



Audit Summary

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State of Rhode Island

Single Audit Report

Fiscal Year Ended June 30, 2021

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2021. 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 report includes the State's financial statements (and our Independent Auditor's Report thereon) which were previously communicated in the State's Fiscal 2021 Annual Comprehensive Financial Report.

Unprecedented amounts of federal assistance were expended in fiscal 2021. Total expenditures of federal awards increased to \$8.4 billion in fiscal 2021 of which approximately \$3.6 billion was COVID-related. Some COVID funding was received from new federal programs created in response to the pandemic, while other awards resulted from the expansion or modification of existing federal programs. The major sources of COVID related funding available during fiscal 2021 and expenditures through June 30, 2021, are detailed in the accompanying table.

Eligibility and benefit provisions for many programs were modified in response to the pandemic to either facilitate the application for benefits, continue eligibility that existed pre-pandemic, or enhance benefits available through the programs. An extensive array of services to individuals and costs to support pandemic response efforts were reimbursed under these programs as shown in the accompanying Chart A on page 2.

Federal assistance consists of both direct cash and non-cash awards (e.g., loan and loan guarantee programs and donated food commodities). Federal assistance is received under a wide variety of more than 500 individual programs. Many programs are jointly financed with federal and state funding. Medicaid continues to be the single largest program with fiscal 2021 expenditures totaling approximately \$3.1 billion - the federal government shared

COVID-19 RELATED FEDERAL ASSISTANCE:	FISCAL 2021 EXPENDITURES
Unemployment Insurance Benefits	\$ 1,730,031,801
Unemployment Benefits funded by FEMA	172,253,113
Coronavirus Relief Fund (CRF) – (total award \$1.25 billion)	947,668,662
FEMA Disaster Assistance (Stafford Act)	182,946,726
Epidemiology and Laboratory Capacity	55,309,124
Enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid	120,414,960
Enhanced SNAP Benefits	107,070,005
Pandemic EBT (cash benefits in lieu of in-school meals provided to students)	50,374,577
Education Stabilization Fund	54,833,985
Other COVID-19 related assistance	127,360,375
Total	\$ 3,548,263,328

\$2.1 billion of that cost. Major program expenditures are summarized in the accompanying Chart B on page 4.

Overall, the Single Audit Report includes 78 findings – 37 result from the audit of the State's financial statement and 41 related to the administration of federal programs.

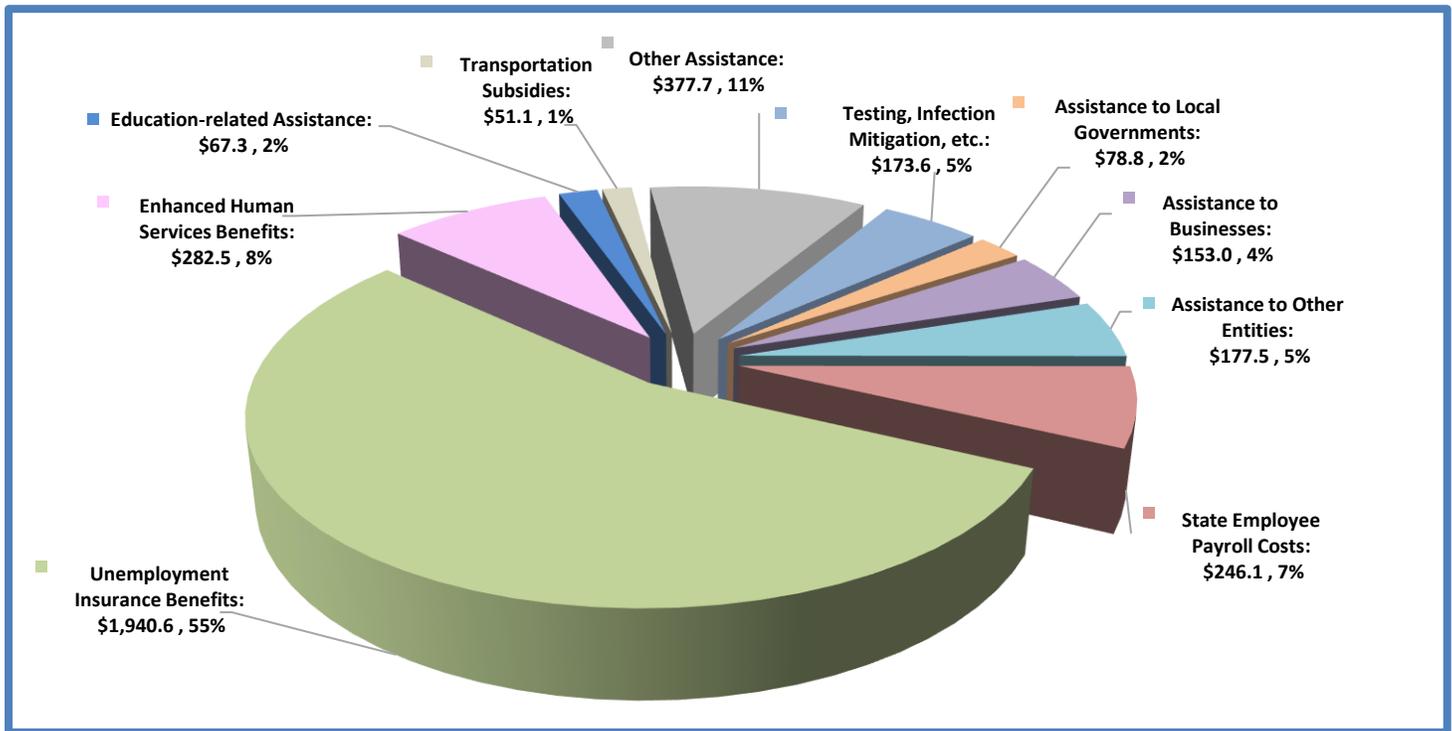
Financial Statement Findings

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 2022) findings related to the State's controls over financial reporting and related compliance matters.

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 16 management comments, (not included in the Single Audit Report) can be found below:

http://www.oag.ri.gov/reports/2021_FinStmt_FindingsMC.pdf

Chart A – Federal COVID-Related Program Expenditures by Category (\$ in millions)



Federal Program Findings

The federal Single Audit Act and Uniform Guidance regulations require that the annual audit of governmental entities expending more than \$750,000 of federal funds in a fiscal year, include federal compliance related audit procedures within the scope of their annual audit. Under the Uniform Guidance, the federal programs subject to audit are guided by the total expenditures for the program and risk assessment processes reflecting the results of prior audits and other risk factors impacting the likelihood of noncompliance.

The federal Office of Management and Budget Compliance Supplement assists auditors in identifying relevant and material compliance provisions for testing, along with suggested audit procedures. Auditors are required to assess the control procedures that have been established to ensure compliance with federal requirements.

The federal programs tested as major programs (see following table) for the fiscal 2021 Single Audit were selected based on the methodology required in the Uniform Guidance. Our audits of major programs included procedures to (1) gain an understanding of controls established to ensure compliance, (2) test the effectiveness of those controls, and (3) assess compliance with requirements specific to each program.

For fiscal 2021, the federal funds received in response to the global pandemic were unprecedented in volume but also in the need to use the funds in an expedited manner to address the needs of the public health emergency. In some instances, this challenged existing control mechanisms due to changes to or relaxation of eligibility requirements or stressed information technology systems due to the volume and demand for services.

2021 Major Programs

Pandemic EBT Food Benefits (P-EBT)
Supplemental Nutrition Assistance Program (SNAP) Cluster
Child Nutrition Cluster
Home Investment Partnerships Program
Fish and Wildlife Cluster
Crime Victim Assistance
Unemployment Insurance
Airport Improvement Program
Highway Planning and Construction Cluster
Federal Transit Cluster
Coronavirus Relief Fund
Special Education (IDEA) Cluster
Education Stabilization Fund
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Temporary Assistance for Needy Families (TANF)
Child Care and Development Fund (CCDF) Cluster
Children’s Health Insurance Program (CHIP)
Medicaid Cluster
Disaster Grants – Public Assistance (Presidential Declared Disasters)
Presidential Declared Disaster Assistance to Individuals and Households – Other Needs
Research and Development Cluster

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Additionally, multiple federal programs had overlapping objectives, which led to significant reallocation of costs as federal requirements were continually modified and the State's strategic COVID response efforts were implemented and refined. These factors had an impact on the controls to ensure compliance with federal requirements for most programs tested as major programs in fiscal 2021.

Consistent with federal guidelines, we tested 81% of the total expenditures of federal awards as major programs following risk-based criteria established in the federal Uniform Guidance. The following summarizes the 41 findings related to the administration of federal programs.

Federal Funding Accountability and Transparency Act (FFATA) – Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

Federal benefit programs for healthcare, cash assistance and childcare – Controls over the RIBridges eligibility and benefit system 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.

Child Nutrition Cluster – The Department of Corrections needs to ensure that it complies with federal regulations governing the receipt, distribution and inventory of USDA-Donated Foods.

Fish and Wildlife Cluster – DEM's subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

DEM's controls to ensure compliance with state matching requirements for the Fish and Wildlife Cluster need to be enhanced.

DEM's Real Property Management procedures need to be enhanced to ensure that property acquired or constructed with Wildlife Restoration program funds shall continue to serve the purpose for which it was acquired or constructed in compliance with applicable program laws and regulations.

Crime Victim Assistance – Controls over federal reporting can be enhanced to ensure SF-425 Federal Financial Reports are accurate and adequately supported.

Subrecipient monitoring procedures should be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

Unemployment Insurance – Controls over the processing of unemployment insurance claims were ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. The Department of Labor and Training (DLT) estimated approximately \$98 million of fraudulent claims have been paid and an additional \$550 million are considered suspected fraudulent claims.

Controls were also ineffective to ensure compliance with the documentation of self-employment income for the Pandemic Unemployment Assistance (PUA) program.

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 Unemployment Compensation (UC) account when the overpayment was the result of the employer's failure to respond timely or adequately to a request for information.

Highway Planning and Construction – RIDOT's Quality Assurance Program should be updated to reflect current testing procedures.

Department policies and procedures for the administration of engineering and design-related service contracts require written approval from FHWA.

Federal Transit Cluster – RIDOT's controls are insufficient to ensure Federal Transit Cluster funds are expended or obligated within the applicable period of performance.

Multiple recommendations were also made to improve controls and enhance compliance by the Rhode Island Public Transit Authority in their use of Federal Transit Cluster funds.

Coronavirus Relief Fund – Controls over final centralized approval of expenditures funded by the Coronavirus Relief Fund (CRF) should be improved.

Questioned costs totaling \$508 thousand were identified for expenditures reimbursed from the Coronavirus Relief Fund program.

The State has not implemented sufficient overall subrecipient monitoring activities for Coronavirus Relief Fund amounts passed-through to subrecipients.

The State had insufficient controls to ensure expenditures were not reimbursed from more than one award under federal programs with similar pandemic response related objectives.

Epidemiology and Laboratory Capacity – RIDOH can enhance monitoring controls over time and effort reporting to ensure payroll cost allocations are adequately supported by employee timesheets.

RIDOH can enhance its monitoring of subrecipients to ensure compliance with federal program requirements.

Temporary Assistance for Needy Families – The State can improve compliance with TANF eligibility requirements specifically by ensuring consistent documentation of eligibility components within RIBridges.

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

Matching expenditures reported on the CCDF ACF-696 report for the 2021 grant period were inconsistent with data included in the RIFANS accounting system.

Controls over the monitoring of background check requirements for licensed childcare centers requires strengthening.

Medicaid and Children's Health Insurance Programs – The State did not materially comply with CHIP eligibility requirements during fiscal 2021. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

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The State is not currently in compliance with federal regulations requiring States to implement certain program integrity safeguards when administering Medicaid managed care programs.

The State is not currently in compliance with federal regulations for the screening, enrollment, and revalidation of providers used in managed care organization (MCO) networks. Although many of these providers are also enrolled as Medical Assistance providers, the new regulations mandate that States screen, enroll, and periodically revalidate all managed care network providers.

Capitation payments to MCOs represent approximately 64% of Medicaid benefit expenditures. EOHHS needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

Controls can be improved to timely terminate Medicaid eligibility for deceased individuals to prevent continued payment of managed care capitation after death. Payments totaling \$942 thousand were made for individuals who had been deceased for more than 90 days. The federal share of these questioned costs totaled \$681 thousand.

Controls should be improved over the quarterly reporting of expenditures for the Medicaid and CHIP programs.

The State should improve controls to ensure that its managed care organizations (MCOs) are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance. Medicaid should be the payor of last resort when processing medical claims for individuals covered by other insurance.

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. Controls to ensure NCCI claims processing edits are functioning over Medicaid activity require improvement to ensure compliance with federal regulations.

Certain psychiatric residential treatment facility (PRTF) services provided to children in the State's custody have been charged to Medicaid in fiscal 2021 in accordance with a methodology that is pending State Plan Approval. Controls over other services provided to children in the State's custody would be improved if processed through the Medicaid Management Information System (MMIS).

Disaster Grants – Public Assistance – RIEMA can improve its reporting function. Required federal financial reports for fiscal 2021 were not properly supported by the State accounting system.

Presidential Declared Disaster Assistance to Individuals and Households – Supplemental unemployment benefits were paid to claimants that did not meet the minimum benefit threshold required for eligibility. Questioned costs totaling \$6.3 million were identified.

Corrective Action Plans (Section E), prepared by the State's management, and a **Summary Schedule of Prior Audit Findings (Section F)** reports the status of findings from prior audits.

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 B – Fiscal 2021 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type

