

Audit Summary

David A. Bergantino, CPA, CFE, Auditor General
david.bergantino@rioag.gov

MAY 2023

State of Rhode Island

Single Audit Report

Fiscal Year Ended June 30, 2022

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2022. The Single Audit is required by federal law and regulation as a condition of continued federal assistance.

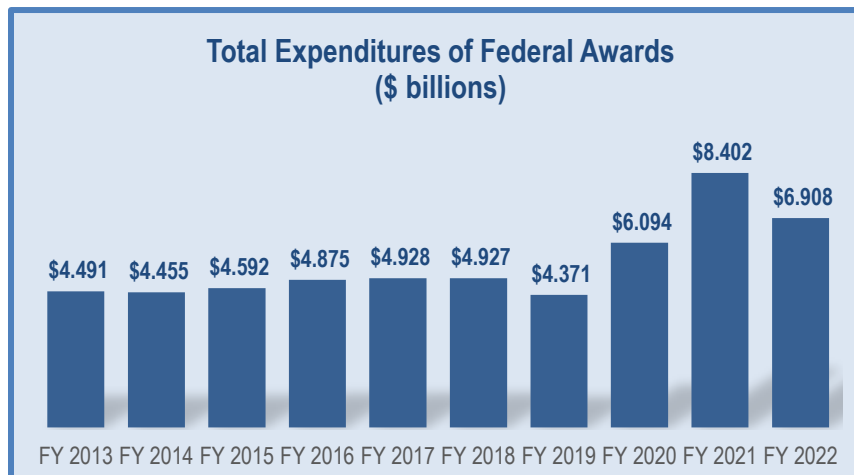
The **Single Audit Report** includes findings and recommendations related to the State's key financial operations and the administration of federal programs. The report also includes a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance 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 2022 *Annual Comprehensive Financial Report*.

Unprecedented amounts of federal assistance continued to be expended in fiscal 2022. Expenditures of federal awards totaled \$6.9 billion in fiscal 2022, of which approximately \$1.6 billion was COVID-related. Total expenditures in 2022 decreased from 2021 by \$1.5 billion, which was largely attributable to reductions in Unemployment Insurance benefits expanded during the pandemic. 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-19 related funding available during fiscal 2022 and expenditures through June 30, 2022, 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.

COVID-19 RELATED FEDERAL ASSISTANCE:	FISCAL 2022 EXPENDITURES
Unemployment Insurance Benefits	\$ 325,129,131
Coronavirus Relief Fund (CRF)	47,992,082
Emergency Rental Assistance Program	240,368,808
Coronavirus State and Local Fiscal Recovery Funds	52,054,213
FEMA Disaster Assistance (Stafford Act)	236,371,022
Epidemiology and Laboratory Capacity	38,176,314
Enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid	161,415,466
Child Care and Development	73,941,082
Pandemic EBT (cash benefits in lieu of in-school meals provided to students)	43,987,479
Education Stabilization Fund	199,509,397
Other COVID-19 related assistance	134,700,965
Total	\$ 1,553,645,959

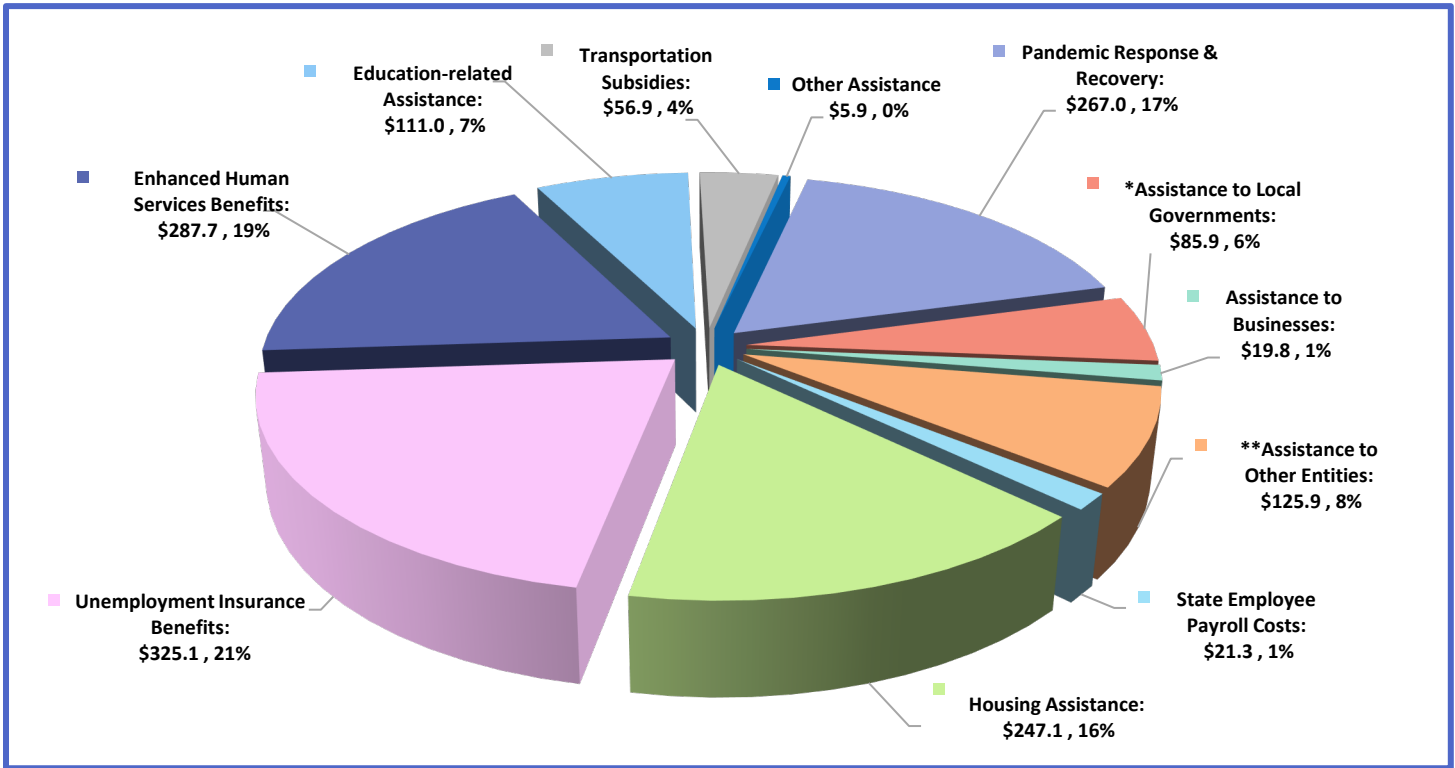
Federal assistance consists of both direct cash and noncash awards (e.g., loan and loan guarantee programs and donated food commodities). Federal assistance is received under a wide variety of approximately 500 individual programs. Many programs are jointly financed with federal and state funding. Medicaid continues to be the single largest program with fiscal 2022 expenditures totaling approximately \$3.5 billion – the federal government shared \$2.4 billion of that cost. Major program expenditures are summarized by program type in the accompanying Chart B on page 4.



Overall, the *Single Audit Report* includes 75 findings – 36 resulting from the audit of the State's financial statements and 39 related to the administration of federal programs.

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



* \$74.0m provided for educational aid.

** \$73.6m provided for pandemic response/recovery; \$18.2m provided for educational aid.

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 March 2023) 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 10 management comments, (not included in the *Single Audit Report*) can be found below:

http://www.oag.ri.gov/reports/2022_FinStmnt_FindingsMC.pdf

Federal Program Findings

The federal Single Audit Act and Uniform Guidance implementing 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.

2022 Major Programs

Pandemic EBT Food Benefits (P-EBT)
Supplemental Nutrition Assistance Program (SNAP) Cluster
Mortgage Insurance Homes
Section 8 Project-Based Cluster
Unemployment Insurance
Airport Improvement Program
Federal Transit Cluster
Highway Safety Cluster
Coronavirus Relief Fund
Emergency Rental Assistance Program
Homeowner Assistance Fund
Coronavirus State and Local Fiscal Relief Funds
Clean Water State Revolving Fund (CWSRF) Cluster
Title I Grants to Local Education Agencies
Education Stabilization Fund
Immunization Cooperative Agreements
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 (Presidentially Declared Disasters)

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The federal programs tested as major programs (see previous table on page 2) for the fiscal 2022 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 and (2) test the effectiveness of those controls, and (3) assess compliance with requirements specific to each program.

For fiscal 2022, the federal funds received in response to the global pandemic continued. The unprecedented volume and need to use the funds in an expedited manner also continued in fiscal 2022. Funding in fiscal 2022 began to change focus from managing the public health emergency to addressing the recovery needs associated with the severity and duration of the pandemic.

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 continue to impact controls over compliance with federal requirements for several programs tested as major programs in fiscal 2022.

The following are highlights of findings relating to the State's compliance with federal regulations and related internal control deficiencies that require corrective action to prevent future noncompliance from occurring.

Unemployment Insurance – Controls over the processing of unemployment insurance claims were ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. Controls were also ineffective to ensure compliance with the documentation of self-employment income for the Pandemic Unemployment Assistance program.

Expanded pandemic unemployment benefits continued during fiscal 2022 (through September 2021) exceeding \$300 million. DLT estimated another \$10 million in fraudulent claims were paid in fiscal 2022 prior to the end of expanded benefits in September 2021.

The federal government required (effective in December 2020) stricter documentation requirements of income provisions for self-employed individuals; however, most claimants did not provide the required documentation and benefits continued.

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

Medicaid Cluster and Children's Health Insurance Program (CHIP) – The State did not materially comply with CHIP eligibility requirements during fiscal 2022. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

The State is not currently in compliance with federal regulations requiring States to implement certain program integrity safeguards when administering Medicaid managed care programs. Federal program integrity requirements including required audits of managed care organization (MCO) financial and encounter data have not been implemented by the State.

The State is not currently in material compliance with federal regulations for the screening, enrollment, and revalidation of providers used in 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 60% 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.

The State should improve controls relating to the identification of third-party (TPL) insurance coverage to ensure that, when appropriate, Medicaid is the payor of last resort by (a) ensuring that TPL reported in the MMIS is accurate and up to date, and (b) ensuring that MCOs are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance.

Controls need to be improved to ensure that critical external data interfaces are operating as designed within the RIBridges system.

Federal benefit programs for healthcare, cash assistance and childcare – The Executive Office of Health and Human Services, the Department of Human Services, 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 Care and Development Fund Cluster – RIBridges controls over eligibility determinations, income validation, and calculation of required parent cost-sharing amounts require strengthening for the CCDF Cluster programs. Controls to improve the documentation of eligibility, specifically, need improvement to support compliance with federal regulations.

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

Highway Safety Cluster – The Department of Transportation needs to improve internal controls to ensure compliance with Level of Effort – Maintenance of Effort (MOE), Earmarking, Period of Performance, Federal Reporting, and Subrecipient Monitoring federal requirements. Documentation supporting compliance with federal requirements was found lacking for the above compliance requirements.

Pandemic-related Federal Assistance Grants – The State implemented an administrative assessment on certain pandemic-related federal programs without seeking and receiving federal approval for the allocation of the costs. The assessment was designed to eventually fund the State's costs of administering new federal programs relating to the COVID-19 public health emergency. Questioned costs were identified, as this assessment was charged to pandemic-related federal awards without the methodology being approved by the federal government (a requirement of Uniform Guidance cost principles).

Coronavirus Relief Fund – Monitoring of certain project expenditures was not sufficient to ensure that awarded CRF funding complied with the State's project approval.

Epidemiology and Laboratory Capacity – The Department of Health lacked sufficient documentation of subawards (subrecipient agreements) to support the allocation of subrecipient payments to the ELC program.

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Title I Grants to Local Education Agencies – The Department of Elementary and Secondary Education did not ensure the Local Education Agencies (LEAs) have the required written methodology to allocate state and local funds to each Title I school and to ensure that the school receives all of the state and local funds it would otherwise receive if it were not receiving Part A funds.

Subrecipient Monitoring – The State has not implemented adequate subrecipient monitoring activities to ensure material compliance with federal regulations for several 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.

Education Stabilization Fund – Rhode Island College and the University of Rhode Island need to improve their policies and procedures to ensure compliance with federal grant reporting requirements.

Federal Transit Cluster – The Rhode Island Public Transit Authority did not account for CARES Act operating expense reimbursements in accordance with generally accepted accounting principles and did not adequately document CARES Act operating expense reimbursements.

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

Corrective Action Plans (Section E), prepared by the State's management, responding to the audit findings and a **Summary Schedule of Prior Audit Findings** (Section F) that reports the status of findings from prior audits are included in the *Single Audit Report*, as required by Uniform Guidance.

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 2022 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type

