charges to an employer's UC account when the overpayment was the result of the employer's failure to respond timely or adequately to a request for information. The Employment and Training Administration 227 report filed by DLT for the quarter ended June 30, 2020, significantly under-reported fraudulent claim activity.

Federal benefit programs for healthcare, cash assistance and childcare – Controls within RIBridges (the integrated eligibility system used to administer multiple federal benefit programs) are inadequate to ensure that user access is limited to only authorized individuals and such access is consistent with each user's specific scope of duties. Additionally, automated password change controls were not operational, and therefore, users were not required to change passwords at required intervals.

EOHHS, DHS and the Division of Information Technology must enhance systems security oversight over systems used to administer multiple federally funded programs to fully comply with federal regulations relating to ADP risk and system security review. The plan must be sufficiently comprehensive and include timely reaction to and consideration of identified security issues and risk factors.

Medicaid and Children's Health Insurance Programs – The State did not materially comply with CHIP eligibility requirements during fiscal 2020. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

The State did not materially comply with Medicaid eligibility requirements due to control deficiencies relating to the processing and documentation of recipient eligibility.

The State's current practices for inpatient hospital and long-term care facility rate setting do not fully comply with its State plan provisions requiring an annual review of inpatient hospital rate components and nursing facility audit requirements.

The State should improve controls to ensure that its managed care organizations (MCOs) are maximizing third party liability insurance (TPL) recoveries for Medicaid recipients.

BHDDH did not comply with Medicaid State Plan requirements for retainer payments made to certain providers. Questioned costs totaling \$5.5 million were identified.

Data discrepancies exist between the systems used to determine Medicaid and CHIP eligibility (RIBridges) and the claims/capitation payment system (MMIS). This impacts controls to ensure payments are only made on behalf of eligible individuals and has resulted in duplicate capitation payments to managed care organizations.

EOHHS should adopt stricter settlement requirements when performing contract settlement for its managed care organizations (MCOs). Capitation payments to MCOs represent approximately 55% of Medicaid benefit expenditures. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. The State is also not currently in compliance with federal regulations for the screening, enrollment, and revalidation of providers used in MCO networks.

TANF – The State can improve compliance with TANF eligibility requirements specifically by ensuring consistent documentation of eligibility components within RIBridges. The State began to meet the required Income Eligibility and Verification System requirements in fiscal 2020.

The Department of Human Services (DHS) can improve the timely update and/or development of new employment plans for clients upon the expiration of an existing plan.

SNAP – DHS can improve its review and consideration of service organization control reports for vendors performing elements of the EBT process.

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WIC – The Department of Health needs to review all Service Organization Control (SOC) reports for the WIC program to assess the sufficiency of controls in place at the service organizations relevant to program compliance requirements.

CCDF – RIBridges controls over eligibility determinations, income validation and calculation of required parent cost-sharing amounts require strengthening for the CCDF Cluster programs.

LIHEAP – DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with LIHEAP laws and regulations. Timely management decisions must be made on subrecipient audit findings.

DHS must enhance controls regarding the allocation of expenditures to multiple available grant awards/periods to ensure compliance with earmarking, period of performance and reporting compliance requirements for LIHEAP.

Available documentation was insufficient to adequately support the data cited within Annual Report on Households and the LIHEAP Performance Data Form.

DHS should ensure controls are adequately designed and operational within the computer application utilized by the State to administer LIHEAP at local community action agencies.

Foster Care and Adoption Assistance - Department of Children, Youth and Families (DCYF) can enhance controls over the Foster Care eligibility determination process by requiring the vendor to complete their eligibility quality control reviews on a timely basis.

DCYF can improve controls over the monitoring of its cost allocation plan to ensure that costs distributed to various programs are appropriate and consistent with the federally approved plan.

DCYF can enhance its processes for retention of critical documentation that supports Adoption Assistance eligibility to ensure federal reimbursement of adoption subsidy payments in accordance with applicable laws and regulations.

HIV Care Formula Grants – Claims for HIV drugs were paid through the AIDS Drug Assistance Program (ADAP) rather than Medicaid when the program participant had established Medicaid eligibility. Approximately \$500,000 in pharmacy claims should have been paid through Medicaid. Pharmacy rebates and related expenditures should be accounted for as federal funds consistent with program guidelines and requirements.

EOHHS lacks a comprehensive database of program participant information to effectively manage specific compliance activities for the HIV Care Formula Grant. EOHHS can improve its monitoring of subrecipient agencies which provide direct services to program participants.

Opioid STR – BHDDH can enhance its monitoring of subrecipients as required by federal program requirements. Additionally, BHDDH did not have a procedure in place to ensure compliance with the five percent limit on administrative and infrastructure development expenditures.

Federal Transit Cluster – The Rhode Island Public Transit Authority should adhere to its established procurement, suspension and debarment policies and procedures and ensure that non-competitive procurements and covered transactions are properly documented. Additionally, subrecipient monitoring activities can be enhanced.

Student Financial Assistance Cluster – these programs, which provide direct financial assistance and guaranteed loans to students, were audited at URI, RIC and CCRI. Recommendations were made to enhance compliance with federal program requirements applicable to these programs.

Corrective Action Plans prepared by the State's management are included in *Section E* of the report.

A *Summary Schedule of Prior Audit Findings* reports the status of findings from prior audits and is included in *Section F* of the report.

The report is available on the Office of the Auditor General's website www.oag.ri.gov or by calling the office at 401.222.2435.

Chart A – Fiscal 2020 Major Program Expenditures by Category

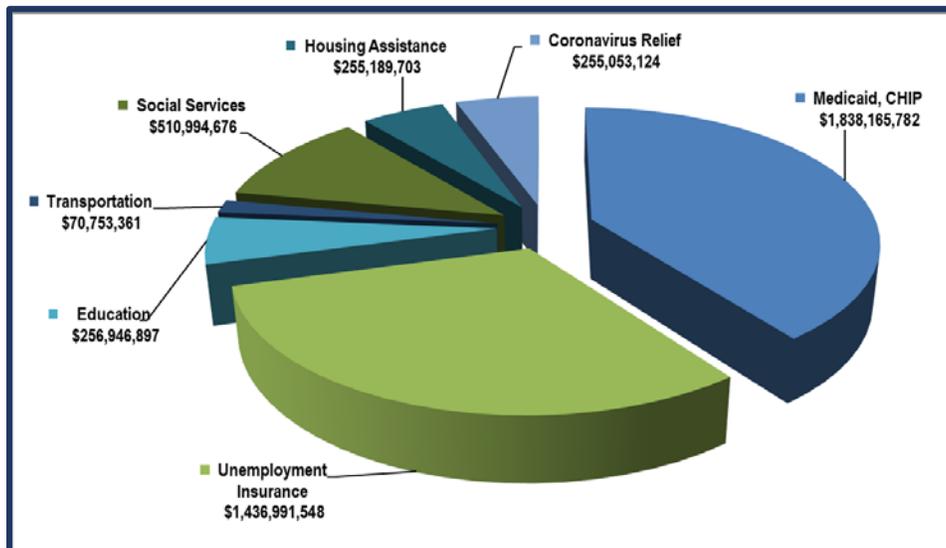


Chart B – CRF Expenditures by Category

