

STATE OF RHODE ISLAND
SINGLE AUDIT REPORT
Fiscal Year End June 30, 2023



David A. Bergantino, CPA, CFE
Auditor General

State of Rhode Island
General Assembly
Office of the Auditor General



Office of the Auditor General

State of Rhode Island - General Assembly

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April 30, 2024

Finance Committee of the House of Representatives and Joint Committee on Legislative Services
General Assembly, State of Rhode Island:

I am pleased to submit the State's **Single Audit Report** for the fiscal year ended June 30, 2023. This audit was required by both state law (sections 22-13-4 and 35-7-10 of the General Laws) and the federal Single Audit Act. The audit was conducted in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). As required, this report is submitted to the Federal Single Audit Clearinghouse for distribution to federal funding agencies.

The *Single Audit Report* includes our reports on (1) the basic financial statements of the State of Rhode Island, (2) internal control over financial reporting and on compliance and other matters, and (3) compliance with requirements applicable to each major federal program and on internal control over compliance. A detailed *Schedule of Expenditures of Federal Awards* is also included, as outlined in the Table of Contents. Findings and related recommendations that are required to be reported in the *Single Audit Report* are included in the *Schedule of Findings and Questioned Costs*. These include financial statement related findings and those related to the administration of federal programs.

The State's management has prepared a corrective action plan addressing each finding, which is included in *Section E* of this report. The status of prior year findings has also been prepared by the State and is included in *Section F* of this report.

The **Single Audit Highlights** section on the following pages summarizes (1) COVID-19 federal assistance received by the State to address the effects of the global pandemic, (2) key statistics about federal assistance received by the State over the last decade, (3) the federal programs audited in fiscal 2023 as major programs, and (4) audit findings related to the financial statements and the administration of federal programs.

I would like to express our appreciation to the many individuals that cooperated with and assisted us in the conduct of our audit.

Respectfully submitted,

David A. Bergantino, CPA, CFE
Auditor General

State of Rhode Island – Fiscal 2023 – Single Audit Highlights

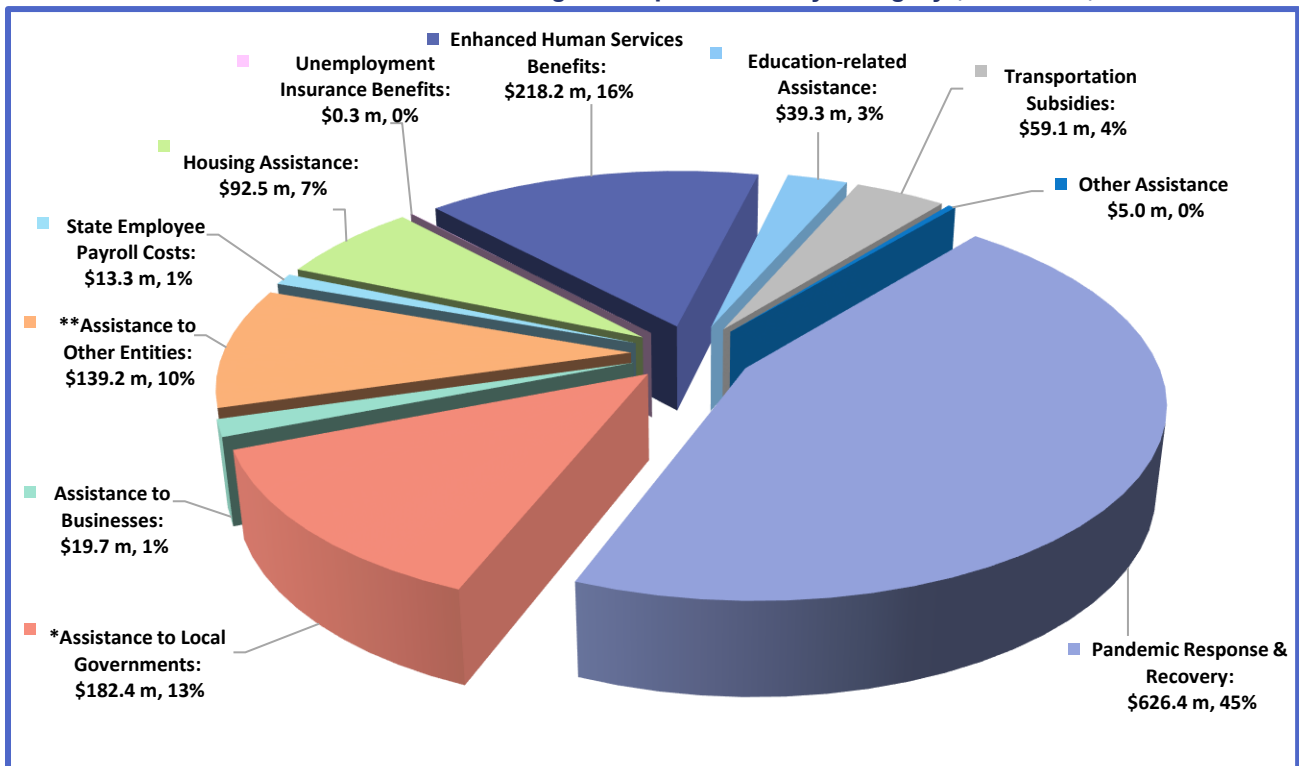
The annual Single Audit is required by federal law and regulation as a condition of continued federal assistance. The report includes the State's financial statements, a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating to financial reporting and the administration of federal programs.

Substantial amounts of federal assistance continued to be expended in fiscal 2023. Expenditures of federal awards totaled \$7.0 billion in fiscal 2023, of which approximately \$1.4 billion was COVID-related. Total expenditures in 2023 increased by \$120 million over the prior year. Recovery efforts funded by Coronavirus State and Local Fiscal Recovery Funds increased by \$268.3 million in fiscal 2023, while assistance for pandemic-related unemployment and housing and rental relief was reduced significantly as compared to fiscal 2022. The major sources of COVID-19 related funding available during fiscal 2023 and expenditures through June 30, 2023, are detailed below:

COVID-19 related Federal Assistance:	Fiscal 2023 Expenditures
FEMA Disaster Assistance (Stafford Act)	\$ 320,739,245
Emergency Rental Assistance Program	60,384,510
Homeowner Assistance Fund	35,809,392
Coronavirus State and Local Fiscal Recovery Funds	320,348,631
Education Stabilization Fund	221,825,984
Epidemiology and Laboratory Capacity for Infectious Diseases	58,950,068
Enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid	154,030,572
Pandemic EBT (cash benefits in lieu of in-school meals provided to students)	36,430,064
Highway Planning and Construction	25,868,445
Federal Transit Formula Grants	22,115,079
Other COVID-19 related assistance	139,031,198
Total	\$ 1,395,533,188

Continued FEMA disaster assistance reimbursing the State, mainly for prior year expenditures incurred while managing the public health emergency, and additional federal Medicaid funding relating to expanded program enrollment, continued to bring elevated levels of federal revenue into the State during fiscal 2023. An extensive array of services to individuals and costs to support pandemic responses and recovery efforts were reimbursed under these programs as shown in the chart below:

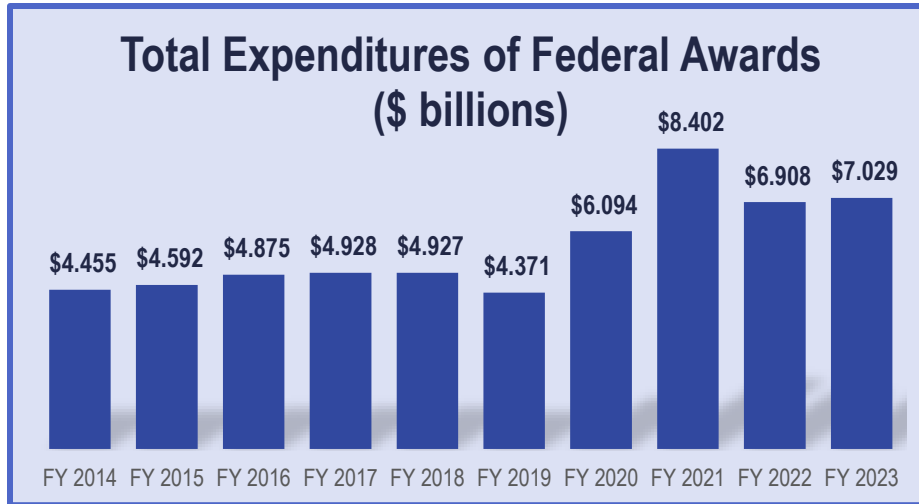
Federal COVID-Related Program Expenditures by Category (\$ in millions)



* \$135.7m provided for educational aid. ** \$40.3m provided for pandemic responses/recovery; \$51.5m provided for educational aid.

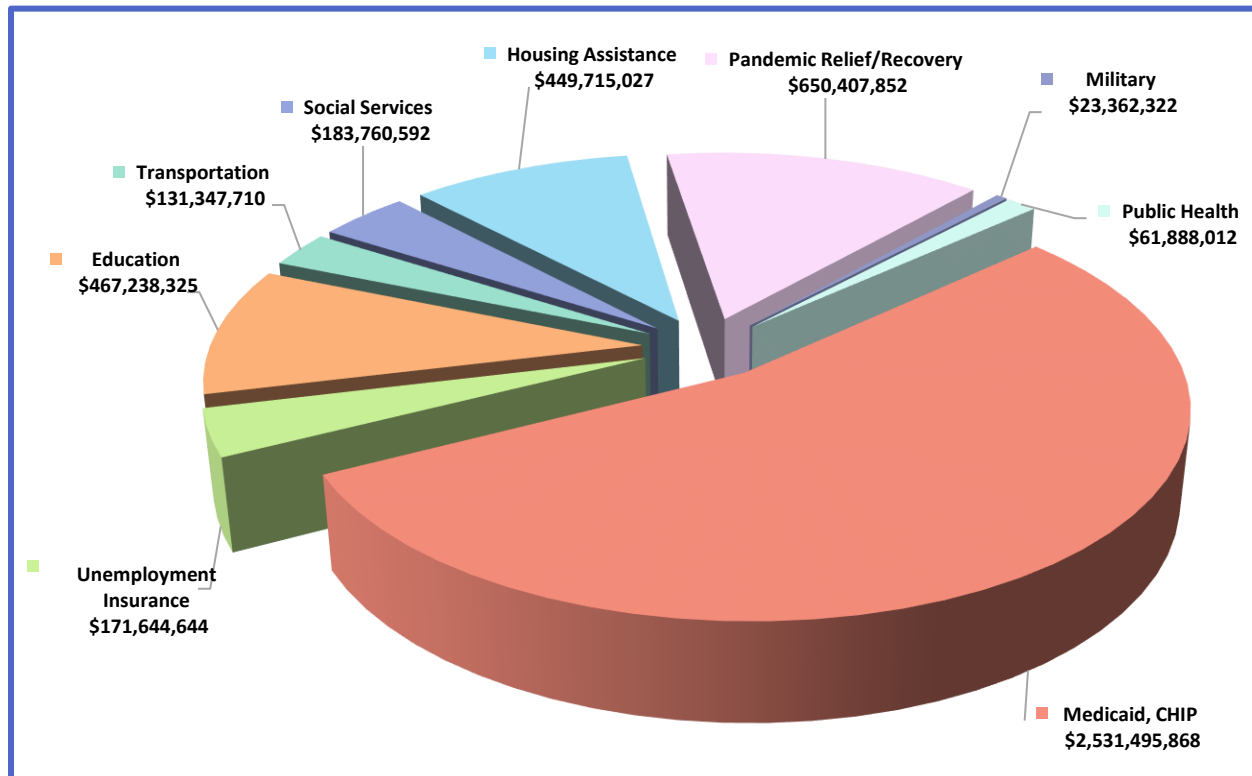
State of Rhode Island – Fiscal 2023 – Single Audit Highlights

The following graph details the changes in total expenditures of federal awards as reported in the State's *Single Audit Reports* for fiscal years 2014 to 2023. In fiscal years 2020 through 2023, the significant increase was due to COVID-19 federal assistance. In fiscal 2019, the decrease in total expenditures of federal awards largely resulted from the return of federally guaranteed student loans to the federal government.



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 2023 expenditures totaling approximately \$3.7 billion - the federal government shared \$2.4 billion of that cost. Consistent with federal guidelines, we tested 66% 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:

Fiscal 2023 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type



State of Rhode Island – Fiscal 2023 – Single Audit Highlights

The Single Audit Report includes 68 findings as summarized in the following table.

Summary of findings included in the 2023 <i>Single Audit Report</i>			
	Primary government	Component units	Total
Findings related to the financial statements			
Material weaknesses in internal control	11	2	13
Significant deficiencies in internal control	12	3	15
Material noncompliance		1	1
Findings related to the administration of federal programs			
Material noncompliance / material weaknesses in internal control	4		4
Material weaknesses in internal control	10		10
Significant deficiencies in internal control	22	3	25
Total	59	9	68

Audit Findings Summary

Financial Statement Findings

Management focus, training, and implementation resources have been insufficient to ensure that departments and agencies are assessing and documenting internal control consistent with management’s overall responsibility for the adequacy of its design and operation. Internal controls safeguard public resources and support accurate financial reporting. The State should commit to providing additional training and implementation materials to assist departments and agencies in documenting their internal control. An internal control assessment and documentation effort should be implemented.

The State’s current accounting and financial reporting system lacks the integration, functionality, and controls of a comprehensive Enterprise Resource Planning (ERP) system. The lack of integration has led to various manual processes being implemented over time which are prone to error and lack compensating controls to ensure accurate and complete financial reporting.

The multi-year implementation of a new ERP system will require substantial resources and planning to ensure a successful outcome. It is critical that the State remain committed to the selected software vendor to ensure a fully integrated system capable of addressing the current internal control deficiencies, business continuity risks, and inefficient processes inherent in the State’s current financial and administrative systems.

The State can continue to improve its consideration of controls over functions performed by external parties by enhancing the use and documentation of Service Organization Control (SOC) reports. These improvements are necessary and consistent with management’s responsibility for the overall adequacy of the design and operation of internal control.

The complexity of Medical Assistance (Medicaid) program operations adds to the challenge of accurately accounting for all Medicaid financial activity within the State’s financial statements. This complexity increases each year through new federal regulations, managed care contract settlement provisions, new State initiatives, and continued challenges relating to the State’s integrated human services eligibility system (RIBridges). Medicaid is the State’s single largest activity - representing nearly 38% of the State’s General Fund expenditures. The State will need to ensure that the design of the next Medicaid Management Information System will provide the functionalities needed to enhance controls over program operations and fiscal oversight.

Controls are lacking to ensure the completeness and accuracy of reported Medicaid accruals in conjunction with the State’s fiscal closing. Material audit adjustments were required to ensure the completeness and accuracy of reported program accruals.

The complexity of Treasury operations has increased substantially over the years without significant modifications to the State’s investment in technology and personnel to support those efforts and to ensure internal control best practices are maintained.

The accumulation of significant deficits and surpluses in internal service funds need to be avoided to ensure accurate financial reporting and compliance with federal regulations. Significant deficits and surpluses in internal service funds are not allowed by generally accepted accounting principles and federal regulations, as such amounts represent the understatement (deficits) or overstatement (surpluses) of expenditures in other funds included in the State’s financial reporting.

State of Rhode Island – Fiscal 2023 – Single Audit Highlights

The State can improve controls over recording federal revenue to ensure (1) amounts are consistent with the limitations of grant awards from the federal government and (2) federally claimed expenditures are consistent with amounts recorded in the State's accounting system.

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity is accurately reported to the proper Assistance Listing Number and amounts passed through to subrecipients are appropriately classified and reported.

A significant number of material audit adjustments were required during our audit of the State's fiscal 2023 financial statements. Material audit adjustments are indicative of weaknesses in controls over the preparation of financial statements.

There is an excessive volume of journal entries recorded within the accounting system. This volume weakens controls over the appropriate authorization and classification of expenditures and limits transparency regarding the underlying transactions.

Within the Intermodal Surface Transportation Fund, controls can be enhanced over the presentation of financial statements to ensure consistent and accurate reporting of fund activity in accordance with generally accepted accounting principles.

Controls over the identification of transportation infrastructure assets have been improved but can be further enhanced to ensure the accuracy of such amounts. Controls should be improved to record the disposal of infrastructure assets when retired or replaced.

The State updated its current cybersecurity readiness and has begun to identify risk mitigation priorities and the resources needed to implement necessary corrective action. The State does not currently have sufficient resources dedicated for the size and complexity of State operations and risk mitigation is not progressing quickly enough.

The State's current practices for periodic logical access and privilege reviews at both the application and network levels need improvement. Practices for database logging and monitoring at the database level also need improvement.

The State has not performed disaster recovery testing of critical applications since fiscal 2021. The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery policy and testing.

In addition to findings that impact Statewide controls over financial reporting and information security, our report includes findings specific to the Employees' Retirement System of Rhode Island, and Rhode Island State Employees' and Electing Teachers OPEB System.

Our report includes control deficiencies and material noncompliance reported by the independent auditors of the discretely presented component units included within the State's financial statements. Their accounting and control procedures are generally independent of the State's control procedures.

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 programs tested as major programs (see following table) for the fiscal 2023 Single Audit were selected based on the methodology required by 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.

<i>2023 Major Programs</i>
WIC Special Supplemental Nutrition Program for Women, Infants, and Children
National Guard Military Operations and Maintenance (O&M) Projects
Qualified Participating Entities (QPE) Risk Sharing
Housing Voucher Cluster
Unemployment Insurance
Airport Improvement Program
Federal Transit Cluster
Emergency Rental Assistance Program (ERA)
Homeowner Assistance Fund (HAF)
Coronavirus State and Local Fiscal Recovery Funds (SFRF)
Student Financial Assistance Cluster
Title I Grants to Local Education Agencies
Career and Technical Education – Basic Grants to States (CTE)
Education Stabilization Fund
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Temporary Assistance for Needy Families (TANF)
Low-Income Home Energy Assistance
Child Care and Development Fund (CCDF) Cluster
Children's Health Insurance Program (CHIP)
Medicaid Cluster
Disaster Grants – Public Assistance (Presidentially Declared Disasters)

State of Rhode Island – Fiscal 2023 – Single Audit Highlights

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.

For fiscal 2023, the federal funds received in response to, and recovery from, the global pandemic continued. Funding in fiscal 2023 focused on addressing the recovery needs associated with the severity and duration of the pandemic, while receiving reimbursement funding for previously-incurred activities related to the pandemic response.

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.

Medicaid Cluster and Children's Health Insurance Program (CHIP) – Capitation payments to managed care organizations (MCOs) represent approximately 65% 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 is not currently in compliance with federal requirements to obtain audited financial reports from its managed care organizations (MCO) in accordance with 42 CFR §438.3(m).

Controls over the screening, enrollment, and revalidation of providers within the Medicaid program should be improved to ensure compliance with federal requirements relating to provider eligibility.

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

Internal controls over administrative costs allocated to the Medical Assistance and CHIP programs need to be improved to ensure that costs allocated to the programs comply with federal regulations.

Medicaid Cluster – Operational and control deficiencies during fiscal 2023 resulted in noncompliance with federal regulations relating to Medicaid eligibility. Controls to ensure timely termination of Medicaid enrollment upon death still appear lacking to prevent capitation payments from being made for deceased members. System controls to follow-up on Public Assistance Reporting Information System (PARIS) notifications were not operating during fiscal 2023 to identify individuals that

relocated and were receiving Medicaid benefits in another state making them no longer eligible in Rhode Island.

Certain psychiatric residential treatment facility (PRTF) services provided to children in the State's custody were not charged to Medicaid in fiscal 2023 in accordance with the methodology approved in the State Plan. Controls over other services provided to children in the State's custody would be improved if processed through the Medicaid Management Information System (MMIS).

Controls need to be improved to ensure that claims from the State Hospital are reimbursed by Medicaid as the payer of last resort.

Children's Health Insurance Program (CHIP) – Operational and system deficiencies, including eligibility processing modifications implemented due to PHE regulations and policy modifications, resulted in noncompliance with federal regulations relating to CHIP eligibility.

WIC Special Supplemental Nutrition Program for Women, Infants and Children – Controls over the determination of monthly benefit allowances within the program need to be enhanced to ensure participants' monthly commodity thresholds comply with federal regulations.

Controls over logical access to the Special Supplemental Nutrition Program for Women, Infants and Children's (WIC) Management Information System (Crossroads) can be enhanced to ensure the timely removal/deactivation of user access privileges upon termination of employment at participating local agencies or clinics. RIDOH should monitor complimentary user entity controls performed by its subcontractor in conjunction with its oversight of information systems security for the Crossroads System.

WIC Special Supplemental Nutrition Program for Women, Infants and Children and Epidemiology and Laboratory Capacity for Infectious Diseases – Controls over time and effort reporting to ensure accurate allocations and reimbursements from federal programs need to be enhanced.

Unemployment Insurance – Controls over the processing of unemployment insurance claims were insufficient to prevent ineligible unemployment insurance benefit payments.

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.

Controls over the processing of employer tax were insufficient to identify changes in tax rates and improper disbursement of refunds.

State of Rhode Island – Fiscal 2023 – Single Audit Highlights

Emergency Rental Assistance Program – Documentation and monitoring procedures were inadequate to support allowable legal services that were prepaid to a contractor on a quarterly basis.

Emergency Rental Assistance Program, Homeowner Assistance Fund and Coronavirus State and Local Fiscal Recovery Funds – Controls were not adequate to ensure complete and accurate program reporting.

Coronavirus State and Local Fiscal Recovery Funds – The Pandemic Recovery Office's time and effort reporting for the State Fiscal Recovery Fund (SFRF) did not provide adequate detail to fully support certain personnel costs charged to the program.

Title I Grants to Local Education Agencies – RIDE does not have any specific procedures to assess the risk posed by conflicts of interest, related party transactions or insufficient segregation of duties between the Charter School and Charter Management Organization (CMO).

Title I Grants to Local Education Agencies, Career and Technical Education – Basic Grants to States, and Education Stabilization Fund – Information technology (IT) security controls over the Acelegrants system need improvement to protect reliability of the system data used to administer federal compliance.

Career and Technical Education – Basic Grants to States – RIDE did not calculate the correct Career and Technical Education (CTE) allocation for Local Education Agencies (LEA).

RIDE did not reallocate unspent Career and Technical Education (CTE) grants in accordance with Section 133(b) of Perkins V.

RIDE did not ensure the Local Education Agencies (LEAs) supplemented and not supplanted federal funding for Career and Technical Education (CTE).

RIDE did not conduct an annual evaluation of local adjusted levels of career and technical education activity performance for eligible recipients, nor did it implement improvement plans for subrecipients that failed to meet at least 90 percent of agreed upon local level of performance for any of the core indicators of performance.

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

Epidemiology and Laboratory Capacity for Infectious Diseases – Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of Federal Funding Accountability and Transparency Act.

Epidemiology and Laboratory Capacity for Infectious Diseases and Disaster Grants – Public Assistance (Presidentially Declared Disasters) – The State had insufficient controls to ensure expenditures were not reimbursed from more than one funding source or award under federal programs with similar pandemic response related objectives. Reconciliation of accounting records to align program revenues with federal revenues received were not fully completed at fiscal year-end.

Temporary Assistance for Needy Families – Internal controls are lacking to ensure that TANF eligibility is supported by documentation required by program regulations. Documentation deficiencies, specifically relating to applicant residency, resulted in noncompliance with TANF eligibility requirements for fiscal 2023.

Temporary Assistance for Needy Families, CCDF Cluster, Children's Health Insurance Program (CHIP) and Medicaid Cluster – The State continued to enhance systems security oversight over systems used to administer multiple federally funded programs. Certain internal control deficiencies should be addressed to improve the State's monitoring of information systems security over RIBridges and MMIS systems.

Low-Income Home Energy Assistance – DHS can improve its consideration of controls over functions performed by the Hancock System by obtaining proper Service Organization Control (SOC) reports provided by the outside vendor. These are necessary and consistent with management's responsibility for the overall adequacy of the design and operation of internal control.

CCDF Cluster – Controls over Child Care program eligibility, specifically relating to ensuring that required documentation is included in case records in support of eligibility determinations made for the program, need improvement.

Disaster Grants – Public Assistance (Presidentially Declared Disasters) – RIEMA lacks controls over federal reporting to ensure that submitted federal reports are accurate and supported by the State accounting system.

Student Financial Assistance Cluster – Rhode Island College and the University of Rhode Island did not have sufficient written policies in place to meet the information technology security program requirements of the Gramm-Leach-Bliley Act.

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.

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Section A

Basic Financial Statements



Section A

Basic Financial Statements

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INDEPENDENT AUDITOR'S REPORT

Finance Committee of the House of Representatives and Joint Committee on Legislative Services
General Assembly, State of Rhode Island:

Report on the Audited Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island (State), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The following components of the State's basic financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, are based solely on the reports of the other auditors:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 2% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 26% of the assets and deferred outflows and less than 3% of the revenues of the business-type activities;
- the Ocean State Investment Pool - an investment trust fund, and the HealthSource RI, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 24% of the assets and 22% of the revenues, including additions, of the aggregate remaining fund information; and
- the discretely presented component units of the State. These entities collectively represent 100% of the total assets and revenues of the aggregate discretely presented component units.

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(V) to the financial statements, the State implemented Government Accounting Standards Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITA). See Note 15B for additional SBITA disclosures. Our opinions were not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, and information about the State's Pension and Other Postemployment Benefit Plans, comprising the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying *Schedule of Expenditures of Federal Awards* (Section B) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial

Finance Committee of the House of Representatives
Joint Committee on Legislative Services

statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



David A. Bergantino, CPA, CFE
Auditor General
February 27, 2024

Management's Discussion and Analysis



State of Rhode Island
Fiscal Year Ended
June 30, 2023



As managers of the State financial records, we offer readers of the State of Rhode Island Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2023. We present this information in conjunction with the information included with our letter of transmittal, which can be found preceding this narrative, and with the State's financial statements which follow. To gain a thorough understanding of the State financial condition, we encourage readers to consider the information presented here in conjunction with the financial statements, notes and required supplemental information which follow this narrative document. All amounts unless otherwise indicated are expressed in thousands.

Financial Highlights - Primary Government

Government-wide Financial Statements

- **Net Position:** The total assets plus deferred outflows of resources of the State were greater than total liabilities plus deferred inflows of resources at June 30, 2023 by \$3.1 billion. This amount is presented as "net position" on the Statement of Net Position for the Total Primary Government. Of this amount, \$2.4 billion was reported as restricted net position, \$4.8 billion as net investment in capital assets, and \$4.1 billion was reported as a deficit unrestricted net position.
- **Changes in Net Position:** The net increase to the primary government net position of \$1.5 billion, was attributable to an increase in governmental activities of \$1.3 billion and an increase to net position of \$233.1 million during the fiscal year for business-type activities. The increase to governmental activities was primarily due to government wide adjustments of \$339.1 million, Intermodal Surface Transportation Fund surplus of \$311.2 million, and Rhode Island Capital Plan (RICAP) surplus of \$306.8 million. The increase to the business-type activities was primarily due to the Employment Security Fund operating at a \$197.3 million surplus during the fiscal year ended June 30, 2023.

Governmental Funds

- As of the close of the current fiscal year, governmental funds, reported on a modified accrual basis, have a combined ending fund balance of \$3.2 billion. This is an increase of \$616.0 million compared with the previous fiscal year.
- As of June 30, 2023, the General Fund reported an ending fund balance of \$1.2 billion, an increase of \$209.5 million (21%) as compared to the prior year fund balance.
- Total General Fund expenditures were \$201.0 million greater than fiscal 2022 due to greater spending across a number of categories the most significant of which are discussed below.
 - The year-over-year increase of \$218.5 million in Education includes \$95.6 million in additional funding from American Rescue Plan Act Elementary and Secondary School Emergency Relief (ESSER) and other direct award funds for education aid to local school districts and state schools to fund recovery from the COVID-19 pandemic. Additionally there was a \$58.5 million increase for school housing aid spending to support school construction projects and \$39.8 million in additional funding for education aid to local school districts and state schools.
 - The year-over-year increase of \$47.6 million in Public Safety is driven by \$28.4 million in additional spending for personnel and staffing costs for the Department of Corrections and \$9.7 million for state police operations and expenditures related to communication and technology.
 - The year-over-year decrease of \$94.1 million in Health and Human Services function is attributable to the reduction in COVID-19 related expenditures at RIDOH that were eligible for FEMA reimbursement.

Proprietary Funds

- Rhode Island Lottery transferred \$434.7 million to the General Fund to support general revenue expenditures during the fiscal year, an increase of \$46.0 million in comparison with the previous fiscal year.
- The Employment Security Fund ended the fiscal year with a net position of \$540.0 million, an increase of \$197.3 million from the prior fiscal year. Driving this increase were employer premiums received totaling \$240.1 million as well as a General Fund transfer of State Fiscal Recovery Fund (SFRF) funds of \$100.0 million. These increases were offset by unemployment benefits processed of \$154.7 million, a decrease of approximately \$296.3 million from fiscal year 2022. The benefit decrease was attributable to the cessation of enhanced employment benefits authorized under the Coronavirus Aid, Relief, and Economic Security Act.
- The Rhode Island Convention Center Authority (the Authority) ended the fiscal year with a net position of \$12.2 million. This was an increase of \$34.7 million to the net position when compared with the prior year and has resulted in the Authority reversing its historically negative net position. The driver of this increase was State appropriations of \$51.0 million, which were comprised of \$35.4 million from the General Fund for debt service and operations and \$15.5 million from Rhode Island Capital Plan Fund (RICAP) for capital improvements. Due to these appropriations, the amount of debt related to capital assets no longer exceeds the net book value of the capital assets, which was the main driver of the Authority's historically negative net position.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the State of Rhode Island's basic financial statements. The State's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the State through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the State of Rhode Island.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the State's financial status as a whole.

The two government-wide statements report the State's net position and how it has changed. Net position is the difference between the total of the State's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the State's financial condition.

- The **Statement of Net Position** presents all the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position." Over time, increases and decreases in the government net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.
- The **Statement of Activities** presents information indicating how the government net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses for some items are reported in this statement that will not result in cash flows until future fiscal periods - for example, uncollected taxes and earned but

unused vacation leave. Additionally, this statement presents a comparison between direct expenses and program revenues for each function of the government.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) discretely presented component units.

- The governmental activities include most State basic services such as public safety, health and human services programs, parks and recreation, and general administration. Most of these activities are funded by taxes, intergovernmental transfers, and federal grants.
- The business-type activities are those activities primarily funded by customer charges. These include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority, and the Employment Security Trust Fund.
- The discretely presented component units are entities that are legally separate from the State, but for which the State is financially accountable. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government presentation included herewith.

Fund Financial Statements

The fund financial statements provide a more detailed look at the State's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Rhode Island uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements (General Laws). All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These are explained below:

- **Governmental funds:** The majority of basic services are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, focus of the governmental fund financial statements is near-term inflows and outflows of spendable resources, as well as on spendable resources available at the end of the fiscal year. Such information helps determine whether there are more or fewer financial resources that can be expended in the near future to finance the State's programs.

Governmental funds include the general fund, special revenue, capital projects, debt service, and permanent funds. Generally accepted accounting principles (GAAP) designate the general fund as a major fund, the criteria for determining if any of the other governmental funds are major funds are detailed in Note 1 C. Each major fund is presented in a separate column on the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column within these financial statements. Individual fund data for each of these non-major governmental funds can be found in the other supplementary information section of this Annual Comprehensive Financial Report (ACFR).

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the longer-term impact of the State's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and the governmental activities in the government-wide financial statements.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported as proprietary funds. The State maintains two categories of proprietary funds -

enterprise funds and internal service funds (ISFs). Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds - the Lottery Fund, the Rhode Island Convention Center Authority Fund (RICCA), and the Employment Security Fund. Each of these funds are presented in separate columns on the basic proprietary fund financial statements. The ISFs are reported as governmental activities on the government-wide statements, since the services they provide predominantly benefit governmental activities. The ISFs are reported within the basic proprietary fund financial statements in a single combined column. Individual fund data is provided in the form of combining statements and can be found within the supplementary information section of this ACFR.

- **Fiduciary funds:** Resources accounted for as fiduciary funds are held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension and other post-employment benefits trusts, an external investment trust, private-purpose trusts and custodial funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found at the supplementary information section of this ACFR.

Discretely Presented Component Units

Discretely presented component units are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. The State distinguishes between major and non-major component units. The criteria for distinguishing between major and non-major component units are discussed in Note 1 B.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided for the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds financial statements.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information, including information concerning the State pension and other post-employment benefit obligations. This section also includes a budgetary comparison schedule for the General Fund and Intermodule Surface Transportation fund which have a legally enacted budget.

Other Supplementary Information

This section includes the combining financial statements for non-major governmental funds, internal service funds and fiduciary funds. It can be found immediately following the Required Supplementary Information section.

Government-Wide Financial Analysis

Net Position

Net position may serve as a useful indicator of a government's financial position. The State's combined net position for governmental and business-type activities totaled \$3.1 billion at the end of fiscal year 2023, compared to a net position of \$1.6 billion for the prior fiscal year. Governmental activities reported a unrestricted deficit net position of \$4.1 billion.

A portion of the State's net position reflects investment in capital assets less any related outstanding debt that was needed to acquire or construct the assets. The State uses these capital assets such as land, buildings, equipment and infrastructure to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

Additionally, a portion of the State's net position represents resources that are subject to external use restrictions.

State of Rhode Island Net Position as of June 30, 2023 and 2022
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 5,431,879	\$ 5,140,524	\$ 660,933	\$ 441,292	\$ 6,092,812	\$ 5,581,816
Capital assets	5,447,549	5,183,257	142,357	147,272	5,589,906	5,330,529
Total assets	10,879,428	10,323,781	803,290	588,564	11,682,718	10,912,345
Deferred outflows of resources	575,751	571,643	6,564	8,532	582,315	580,175
Long-term liabilities outstanding	6,284,550	5,940,537	175,369	182,635	6,459,919	6,123,172
Other liabilities	2,349,169	2,742,871	71,610	79,998	2,420,779	2,822,869
Total liabilities	8,633,719	8,683,408	246,979	262,633	8,880,698	8,946,041
Deferred inflows of resources	287,558	928,651	29,345	33,985	316,903	962,636
Net position (deficit):						
Net investment in capital assets	4,771,719	4,315,804	2,612	(27,576)	4,774,331	4,288,228
Restricted	1,859,053	1,461,030	544,732	345,148	2,403,785	1,806,178
Unrestricted	(4,096,870)	(4,493,469)	(13,814)	(17,094)	(4,110,684)	(4,510,563)
Total net position (deficit)	<u>\$ 2,533,902</u>	<u>\$ 1,283,365</u>	<u>\$ 533,530</u>	<u>\$ 300,478</u>	<u>\$ 3,067,432</u>	<u>\$ 1,583,843</u>

As indicated above, the State reported a deficit balance in unrestricted net position of \$4.1 billion as of June 30, 2023. Several factors, which are discussed below, contributed to this deficit.

As required by generally accepted accounting principles (GAAP) the State recognizes the net pension liability or asset for the pension plans for which it has funding responsibility. In addition, the State has recognized the net other post-employment benefit (OPEB) liability or asset for the retiree health care plans for which it has funding responsibility. Recognition of these liabilities has had a significant adverse impact to unrestricted net position. At June 30, 2023 the net pension liability related to governmental activities was \$3.1 billion and the net pension liability related to business-type activities was \$18.7 million. In addition, the net OPEB liability related to governmental activities was \$256.7 million and the net OPEB liability related to business-type activities was \$2.6 million.

Another significant contributing factor creating the deficit to unrestricted net position is the use of general obligation bond proceeds (which are reported as debt of the primary government) for other than the primary government's direct capital purposes. In these instances, proceeds are transferred to municipalities, discretely presented component units and non-profit organizations to fund specific projects or activities.

Examples of these uses of general obligation bond proceeds include, but are not limited to, the following:

- Certain transportation projects funded with bond proceeds that do not meet the State's criteria for capitalization as infrastructure;
- Construction of facilities at the State's university and colleges, which are reported as capital assets of those discretely presented component units;
- Water resources projects including the acquisition of sites for future water supply resources, various water resources planning initiatives, and funding to upgrade local water treatment facilities;
- Environmental programs to acquire, develop, and rehabilitate local recreational facilities and ensure that open space is preserved;
- Facility projects funded through Rhode Island Health and Educational Building Corporation (RIHEBC); and
- Historical preservation initiatives designed to protect and preserve historical buildings as well as to provide funding for cultural facilities.

Lastly, the State also has the following non-capital related debt outstanding:

- *Tobacco Settlement Asset-Backed Bonds and Accreted Interest* - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement, the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC. Other monies of the TSFC do not constitute a general, legal, or moral obligation to the State or any political subdivision thereof and the State has no obligation to satisfy any deficiency or default of any payment of the bonds. As of June 30, 2023 approximately \$522.9 million of principal and \$167.6 million of accreted interest are included in the State debt.
- *Historic Tax Credit Bonds* - The R.I. Commerce Corporation (RICC), on behalf of the State, issued revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation to the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriations by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. As of June 30, 2023, approximately \$54.4 million of such bonds are outstanding.
- *Certificates of Participation (COPs)* - COPs proceeds are sometimes used to benefit certain entities outside of the primary government; for example, by the State's university and colleges for energy conservation projects or by local school districts to improve technology infrastructure on a state-wide basis. Obligations of the State to make payments for COPs is subject to and dependent upon annual General Assembly appropriations. As of June 30, 2023, approximately \$83.6 million of net obligations are outstanding.

In the above instances, the primary government records a liability for the outstanding debt, but no related capitalized asset is recorded. A cumulative deficit to unrestricted net position results from the financing of these types of projects.

Changes in Net Position

Governmental Activities

The State's overall net position related to governmental activities increased by almost \$1.3 billion for fiscal year 2023.

Total revenues and transfers of \$11.6 billion increased by \$277.2 million compared to fiscal 2022. This increase to revenue primarily resulted from federal assistance (reported as operating grants) of \$5.1 billion, an increase of \$282.5 million compared to fiscal year 2022. These increases were primarily attributable to the Health and Human Services and Education functional areas for \$165.3 million and \$102.3 million, respectively. Tax revenue decreased \$113.1 million during fiscal year 2023, the main driver being personal income taxes which had a decrease of \$188.6 million over the prior year.

The State's expenses, which cover a wide range of services, had an increase of \$146.3 million. The increase was driven by \$2.2 billion of expenses in Education activities, an increase of \$269.1 million compared to fiscal year 2022. Offsetting this increase were decreases of \$93.6 million and \$44.2 million in Health and Human Services and General Government expenses, respectively.

The increase to Education expenses of \$269.1 million is primarily driven by General Fund expenditures due to \$95.6 million of ESSER funding, \$58.5 million increase to school housing aid spending for school construction projects and \$39.8 million of additional funding for education aid to local and State schools.

The decrease in Health and Human Services expenses of \$93.6 million is attributable to a decrease in various COVID-19 pandemic funds and American Rescue Plan Act Enhanced Federal Medical Assistance Percentage (FMAP) spending.

The General Government expenses had a decrease of \$44.2 million during fiscal year 2023 compared to the previous fiscal year. The decrease is largely attributable to a \$31.5 million decrease to subrecipient awards distributed from the Bond Capital Fund.

Business-Type Activities

- The Employment Security Fund net position increased year over year. Employer premiums of \$240.1 million and a General Fund transfer of \$100.0 million were the significant drivers of this increase. Offsetting these increases were benefits paid from the fund totaling \$154.7 million, a decrease of approximately \$296.3 million from fiscal year 2022. The benefit decrease was attributable to the cessation of enhanced employment benefits authorized under the Coronavirus Aid, Relief, and Economic Security Act.
- The RI Lottery's transfer to the General Fund of \$434.7 million an increase of 11.8% compared to fiscal year 2022. There was continued strong growth in Video Lottery Terminals, online games, sports betting and table game activities.

Fiscal Year Ended June 30, 2023

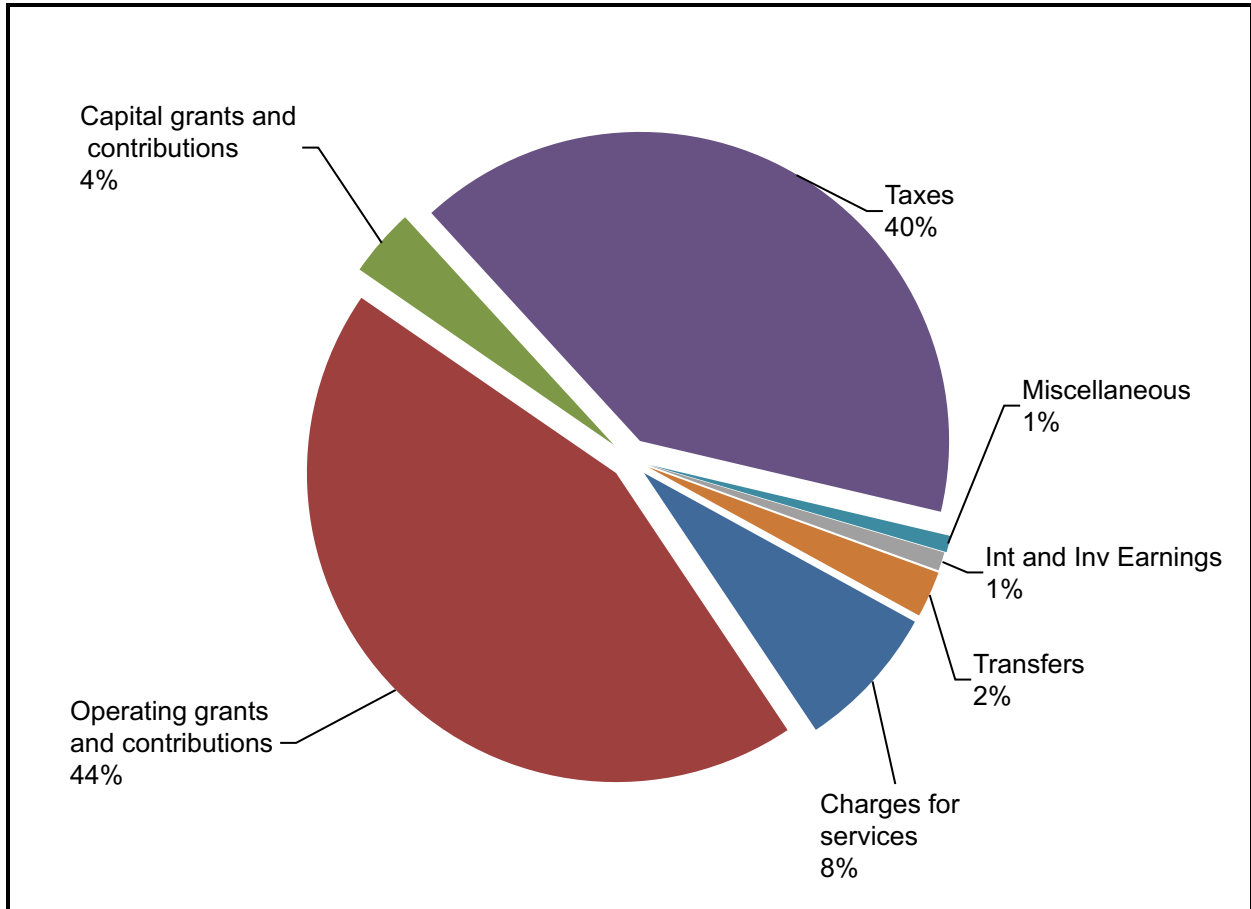
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island Changes in Net Position
For the Fiscal Years Ended June 30, 2023 and 2022
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	\$ 885,186	\$ 871,130	\$ 1,774,834	\$ 1,700,596	\$ 2,660,020	\$ 2,571,726
Operating grants and contributions	5,104,997	4,822,534	19	311,317	5,105,016	5,133,851
Capital grants and contributions	416,903	335,376	—	—	416,903	335,376
General revenues:						
Taxes	4,700,350	4,813,492	—	—	4,700,350	4,813,492
Interest and investment earnings	113,869	6,026	3,592	350	117,461	6,376
Miscellaneous	102,907	120,875	10,386	8,046	113,293	128,921
Gain on sale of capital assets	—	1,439	—	—	—	1,439
Total revenues	<u>11,324,212</u>	<u>10,970,872</u>	<u>1,788,831</u>	<u>2,020,309</u>	<u>13,113,043</u>	<u>12,991,181</u>
Program expenses:						
General government	1,502,761	1,546,983	—	—	1,502,761	1,546,983
Health and human services	5,343,135	5,436,751	—	—	5,343,135	5,436,751
Education	2,246,321	1,977,247	—	—	2,246,321	1,977,247
Public safety	644,170	627,380	—	—	644,170	627,380
Natural resources	141,230	125,582	—	—	141,230	125,582
Transportation	395,122	400,677	—	—	395,122	400,677
Interest and other charges	84,676	96,490	—	—	84,676	96,490
Lottery	—	—	1,062,933	1,040,555	1,062,933	1,040,555
Convention Center	—	—	54,366	47,523	54,366	47,523
Employment Security	—	—	154,740	451,040	154,740	451,040
Total expenses	<u>10,357,415</u>	<u>10,211,110</u>	<u>1,272,039</u>	<u>1,539,118</u>	<u>11,629,454</u>	<u>11,750,228</u>
Excess (deficiency) before transfers	966,797	759,762	516,792	481,191	1,483,589	1,240,953
Transfers (net)	283,740	359,850	(283,740)	(359,850)	—	—
Change in net position	<u>1,250,537</u>	<u>1,119,612</u>	<u>233,052</u>	<u>121,341</u>	<u>1,483,589</u>	<u>1,240,953</u>
Net position (deficit) - Beginning	1,283,365	163,753	300,478	179,137	1,583,843	342,890
Cumulative effect of prior period adjustments	—	—	—	—	—	—
Net position (deficit) - Beginning, as restated	<u>1,283,365</u>	<u>163,753</u>	<u>300,478</u>	<u>179,137</u>	<u>1,583,843</u>	<u>342,890</u>
Net position (deficit) - Ending	<u>\$ 2,533,902</u>	<u>\$ 1,283,365</u>	<u>\$ 533,530</u>	<u>\$ 300,478</u>	<u>\$ 3,067,432</u>	<u>\$ 1,583,843</u>

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2023.

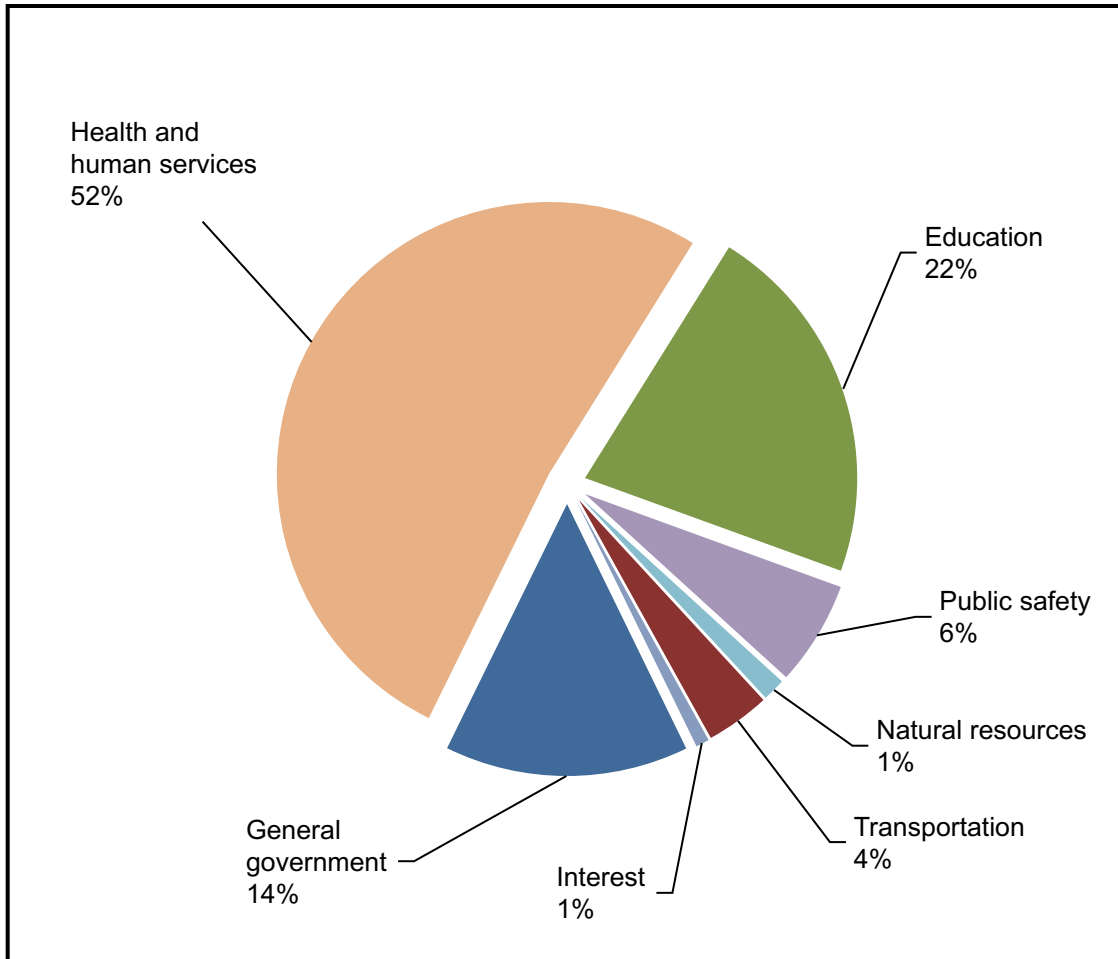
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent during fiscal 2023 versus the prior fiscal year. Operational grants and contributions represent one of the largest sources of revenue at 44% of the total followed by Taxes at 40%.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2023.

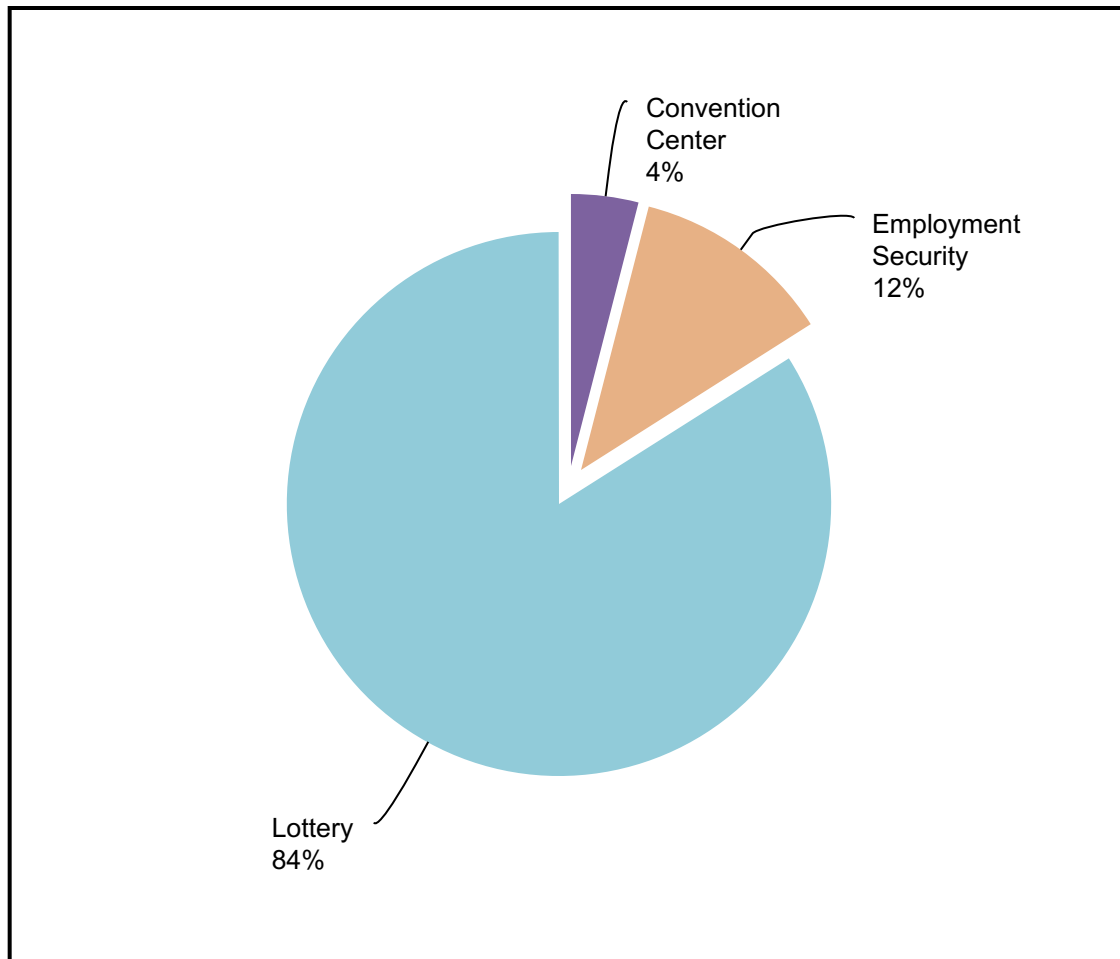
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal year 2023 as for the prior fiscal year.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2023.

Chart 3 - Program Expenses - Business Type Activities



There was a decrease in Employment Security from prior fiscal year due to the cessation of pandemic supplemental benefits. The increase to Lottery expenses is consistent with fully functional operations.

Financial Analysis Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information about near-term inflows, outflows, and balances of spendable resources. Such information is useful when assessing the State financing requirements. At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of approximately \$3.2 billion, an increase of \$616.0 million from June 30, 2022. A breakdown of the components follows (expressed in thousands):

	2023	2022	2023 vs 2022 Change	Percent
Governmental Funds				
Non-spendable	\$ 194,803	\$ 1,497	\$ 193,306	12,912.9 %
Restricted	2,291,918	1,939,645	352,273	18.2 %
Unrestricted				
Committed	148,402	112,119	36,283	32.4 %
Assigned	416,913	32,378	384,535	1,187.6 %
Unassigned	126,497	476,914	(350,417)	(73.5)%
Total	<u>\$ 3,178,533</u>	<u>\$ 2,562,553</u>	<u>\$ 615,980</u>	24.0 %

Governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned primarily based on the extent to which the State is bound to honor constraints about how specific funds may be spent. More information about each category is presented below:

- *Non-spendable fund balance* - amounts that cannot be spent because they are either (a) not in spendable form, for example: fund balance associated with inventories, or (b) legally or contractually required to be maintained intact.
- *Restricted fund balance* - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by constitutional provisions or by law through enabling legislation enacted by the General Assembly.
- *Committed fund balance* - amounts that can only be used for specific purposes determined by the enactment of legislation by the General Assembly, and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- *Assigned fund balance* - amounts that are constrained by stated intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor.
- *Unassigned fund balance* - within the General Fund, the residual classification for amounts not contained in the other classifications. Other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Significant changes in fund balance:

- *Nonspendable* - net increase of \$193.3 million is primarily attributable to Medicaid Capitation prepayment.
- *Restricted* - net increase of \$352.3 million is primarily related to RICAP fund balance legislatively approved for various capital projects and \$68.0 million increase to Bond Capital Fund.
- *Committed* - net increase of \$36.3 million is primarily attributable to a increase in the RI Highway Maintenance Account within the Intermodal Surface Transportation Fund.
- *Assigned* - net increase of \$384.5 million is primarily resulted from an increase in the amount of assigned fund balance allocated to fund the subsequent year's budget as the State's opening surplus.
- *Unassigned* - net decrease of \$350.4 million is primarily due to Medicaid Capitation classified as nonspendable, additional transfers to RICAP for appropriated amounts, and significant increase in the opening surplus in fiscal year 2023 that offsets the unassigned fund balance.

General Fund

The General Fund is the primary operating fund of the State. The fund balance of the General Fund consisted of the following (expressed in thousands):

	2023	2022	2023 vs 2022 Change	Percent
Non-spendable	\$ 194,629	\$ 1,323	\$ 193,306	14,611.2 %
Restricted	435,780	461,970	(26,190)	(5.7)%
Unrestricted				
Committed	20,381	11,790	8,591	72.9 %
Assigned	415,828	31,720	384,108	1,210.9 %
Unassigned	126,573	476,914	(350,341)	(73.5)%
Total	<u>\$ 1,193,191</u>	<u>\$ 983,717</u>	<u>\$ 209,474</u>	21.3 %

Revenues and other sources of the General Fund totaled \$10.6 billion in fiscal year 2023, an increase of \$0.2 billion or 2.0% from the previous year. The revenues from various sources and the change from the previous year are shown in the following table (expressed in thousands):

	2023	2022	Increase (decrease) from 2022	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,810,486	\$ 1,984,975	\$ (174,489)	-8.8 %
Sales and use	1,721,748	1,685,487	36,261	2.2 %
General business	600,393	617,121	(16,728)	-2.7 %
Other	99,410	61,929	37,481	60.5 %
Subtotal	<u>4,232,037</u>	<u>4,349,512</u>	<u>(117,475)</u>	<u>-2.7 %</u>
Federal grants	5,023,852	4,744,086	279,766	5.9 %
Restricted revenues	327,533	398,431	(70,898)	(17.8)%
Licenses, fines, sales, and services	413,645	407,799	5,846	1.4 %
Other revenues	117,481	68,954	48,527	70.4 %
Subtotal	<u>5,882,511</u>	<u>5,619,270</u>	<u>263,241</u>	<u>4.7 %</u>
Total revenues	<u>10,114,548</u>	<u>9,968,782</u>	<u>145,766</u>	<u>1.5 %</u>
Other sources				
Transfer from Lottery	434,667	388,642	46,025	11.8 %
Other transfers	75,988	56,551	19,437	34.4 %
Total revenues and other sources	<u>\$ 10,625,203</u>	<u>\$ 10,413,975</u>	<u>\$ 211,228</u>	<u>2.0 %</u>

Significant Drivers of Revenue

The State's unemployment rate fell to 3.2% during fiscal year 2023, according to S&P Global, down 0.8 percentage points from the 4.0% rate realized during fiscal year 2022. The fiscal 2023 unemployment rate is 0.5 percentage points lower than the fiscal year 2019 rate of 3.7%, the last full fiscal year prior to the COVID-19 pandemic. Nominal personal income growth increased to 3.5% during fiscal year 2023 from 1.3% growth for fiscal year 2022. Fiscal year 2022 personal income growth had been weighed down by the tapering-off of various stimulus and unemployment programs related to the pandemic. A return to modest annual growth in the 3% to 4% range likely indicates a stabilization around pre-pandemic historic averages.

Despite modest personal income growth, however, the State saw a decline in personal income tax collections for fiscal year 2023. Fiscal year 2023 personal income taxes decreased by \$174.5 million, or 8.8% from fiscal year 2022 levels. Personal income tax withholding payments rose to 3.9% compared to fiscal year 2022. However, all the other components of personal income tax contributed to negative growth for fiscal year 2023. Final personal income tax payments from tax returns decreased 18.2% during fiscal year 2023 compared to the prior year. There was also a 10.3% decrease in personal income tax estimated payments (payments made by individuals on non-withholding sources of income, such as capital gains, private contracting, or "gig" work), and a 24.4% increase in personal income tax refunds paid. Accounting for these changes is likely a combination of the aforementioned waning federal fiscal stimulus from prior years and poor performance in equities markets.

General sales and use tax revenues posted an increase of 2.2% for fiscal year 2023 compared to fiscal year 2022. This growth has slowed from the 14.3% increase observed for fiscal 2022 over 2021. The strong increase in fiscal year 2022 sales and use tax was likely attributable to inflation for consumer goods, along with some continued spending of savings accumulated during the pandemic on taxable goods. U.S. total personal savings fell sharply throughout fiscal year 2022 and ticked up slightly in fiscal year 2023, indicating a spend-down of accumulated pandemic savings in 2022 followed by a pullback in consumer spending during 2023. Furthermore, fiscal year 2022 wage growth outpaced inflation by 1.8 percentage points, whereas fiscal year 2023 inflation outpaced wage growth by 0.9 percentage points, resulting in a slight decline in consumers' real purchasing power.

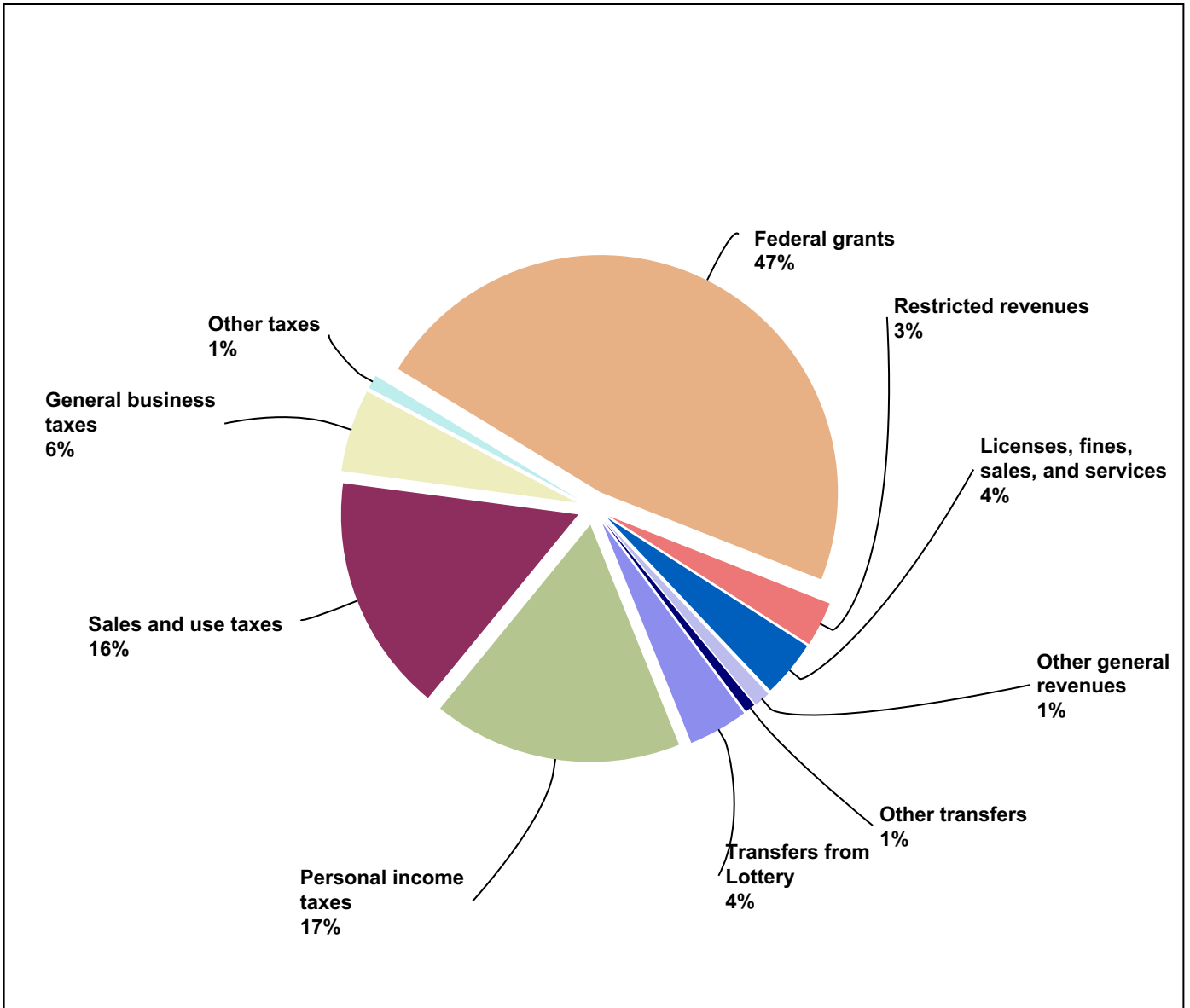
General business tax revenues fell by 2.5% for fiscal year 2023, driven largely by a decline in business corporation taxes, of 5.5%. After two years of double-digit growth in national corporate profits in fiscal year 2021 and fiscal year 2022, corporate profits growth cooled to a growth rate of 5.3% for fiscal year 2023. Business corporation tax refunds and adjustments increased by 78.5% during fiscal year 2023, depressing revenue compared to the prior year.

Other taxes increased by 60.5% from fiscal year 2022. All of this growth is attributable to estate and transfer tax revenues, which increased by \$43.0 million, or 109.4%, from fiscal year 2022, driven mostly by a few larger-than-average payments. However, this gain was slightly offset by a decrease in realty transfer tax revenues which fell 25.3% from fiscal year 2022 levels, reflective of a sharp cooling in housing market.

Finally, the R.I. Lottery's transfer to the General Fund was up 11.8% for fiscal year 2023 compared to fiscal year 2022. This performance is largely driven by strong growth to video lottery terminal (slot machine) receipts, which increased by 10.6%, and table game activity, which grew by 9.2%. This also includes strong growth of 14.3% in remote sports betting and 3.7% growth in traditional lottery, driven in part by increased play resulting from multiple large Powerball and Mega Millions jackpots, including the record-high \$2.0 billion November 2022 Powerball jackpot.

Chart 4 illustrates the fiscal year 2023 General Fund Revenue and transfers.

Chart 4 - Revenues and Other Sources - General Fund



Expenditures and transfers out totaled \$10.4 billion during fiscal year 2023, an increase of \$90.8 million, or 0.9%, from the previous year. Changes in expenditures and other uses by function from the previous year are shown in the following tabulation (expressed in thousands):

	2023	2022	Increase (decrease) from 2022	
			Amount	Percent
General government	\$ 1,241,092	\$ 1,233,846	\$ 7,246	0.59 %
Health and human services	5,352,501	5,446,643	(94,142)	(1.73)%
Education	2,183,718	1,965,268	218,450	11.12 %
Public safety	701,231	653,607	47,624	7.29 %
Natural resources	125,842	112,029	13,813	12.33 %
Debt Service:				
Principal	162,860	155,990	6,870	4.40 %
Interest	61,425	60,261	1,164	1.93 %
Total expenditures	9,828,669	9,627,644	201,025	2.09 %
Transfers out	593,936	704,158	(110,222)	(15.65)%
Total expenditures and transfers out	<u>\$ 10,422,605</u>	<u>\$ 10,331,802</u>	<u>\$ 90,803</u>	0.88 %

Significant Drivers of Expenditures

The year-over-year increase of approximately \$7.2 million to the General Government function is primarily attributable to aid provided to municipalities for the full phase out of the motor vehicle excise tax.

The year-over-year decrease of \$94.1 million in health and human services functions spending is attributable to a reduction of RIDOH's COVID expenditures pending FEMA reimbursements.

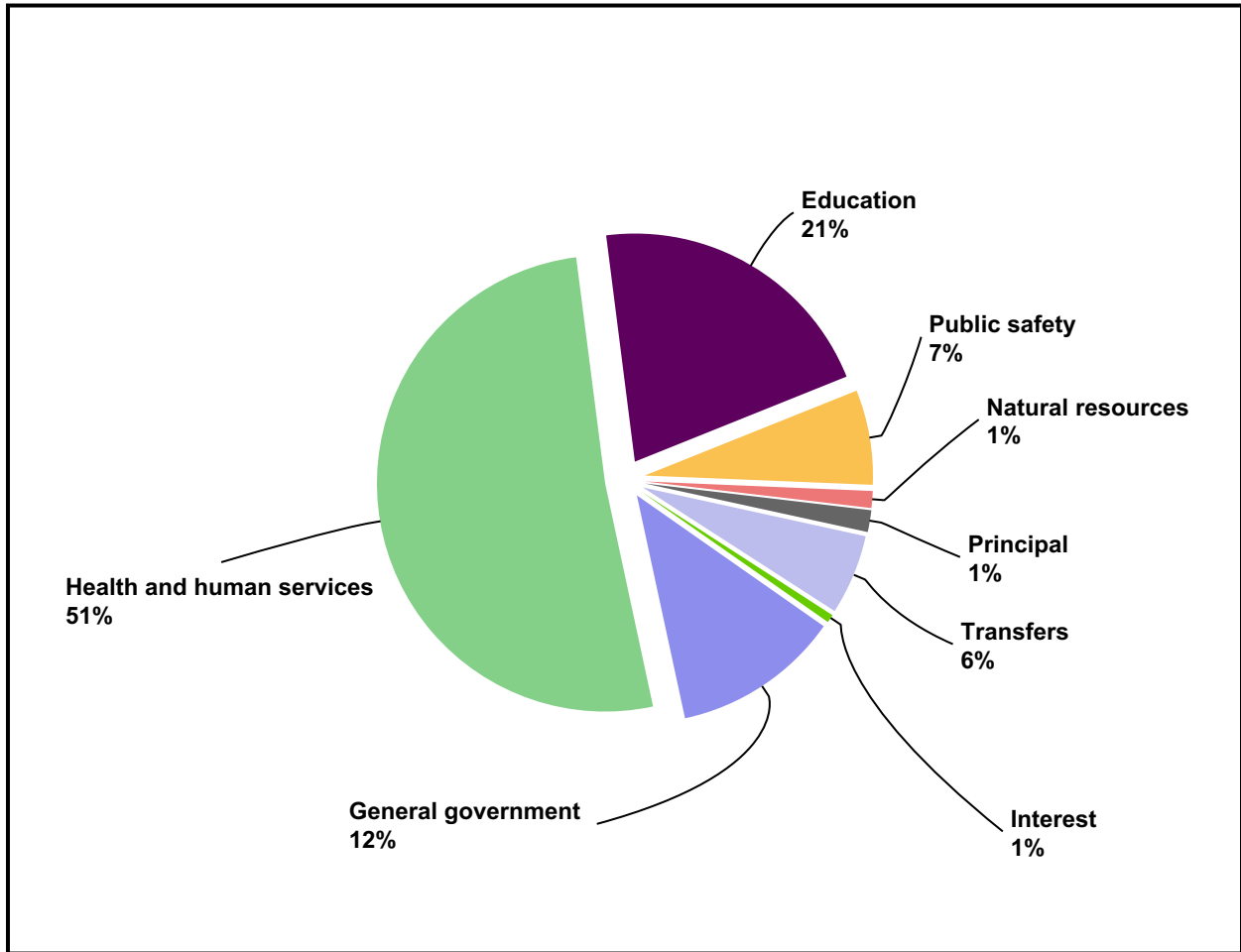
The year-over-year increase to the Education function expenditures of \$218.5 million is primarily the result of \$95.6 million more in additional funding from American Rescue Plan Act Elementary and Secondary School Emergency Relief (ESSER) and other direct award funds for education aid to local school districts and state schools as a response to the COVID-19 pandemic recovery; a \$58.5 million increase for school housing aid spending to support school construction projects; and \$39.8 million in additional funding for education aid to local school districts and state schools via the education aid funding formula.

The year-over-year increase to the Public Safety function expenditures of \$47.6 million is primarily the result of \$28.4 million of additional spending for personnel and staffing costs for the Department of Corrections and \$9.7 million for state police operations and expenditures related to communication and technology.

A significant portion of the year-over-year increase to the Natural Resources function expenditures of \$13.8 million is attributable to a \$6.6 million increase in transfers to the Rhode Island Infrastructure Bank to finance the state match for federal clean and drinking water programs and \$1.8 million for the Bureau of Environmental Protection to support fish, plants and other aquatic life and drinking water quality.

Chart 5 depicts the General Fund expenditures and other uses for fiscal year 2023.

Chart 5 - Expenditures and Other Uses - General Fund



Intermodal Surface Transportation Fund

The Intermodal Surface Transportation Fund (IST) is a special revenue fund that accounts for the collection of gasoline tax, motor vehicle registration and licensing fees, federal grants, and bond proceeds that are used for maintenance, upgrading, and construction of the State's surface transportation systems. It also accounts for the proceeds of the Grant Anticipation Revenue Vehicle (GARVEE) and the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, and related expenditures. The components of the fund balance of the IST fund are as follows (expressed in thousands):

	2023	2022	Increase (decrease) from 2022	
			Change	Percent
Restricted	\$ 202,443	\$ 222,694	\$ (20,251)	(9.09)%
Unrestricted				
Committed	127,819	99,878	27,941	27.98 %
Assigned	695	658	37	5.62 %
Total	\$ 330,957	\$ 323,230	\$ 7,727	2.39 %

The net increase of \$27.9 million in the committed portion of the unrestricted fund balance resulted from multiple factors including an increase in the RI Highway Maintenance Account. The increase in the RI Highway and Maintenance Account is a result of carryforward used primarily for State Match to Federal projects. For FY23, RI Highway Maintenance funds were dedicated for multi-years therefore creating a

carryforward into the next fiscal year. All funding is allocated in the 10-year transportation improvement plan for projects.

General Fund Budgetary Highlights - General Revenue Sources

According to the State's Constitution, general revenue appropriations of the General Fund cannot exceed 97% of available general revenue sources. These sources consist of the current fiscal year's budgeted general revenue plus the general fund undesignated fund balance from the prior fiscal year. Excess revenue is transferred to the State Budget Reserve Account which is in the General Fund. If the balance in the Reserve exceeds 5% of the total general revenues and opening surplus, the excess is transferred to the R.I. Capital Plan Fund to be used for capital projects.

At the issuance of these financial statements, the enacted fiscal year 2024 budget (RIGL 35-6-1(e)) requires 50% of all general revenues received, net of the transfer to the state budget reserve and cash stabilization account, in excess of those estimates adopted for the year as contained in the final enacted budget to be transferred to the new Supplemental State Budget Reserve; and 50% to be transferred to the Employee's Retirement System of the State of Rhode Island. The current fiscal year's general revenue estimates are established by the State's revenue estimating conference. If actual general revenue is less than the projection, appropriations have to be reduced or additional revenue sources must be identified. Certain agencies have federal programs that are entitlements, which continue to require state funds to match the federal funds. Agencies may get additional appropriation from the General Assembly, provided a need is established. The General Assembly typically ends a fiscal year with a surplus, which under Rhode Island law is re-appropriated to the following fiscal year.

A reduction in the collection of tax revenue resulted in a significant decrease of \$61.2 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$132.0 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights
General Revenue Sources
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,910,300	\$ 1,813,700	\$ 1,813,605	\$ (95)
General business	602,600	597,500	600,394	2,894
Sales and use	1,733,200	1,736,100	1,721,748	(14,352)
Other taxes	80,300	95,100	99,411	4,311
Departmental revenue	464,000	478,000	491,638	13,638
Other sources:				
Lottery transfer	418,700	434,200	434,667	467
Unclaimed property	14,000	14,700	18,503	3,803
Miscellaneous	37,300	29,900	26,802	(3,098)
Non-Budgeted proceeds from forward delivery bond agreement	—	—	5,900	5,900
Total revenues and other sources	<u>5,260,400</u>	<u>5,199,200</u>	<u>5,212,668</u>	<u>13,468</u>
Expenditures and other uses:				
General government	823,045	1,067,241	1,030,725	(36,516)
Health and Human services	1,896,629	1,732,768	1,690,352	(42,416)
Education	1,711,492	1,710,923	1,705,228	(5,695)
Public safety	554,569	577,680	564,248	(13,432)
Natural resources	56,425	85,597	84,376	(1,221)
Total expenditures and other uses	<u>5,042,160</u>	<u>5,174,209</u>	<u>5,074,929</u>	<u>(99,280)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 218,240</u>	<u>\$ 24,991</u>	<u>\$ 137,739</u>	<u>\$ 112,748</u>

*See Notes on the General Fund Budgetary Comparison Schedule

The majority of the revenue variance noted in the table above is related to sales and use taxes and departmental receipts. After several years of double-digit growth, total sales and use taxes grew by a modest 2.1% during fiscal year 2023 compared to fiscal year 2022. The state's 7.0% sales tax grew by 3.5%, offset by decreases in cigarette and alcohol excise taxes. The end of fiscal 2023 saw notably weak growth in sales tax, with January through June 2023 growing by 1.3% compared to the prior year (although some of this weakness was due to a \$8.7 million sales tax refund paid in June 2023). This weakness at the end of fiscal year 2023 accounts for the negative variance of \$14.4 million between sales and use tax revenue in the final budget and the actual revenue.

Actual fiscal year 2023 sales and use tax revenues received were \$14.4 million less than the estimated sales and use tax revenues included in the fiscal year 2023 final budget. In contrast, departmental revenue received during fiscal year 2023 were \$13.7 million more than estimated for the fiscal year 2023 final budget.

The positive variance in departmental receipts is mainly due to increase interest payments to the State's General Fund balance. At the May 2023 Revenue Estimating Conference, the Office of the General Treasurer estimated General Fund interest revenue at \$46.0 million for fiscal year 2023. Actual fiscal year

2023 interest payments totaled \$59.7 million, a variance of \$13.7 million that aligns with the \$13.6 million in departmental receipt variance noted above.

While not captured in the variance column of the table above, there were notable revisions between the original budget and actual revenue. Personal income tax revenue was \$96.7 million less than the original budget. This reflects a labor market that softened over the course of FY 2023. Between January 2023 and June 2023, the State lost 3,800 jobs according to the Department of Labor and Training's establishment survey. This was partially offset by actual lottery revenue that was \$16.0 million greater than the original budget. This is mostly due to strength for video lottery terminal activity, reflecting continued recovery from the pandemic.

The positive general revenue expenditure variance for the General Government function of approximately \$36.5 million was primarily due to less than enacted expenditures occurring in the General Assembly of \$11.9 million, the Department of Administration of \$9.9 million, the Department of Revenue of \$6.6 million, and the Department of Labor and Training of \$5.0 million.

The final enacted budget included general revenue appropriations for certain COVID-19 pandemic-related expenses categorized as general revenue expenses in anticipation of Federal Emergency Management Agency (FEMA) reimbursements during fiscal year 2023. Actual expenditures pending FEMA reimbursement were less than what was assumed in the final enacted budget resulting in a positive variance of \$0.6 million, \$0.2 million of which was experienced by the Department of Administration.

The positive expenditure variance of \$6.6 million by the Department of Revenue is primarily attributable to surpluses occurring at the Registry of Motor Vehicles of \$4.8 million and \$1.2 million at the Division of Taxation. The remaining positive variance is attributable to operating surplus across multiple agencies in the General Government function.

The Department of Labor and Training concluded fiscal year 2023 with a surplus totaling \$5 million, largely attributable to unexpended state appropriations for various workforce development initiatives, including the Real Jobs Rhode Island program surplus of \$4.0 million and FMAP Extension and Healthcare Workforce Support - Skills RI of \$0.6 million.

The positive variance of \$42.4 million in the Health and Human Services function is primarily attributable to a positive variance of \$16.3 million and \$11.7 million experienced at the Department of Human Services and the Department of Children Youth and Families, respectively. This surplus reflects lower expenditures for individual and family support program operations of \$4.9 million, the Office of Veterans Services of \$5.5 million, as well as for family and child welfare programs of \$9.1 million.

Additionally, operating surplus occurred within other several major health and human services agencies, including the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) of \$8.5 million and the Executive Office of Health and Human Services (EOHHS) of \$4.5 million. The positive variance in the BHDDH is primarily attributable to lower expenditures of \$8.3 million occurring in the State psychiatric hospital and \$6.1 million for the Eleanor Slater Hospital system. These savings were partially offset by \$4.2 million in additional spending above caseload expenditure estimates for private and state owned developmentally disabled services. The positive variance in the EOHHS was primarily attributable to lower expenditures of \$10.2 million occurring for Medicaid benefits under the Rhody Health Partners and general medical assistance programs. These savings were partially offset by \$4.1 million in additional spending for long-term care assistance and \$3.0 million in managed care services.

The positive variance to the Education function of approximately \$5.7 million is driven by a surplus of \$4.5 million in the Department of Elementary and Secondary Education. Approximately \$0.6 million of this surplus stems from savings in both the Early Childhood Demonstration and the Multilingual Learners "categorical" aid programs, due largely to decreased enrollment demand during the ongoing COVID-19 pandemic. Additionally, a favorable variance of \$3.8 million is evidenced in the Teacher Retirement program, which finances 40% of the employer cost of annual retirement contributions for public school teachers enrolled in the Employees' Retirement System of Rhode Island (ERSRI). While this surplus reflects lower aggregate fiscal year 2023 ERSRI billings than were estimated as part of the final enacted budget, the relative variance represents only 2.9% of appropriated program financing.

The positive expenditure variance of \$13.4 million to the Public Safety function is mostly attributable to \$7.7 million of savings that occurred in the Department of Public Safety's State Police and Security Services programs as well as \$1.0 million in personnel cost and contracted service savings that occurred in the Office of Attorney General's Civil Division and Insurance Unit.

Capital Assets and Debt Administration

Capital Assets

The State investment in capital assets for its governmental and business-type activities as of June 30, 2023 amounts to \$5.6 billion, net of accumulated depreciation of \$4.5 billion. This investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure, computer systems, and construction in progress. The total increase in the State investment in capital assets for the current fiscal year was approximately 4.9% of net book value. This increase is primarily related to investments for the construction and rehabilitation of highways and bridges as well as other infrastructure, and new buildings.

Actual expenditures to purchase or construct capital assets were \$530.4 million for the fiscal year. Of this amount, \$454.7 million was used to construct or reconstruct highways. Depreciation charges for the fiscal year totaled \$290.0 million.

Fiscal Year Ended June 30, 2023

State of Rhode Island Capital Assets as of June 30, 2023 and 2022 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2023	2022	2023	2022	2023	2022
Capital assets not being depreciated or amortized						
Land	\$ 419,652	\$ 400,695	\$ 46,808	\$ 46,808	\$ 466,460	\$ 447,503
Works of Art	5,643	5,358	—	—	5,643	5,358
Intangibles	188,513	186,230	—	—	188,513	186,230
Construction in progress	1,113,561	849,943	6,264	839	1,119,825	850,782
Total capital assets not being depreciated or amortized	1,727,369	1,442,226	53,072	47,647	1,780,441	1,489,873
Capital assets being depreciated or amortized						
Land improvements	8,331	8,331	—	—	8,331	8,331
Buildings	885,416	882,128	281,736	281,736	1,167,152	1,163,864
Building improvements	582,048	565,263	—	—	582,048	565,263
Equipment	391,416	377,556	53,174	50,948	444,590	428,504
Intangibles	342,252	344,315	—	—	342,252	344,315
Intangibles: right to use	93,978	93,927	1,401	1,401	95,379	95,328
Intangibles: subscription-based IT assets	16,020	—	—	—	16,020	—
Infrastructure	5,663,705	5,471,857	—	—	5,663,705	5,471,857
	7,983,166	7,743,377	336,311	334,085	8,319,477	8,077,462
Less: Accumulated depreciation or amortization	4,262,986	4,002,346	247,026	234,460	4,510,012	4,236,806
Total capital assets being depreciated or amortized, net	3,720,180	3,741,031	89,285	99,625	3,809,465	3,840,656
Total capital assets (net)	<u>\$ 5,447,549</u>	<u>\$ 5,183,257</u>	<u>\$ 142,357</u>	<u>\$ 147,272</u>	<u>\$ 5,589,906</u>	<u>\$ 5,330,529</u>

Additional information about the State's capital assets can be found at Note 5 to the financial statements.

Debt Administration

According to the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50 thousand without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent.

At the end of the current fiscal year, the State governmental activities had total bonded debt outstanding of \$2.5 billion, of which \$1.5 billion is general obligation debt, \$524.1 million is special obligation debt and \$522.9 million is debt for the blended component units. Additionally, accreted interest of \$167.6 million has been recognized for debt of one blended component unit, which is not scheduled to be paid until year 2052. On an overall basis the State total bonded debt increased by \$29.1 million during fiscal year 2023. This increase consists of a \$120.0 million increase to general obligation debt, a decrease of \$62.8 million in special obligation debt, and a decrease of \$28.1 million in the blended component unit debt.

The general obligation debt is supported by the full faith and credit of the State. Other obligations subject to annual appropriation by the R.I. General Assembly totaling \$133.7 million and \$1.2 billion are supported by pledged revenue. These obligations are discussed in the financial statement Notes 7 and 13.

During October 2022, the State issued \$222.7 million of general obligation bonds with interest rates from 4.13% - 5.00%, maturing from 2023 through 2040. The total premium paid on these bonds was \$14.1 million. In accordance with certain bond statutes, net premiums of \$9.3 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and \$4.2 million was transferred to the Rhode Island Capital Asset Protection Program.

The State had entered into a Forward Delivery Bond Purchase Agreement with a financial institution in March 2021, granting the option to purchase the State's General Obligation Bonds, Consolidated Capital Development Loan of 2022, Refunding Series 1, in exchange for an upfront payment of \$5.9 million, which was held as a deposit liability until the purchase option was exercised. In July 2022, the State issued \$43.2 million of general obligation refunding bonds interest rates from 4.00% - 5.00%, maturing from 2023 through 2032. The bonds were not issued at a premium or discount, however the \$5.9 million upfront payment was recognized as an Other Financing Source for fiscal year 2023.

This upfront payment represented the approximate present value savings of debt service had the State been able to execute a tax-exempt advance refunding. The proceeds of the CCDL 2022 Refunding Series 1 bonds were used to refund \$43.2 million of the State General Obligation Bonds, Consolidated Capital Development Loan of 2012 Series B. The forward refunding resulted in a deferred loss (difference between the reacquisition price and the net carry amount of the old debt) of approximately \$4.0 million that was recorded as a deferred outflow of resources

The State's assigned general obligation bond ratings are as follows: AA (Stable) and Aa2 (Stable) by Standard & Poor's Ratings Services (S&P) and by Moody's Investor Service, Inc.

Bonds authorized by the voters that remain unissued as of June 30, 2023 amounted to \$618.3 million; other obligations that are authorized but unissued totaled \$154.5 million and are described at Note 7 of the financial statements. State long-term debt information can also be found in the notes to the financial statements of this report.

Economic Outlook and Fiscal Year 2024 Budget

The second quarter report for fiscal year 2024 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the second quarter of fiscal year 2024 as compared to general revenue resources adopted at the November 2023 Caseload and Revenue Estimating Conferences. The projected fiscal year 2024 balance, based upon these assumptions, is estimated to reflect a \$164.3 million general revenue surplus at year end to the General Fund.

The second quarter report projected surplus is the result of an opening surplus of \$427.0 million combined with an adjusted appropriated surplus of \$45.2 million, estimated revenues of \$5.3 billion and a transfer of \$171.9 million of budget reserve and cash stabilization, offset by estimated expenditures of \$5.4 billion as well as a transfer of \$55.0 million to the Employee's Retirement System.

The second quarter reported expenditures of \$5.4 billion are revised downward by \$25.9 million from enacted appropriations, primarily due to a downward revision of agency spending of \$51.5 million as well as a \$19.6 million decrease in adopted estimates from the November 2023 Caseload Estimating Conference, which impacted several departments in the Health and Human Services functional area. These projected decreases are offset by the adjusted appropriated surplus of \$45.2 million mentioned above.

The November 2023 Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the current economic forecast. Consensus estimates of general revenue receipts were increased by \$42.1 million, up from \$5.28 billion to \$5.32 billion compared with the enacted fiscal year 2024 estimate. The largest factor is an expected increase to taxes of \$12.5 million. The transfer from the Rhode Island Lottery is also expected to increase by \$8.2 million. Departmental receipts are expected to be \$13.1 million higher than the enacted budget, largely due to increased interest payments to the State's General Fund.

The economic forecast used to generate those estimates was provided by S&P Global Market Intelligence. Employment growth is expected to be weak, growing at (0.2)% in fiscal year 2024, although a tight labor market keeps the unemployment rate low at 2.7%. Growth in total wages is expected to outpace inflation, with those growth rates forecasted at 4.5% and 2.9%, respectively. Nominal growth in personal consumption expenditures is estimated at 3.8%, down from 6.4% in fiscal year 2023. S&P reported that they expect Rhode Island to perform slightly better than the New England average for the medium term, although that is partially driven by Rhode Island's continued jobs deficit (and thus ongoing rebound) compared to before the pandemic. As of December 2023, Rhode Island at 8,000 fewer jobs than before the pandemic. Vermont is the only other New England state to not have recovered all its jobs lost (although Connecticut is fluctuating around their pre-pandemic job count).

Conditions Expected to Affect Future Operations

American Rescue Plan - State Fiscal Recovery Funding

During fiscal year 2021, the federal American Rescue Plan Act (ARPA) awarded the State of Rhode Island \$1.1 billion through the State Fiscal Recovery Fund included in the act. The State appropriated \$126.0 million of the funding in fiscal year 2022 and an additional \$440.9 million in fiscal year 2023. The State has until December 31, 2024, to obligate its ARPA funding. As of the end of fiscal year 2023, \$695.9 million had been obligated in accordance with U.S. Treasury's definition of obligation, and \$393.4 million had been expended. In general, ARPA provides that states utilize the funding for certain purposes including but not limited to responding to the pandemic and its negative health and economic impacts; preventing cuts in public services caused by pandemic-induced revenue losses; investing in water, sewer, or broadband infrastructure; and supporting surface transportation projects.

Federal Tax Legislation

Rhode Island has seen significant impacts from federal tax legislation, starting with the 2017 Tax Cuts and Jobs Act (TCJA) and continuing through the pandemic-era stimulus bills. Any changes at the federal level that impact individual or corporate taxable income can flow down to those entities' Rhode Island tax return (in contrast to federal tax rate or tax credit changes, which only apply to federal returns). According to a study commissioned by the State, TCJA's business provisions added \$50.5 million in revenue during fiscal year 2023, while the law's individual provisions added \$13.6 million. Some of TCJA's individual provisions expire at the end of 2025, although the State impact of those expiring provisions is expected to be small given that they mainly impact federal income tax rates. At the same time, there were some provisions of TCJA that increased business taxes starting in tax year 2022. As of February 2024, Congress is considering whether to delay these business tax increases, which would have an impact on Rhode Island revenue. How Congress handles these provisions and the provisions expiring at the end of 2025 will have implications for future State personal income tax and corporate income tax collections.

Lottery Revenue

During June 2023, the Governor signed legislation allowing for online casino gaming in Rhode Island, known as iGaming. The bill authorized iGaming beginning in March 2024. The proposal includes both table and slot machine games and is only allowed for those 21 years and older. The November 2023 Revenue Estimating Conference assumed iGaming revenues of \$4.9 million in fiscal year 2024 and \$25.1 million in fiscal year 2025 (net of expenditures for the State's Lottery Division).

During November 2023, the State commissioned a study by Christiansen Capital Advisors (CCA) forecasting lottery revenue under the status quo and potential future scenarios. The study looked at the possibility of the expansion of online gaming in Massachusetts, through the adoption of iLottery (online instant games) or iGaming (online casino games). CCA estimated that Massachusetts iLottery would reduce State revenue by around \$2.0 million per year, while iGaming would cost the State \$7.0 million per year. Massachusetts lawmakers failed to adopt iLottery in that state's fiscal year 2024 budget, and the governor has proposed it as part of the fiscal year 2025 budget. There have been no similar proposals for iGaming in Massachusetts.

More impactful is the expansion of land-based gaming, either through the addition of table games at the existing Plainridge Park in Plainville, Massachusetts, or the construction of a new tribal casino in Taunton, Massachusetts. Tables at Plainridge Park are estimated to cost the State \$24.0 million per year, while a Taunton casino reduces revenue by \$19.0 million per year. There has been no recent action on either gaming expansion.

CCA also estimated the reduction in revenue from an indoor smoking ban at the State's two casinos, which it estimated at \$12.0 million per year. Massachusetts casinos never allowed smoking, and Connecticut's tribal casinos ended smoking during the pandemic. There were proposals during the State's 2023 legislative session to ban smoking at Rhode Island's casinos, but there are no current plans to do so.

On June 29, 2023, the Lottery received \$13.5 million, which is recorded as unearned contract revenue. These payments will be recognized as contract revenue over the term of the extended contract.

The legislation also authorizes the State Lottery Division to agree to contract extensions through June 30, 2043 with the Bally's Corporation (owner and operator of the Lottery's licensed gaming facilities) or an affiliate (Bally's) in exchange for constructing a 50,000 square foot addition to the Lincoln Gaming Facility and leasing commercial space in the City of Providence. The extension would mandate a \$100.0 million investment by Bally's relating to the Lincoln expansion and improvements. In addition, the Bally's extension will require Bally's to enter into a Joint Venture with IGT for the right to be the exclusive Technology Provider of video lottery terminals (VLT) from the date of the Joint Venture to June 30, 2043.

Pension Benefits

The State's financial statements include the net pension liability for the various defined benefit pension plans covering state employees and teachers. Please see Note 18 to the financial statements for information about each of the state's pension plans.

Future operations will continue to be affected by the actuarial calculated amounts required to responsibly fund pensions consistent with statutory and actuarial requirements. Similarly, the overall net position will continue to be affected by market conditions affecting the fair value of assets accumulated for future pension benefits and the accounting measures reflecting the changes in those pension liabilities from year to year.

In addition to the comprehensive pension reform measures adopted in prior years, the State continues to responsibly manage its pension liabilities through investment management and adoption of appropriate actuarial assumptions.

Transportation Funding Initiative

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, an initiative, called RhodeWorks, was enacted by the General Assembly in 2016. RhodeWorks calls for investing an additional \$1.0 billion above current plans in transportation infrastructure to fix more than 150 structurally deficient bridges and make repairs to another 500 bridges to prevent them from becoming structurally deficient. The plan also refocuses efforts to expand transit. The plan is financed by 1) user fees on large commercial trucks, 2) \$300.0 million of new GARVEE debt that will be repaid with federal funds, and 3) \$129.0 million of federal funds made available sooner by restructuring existing federally funded debt. The plan is expected to save nearly \$1.0 billion over 10 years by addressing transportation infrastructure problems on a more proactive basis. Since RhodeWorks was enacted in 2016, DOT has overseen 304 projects including completion of 306 bridges.

The federal Infrastructure Investment and Jobs Act (IIJA), a 5-year infrastructure funding package, is expected to provide \$1.7 billion for transportation infrastructure to the State. This new funding will expedite 100 projects valued at \$2.1 billion in the state Transportation Improvement Program. State matching funds will be combined with the federal funds to accelerate these improvements. In addition, the IIJA provides funding for significant investments in the State's airports, transit systems, electric vehicle charging networks, high-speed internet coverage, and drinking water infrastructure, as many of the

infrastructure improvements targeted by the act. This unprecedented infrastructure investment will greatly assist the State in addressing current transportation infrastructure deficiencies while also allowing the State to make new investments modernizing the infrastructure that supports telecommunications, power grids, clean energy initiatives and other vital infrastructure.

Information Technology Security and Cybersecurity

The State relies upon a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats and potential attacks on its computing and other digital networks and systems. To mitigate the risk of impact to State operations and damage from cybersecurity incidents or cyber-attacks, the State has prioritized and increased investments in multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer that align with the well-defined cybersecurity and risk management frameworks.

Statewide School Construction Funding

Voters approved a \$250.0 million Statewide School Construction Bond, a new funding mechanism designed to provide upfront funding for local school construction projects. Pursuant to RIGL 45-38.2-4(e)(2), funding is based on a set percentage of foundational housing aid awarded. Local education agencies with Necessity of School Construction approvals will be offered 15.0% of the state share of their approval on a pay-as-you-go basis for projects that have not been completed and for projects that have not been issued permanent financing (bonds) through RIHEBC. The State has authorized school project awards approximating the approved \$250.0 million to date in conjunction with this program. This commitment will help our state to create learning environments that support the attainment of the academic, social, emotional, career readiness, and citizenship knowledge, skills, and competencies necessary to be successful in the 21st century. Additionally, another \$250.0 million bond was authorized by the voters during the November 2022 election.

Requests for Information

This report is designed to provide a general overview of the State's finances and accountability for the State's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be sent to Tara Mello, Associate Controller at tara.m.mello@doa.ri.gov. The State's Annual Comprehensive Financial Report may be found on the State Controller's home page, <http://controller.admin.ri.gov/index.php>. Requests for additional information related to component units should be addressed to the entities as listed in Note 1 of the financial statements.

Basic Financial Statements



State of Rhode Island

Fiscal Year Ended

June 30, 2023



State of Rhode Island
Statement of Net Position
June 30, 2023
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 3,454,419	\$ 61,447	\$ 3,515,866	\$ 528,547
Funds on deposit with fiscal agent	232,874	456,887	689,761	—
Investments	—	—	—	52,939
Receivables (net)	780,393	87,540	867,933	116,842
Lease receivable	899	2,780	3,679	10,075
Restricted assets:				
Cash and cash equivalents	49,928	28,676	78,604	1,073,020
Investments	—	—	—	148,916
Receivables (net)	—	—	—	99,328
Other assets	—	—	—	31,228
Due from primary government	—	—	—	30,420
Due from component units	4,564	—	4,564	5,856
Internal balances	5,371	(5,371)	—	—
Due from other governments and agencies	472,116	1,486	473,602	982
Inventories	2,020	1,410	3,430	9,393
Prepaid items	7,846	—	7,846	—
Other assets	203,964	943	204,907	19,020
Total current assets	5,214,394	635,798	5,850,192	2,126,566
Non-current assets:				
Investments	—	—	—	309,117
Receivables (net)	134,231	—	134,231	42,077
Due from other governments and agencies	19,959	—	19,959	—
Restricted assets:				
Cash and cash equivalents	—	—	—	66,288
Investments	—	—	—	1,218,155
Receivables (net)	—	—	—	1,187,097
Other assets	—	—	—	1,244,824
Due from component units	27,802	—	27,802	61
Net pension asset	1,038	—	1,038	—
Net OPEB asset	15,182	—	15,182	—
Capital assets - non-depreciable	1,727,369	53,072	1,780,441	499,125
Capital assets - depreciable (net)	3,647,443	88,288	3,735,731	1,991,974
Right to use lease assets (net)	62,731	997	63,728	42,470
Subscription-based IT assets (net)	10,006	—	10,006	12,581
Lease receivable	19,273	25,032	44,305	217,238
Other assets	—	103	103	234,765
Total non-current assets	5,665,034	167,492	5,832,526	7,065,772
Total assets	10,879,428	803,290	11,682,718	9,192,338
Deferred outflows of resources	575,751	6,564	582,315	116,127

(Continued)

State of Rhode Island
Statement of Net Position
June 30, 2023
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
Liabilities and deferred inflows of resources				
Current Liabilities:				
Accounts payable	\$ 907,173	\$ 24,791	\$ 931,964	\$ 85,140
Notes payable	—	—	—	104,898
Loans Payable	—	—	—	1,915
Due to primary government	—	—	—	4,564
Due to component units	30,420	—	30,420	356
Due to other governments and agencies	—	3,164	3,164	—
Accrued expenses	—	4,810	4,810	9,932
Current portion of long term lease liability	16,689	329	17,018	3,335
Current portion of Subs. based liability	6,589	—	6,589	5,433
Unearned revenue	910,359	—	910,359	74,565
Other current liabilities	171,119	1,043	172,162	589,103
Current portion of long-term liabilities	306,820	25,090	331,910	162,841
Obligation for unpaid prize awards	—	12,383	12,383	—
Total current liabilities	2,349,169	71,610	2,420,779	1,042,082
Non-current Liabilities:				
Due to primary government	—	—	—	27,802
Net pension liability	1,994,860	18,689	2,013,549	276,587
Net pension liability-special funding situation	1,148,198	—	1,148,198	—
Net OPEB liability	256,682	2,578	259,260	124,581
Unearned revenue	—	12,869	12,869	2,716
Due to component units	—	—	—	30
Notes payable	—	—	—	284,466
Loans payable	—	—	—	20,320
Certificates of Participation	62,516	—	62,516	—
Lease liability	53,696	685	54,381	41,861
Subscription-based IT liability	1,900	—	1,900	4,679
Compensated absences	23,471	348	23,819	27,319
Bonds payable	2,652,655	140,200	2,792,855	2,863,634
Other liabilities	90,572	—	90,572	429,832
Total non-current liabilities	6,284,550	175,369	6,459,919	4,103,827
Total liabilities	8,633,719	246,979	8,880,698	5,145,909
Deferred inflows of resources	287,558	29,345	316,903	321,464
Net position (deficit)				
Net investment in capital assets	4,771,719	2,612	4,774,331	1,866,245
Restricted for:				
Capital Projects	1,162,956	—	1,162,956	—
Debt	75,649	4,768	80,417	260,541
Employment security programs	186,409	539,964	726,373	—
Infrastructure Bank loan programs	—	—	—	921,271
General government operations	78,702	—	78,702	—
Health and Human Services	246,400	—	246,400	—
Other	108,763	—	108,763	203,207
Nonexpendable	174	—	174	354,629
Unrestricted (deficit)	(4,096,870)	(13,814)	(4,110,684)	235,199
Total net position	\$ 2,533,902	\$ 533,530	\$ 3,067,432	\$ 3,841,092

(Concluded)

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Statement of Activities
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 1,502,761	\$ 296,849	\$ 594,759	\$ 607	\$ (610,546)	\$ —	\$ (610,546)	\$ —
Health and human services	5,343,135	401,985	3,812,894	7,162	(1,121,094)	—	(1,121,094)	—
Education	2,246,321	55,374	463,058	474	(1,727,415)	—	(1,727,415)	—
Public safety	644,170	55,612	108,036	7,320	(473,202)	—	(473,202)	—
Natural resources	141,230	42,095	26,738	2,890	(69,507)	—	(69,507)	—
Transportation	395,122	33,271	99,512	398,450	136,111	—	136,111	—
Interest and other charges	84,676	—	—	—	(84,676)	—	(84,676)	—
Total governmental activities	10,357,415	885,186	5,104,997	416,903	(3,950,329)	—	(3,950,329)	—
Business-type activities:								
State Lottery	1,062,933	1,494,982	—	—	—	432,049	432,049	—
Convention Center	54,366	34,675	—	—	—	(19,691)	(19,691)	—
Employment Security	154,740	245,177	19	—	—	90,456	90,456	—
Total business-type activities	1,272,039	1,774,834	19	—	—	502,814	502,814	—
Total primary government	\$ 11,629,454	\$ 2,660,020	\$ 5,105,016	\$ 416,903	\$ (3,950,329)	\$ 502,814	\$ (3,447,515)	\$ —
Component units:	\$ 1,764,167	\$ 861,459	\$ 841,842	\$ 228,362				\$ 167,496
General Revenues:								
Taxes:								
Personal income					1,801,634	—	1,801,634	—
General business					606,737	—	606,737	—
Sales and use					1,719,557	—	1,719,557	—
Gasoline					158,273	—	158,273	—
Other					414,149	—	414,149	—
Interest and investment earnings (losses)					113,869	3,592	117,461	40,988
Miscellaneous revenue					102,907	10,386	113,293	69,670
Net gain (loss) on sale of capital assets					—	—	—	138
Transfers (net)					283,740	(283,740)	—	—
Total general revenues and transfers					5,200,866	(269,762)	4,931,104	110,796
Change in net position					1,250,537	233,052	1,483,589	278,292
Net position - beginning as restated					1,283,365	300,478	1,583,843	3,562,800
Net position - ending					\$ 2,533,902	\$ 533,530	\$ 3,067,432	\$ 3,841,092

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Balance Sheet
Governmental Funds
June 30, 2023
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,751,727	\$ 166,655	\$ 1,015,156	\$ 489,009	\$ 3,422,547
Funds on deposit with fiscal agent	—	181,649	—	51,225	232,874
Restricted cash equivalents	—	—	—	49,928	49,928
Receivables (net)	797,753	15,272	—	88,023	901,048
Due from other funds	11,205	50	—	1,161	12,416
Due from other governments and agencies	393,777	95,498	—	—	489,275
Loans to other funds	15,312	—	—	—	15,312
Lease Receivables	16,641	3,278	—	253	20,172
Other assets	197,711	—	—	—	197,711
Total assets	\$ 3,184,126	\$ 462,402	\$ 1,015,156	\$ 679,599	\$ 5,341,283
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	776,988	89,654	9,424	4,100	880,166
Due to other funds	—	—	427	1,043	1,470
Due to component units	16,630	5,433	6,126	1,928	30,117
Loans from other funds	—	—	—	15,008	15,008
Unearned revenue	910,090	—	—	—	910,090
Other liabilities	136,514	15,921	707	1,354	154,496
Total liabilities	1,840,222	111,008	16,684	23,433	1,991,347
Deferred inflows of resources	150,713	20,437	—	253	171,403
Fund Balances					
Non-spendable	194,629	—	—	174	194,803
Restricted	435,780	202,443	998,472	655,223	2,291,918
Committed	20,381	127,819	—	202	148,402
Assigned	415,828	695	—	390	416,913
Unassigned	126,573	—	—	(76)	126,497
Total fund balances	1,193,191	330,957	998,472	655,913	3,178,533
Total liabilities, deferred inflows of resources and fund balances	\$ 3,184,126	\$ 462,402	\$ 1,015,156	\$ 679,599	\$ 5,341,283

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2023
(Expressed in Thousands)

Fund balance - total governmental funds \$ 3,178,533

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital Assets used in the governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets	9,595,860	
Accumulated depreciation	(4,224,680)	
		5,371,180
Right to use lease assets	93,979	
Accumulated depreciation	(31,247)	
		62,732
Subscription-based IT assets	7,146	
Accumulated depreciation	(2,701)	
		4,445

Deferred outflows of resources 575,751

Bonds, notes, certificates of participation, accrued interest, net pension liabilities and other liabilities are not due and payable in the current period and therefore are not recorded in the governmental funds.

Compensated absences	(102,010)	
Bonds payable	(2,681,055)	
Net premium/discount on Bonds	(168,155)	
Obligations under leases	(79,365)	
Premium on Certificates of Participation	(4,221)	
Lease Liability	(70,309)	
Subscription-based IT liability	(3,684)	
Interest payable	(23,754)	
Net pension liabilities	(3,143,058)	
Net OPEB liabilities	(256,682)	
Other liabilities	(90,484)	
		(6,622,777)

Other long-term assets and unearned revenue are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Receivables	2,800	
Due from component units	32,061	
Net OPEB asset	15,182	
Net pension asset	1,038	
Prepaid asset	7,846	
Unavailable revenue	151,232	
		210,159

Deferred inflows of resources (267,387)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net position of the internal service funds is reported with governmental activities. 21,266

Net position - total governmental activities \$ 2,533,902

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	<u>General</u>	<u>Intermodal Surface Transportation</u>	<u>Rhode Island Capital Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 4,232,037	\$ 233,958	\$ —	\$ 239,053	\$ 4,705,048
Licenses, fines, tolls, sales, and services	413,645	31,786	—	2,042	447,473
Departmental restricted revenue	327,533	1,433	—	—	328,966
Federal grants	5,023,852	495,994	—	—	5,519,846
Income from investments	59,650	11,650	20,101	21,684	113,085
Other revenues	57,831	1,358	—	48,194	107,383
Total revenues	<u>10,114,548</u>	<u>776,179</u>	<u>20,101</u>	<u>310,973</u>	<u>11,221,801</u>
Expenditures:					
Current:					
General government	1,241,092	—	—	240,310	1,481,402
Health and human services	5,352,501	—	—	—	5,352,501
Education	2,183,718	—	—	171	2,183,889
Public safety	701,231	—	—	—	701,231
Natural resources	125,842	—	—	—	125,842
Transportation	—	691,724	—	3,246	694,970
Capital outlays	—	—	80,069	163,420	243,489
Debt service:					
Principal	162,860	47,513	1,494	28,090	239,957
Interest and other charges	61,425	25,797	—	23,060	110,282
Total expenditures	<u>9,828,669</u>	<u>765,034</u>	<u>81,563</u>	<u>458,297</u>	<u>11,133,563</u>
Excess (deficiency) of revenues over (under) expenditures	285,879	11,145	(61,462)	(147,324)	88,238
Other financing sources (uses):					
Issuance of bonds and notes	—	—	—	222,750	222,750
Issuance of refunding bonds	—	—	—	43,240	43,240
Proceeds from forward delivery bond agreement	5,900	—	—	—	5,900
Subscription-based IT financing	976	282	—	25	1,283
Debt Issuance Premiums	—	—	—	14,548	14,548
Transfers in	510,655	58,253	432,033	31,224	1,032,165
Payment to advance refunded bonds escrow agent	—	—	—	(43,719)	(43,719)
Transfers out	(593,936)	(61,953)	(71,324)	(21,212)	(748,425)
Total other financing sources (uses)	<u>(76,405)</u>	<u>(3,418)</u>	<u>360,709</u>	<u>246,856</u>	<u>527,742</u>
Net change in fund balances	209,474	7,727	299,247	99,532	615,980
Fund balances - beginning	983,717	323,230	699,225	556,381	2,562,553
Fund balances - ending	<u>\$ 1,193,191</u>	<u>\$ 330,957</u>	<u>\$ 998,472</u>	<u>\$ 655,913</u>	<u>\$ 3,178,533</u>

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 615,980

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Current year acquisitions are therefore deducted from expenses on the Statement of Activities, less current year depreciation expense and revenue resulting from current year disposals.

Capital outlay	525,255	
Depreciation expense	<u>(272,152)</u>	
		253,103

Bond, note, and certificate of participation proceeds provide current financial resources to governmental funds by issuing debt which increases long-term debt in the Statement of Net Position. Repayments of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal paid on debt	239,956	
Debt defeased in refunding	43,240	
Accrued interest and other charges	(1,284)	
Proceeds from sale of debt	(265,990)	
Refunding loss deferral	3,999	
Deferral of premium/discount	(19,980)	
Amortization of premium/discount	42,585	
Accreted interest	(15,725)	
Amortization of refunding gains/losses	(3,794)	
		23,007

Revenues, expense reductions, and (expenses) in the Statement of Activities that do not provide (use) current financial resources are not reported as revenues (expenditures) in the governmental funds. In the current period, the net adjustments consist of:

Compensated absences	(5,806)	
Pension expenses, net of related deferred outflows	222,775	
OPEB expenses, net of related deferred outflows	40,662	
Program expenses	(2,979)	
Program and miscellaneous revenue	(5,609)	
Operating and capital grant revenue	110,686	
General revenue - taxes	<u>(4,699)</u>	
		355,030

Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position of the internal service funds is reported with governmental activities.

	3,417
Change in net position - total governmental activities	<u><u>\$ 1,250,537</u></u>

The notes to the financial statements are an integral part of this statement.

**State of Rhode Island
Statement of Net Position
Proprietary Funds
June 30, 2023
(Expressed in Thousands)**

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I.			Totals	Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security		
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	\$ 43,874	\$ 9,573	\$ 8,000	\$ 61,447	\$ 31,916
Restricted cash and cash equivalents	—	28,676	—	28,676	—
Funds on deposit with fiscal agent	—	—	456,887	456,887	—
Receivables (net)	8,459	1,693	77,388	87,540	13,603
Due from other funds	—	—	—	—	5,327
Due from other governments and agencies	—	—	1,486	1,486	—
Loans to other funds	—	—	—	—	173
Lease Receivable	91	2,689	—	2,780	—
Inventories	1,410	—	—	1,410	2,021
Other assets	345	598	—	943	6,235
Total current assets	<u>54,179</u>	<u>43,229</u>	<u>543,761</u>	<u>641,169</u>	<u>59,275</u>
Non-current assets:					
Capital assets - non-depreciable	—	53,072	—	53,072	—
Capital assets - depreciable (net)	307	87,981	—	88,288	3,630
Right to use asset - lease (net)	951	46	—	997	—
Subscription-based IT assets (net)	—	—	—	—	5,562
Lease receivable	2,236	22,796	—	25,032	—
Other assets	—	103	—	103	—
Total non-current assets	<u>3,494</u>	<u>163,998</u>	<u>—</u>	<u>167,492</u>	<u>9,192</u>
Total assets	<u>57,673</u>	<u>207,227</u>	<u>543,761</u>	<u>808,661</u>	<u>68,467</u>
Deferred outflows of resources	<u>4,376</u>	<u>2,188</u>	<u>—</u>	<u>6,564</u>	<u>—</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	16,938	7,277	576	24,791	27,011
Due to other funds	5,240	74	57	5,371	10,902
Due to other governments and agencies	—	—	3,164	3,164	—
Loans from other funds	—	—	—	—	477
Lease liability	307	22	—	329	—
Accrued expenses	4,810	—	—	4,810	—
Unearned revenue	675	3,582	—	4,257	—
Subscription-based IT liability	—	—	—	—	4,351
Other current liabilities	894	149	—	1,043	4,033
Bonds payable	—	20,525	—	20,525	—
Compensated absences	308	—	—	308	—
Obligation for unpaid prize awards	12,383	—	—	12,383	—
Total current liabilities	<u>41,555</u>	<u>31,629</u>	<u>3,797</u>	<u>76,981</u>	<u>46,774</u>
Non-current liabilities:					
Net pension liability	18,689	—	—	18,689	—
Net OPEB liability	2,578	—	—	2,578	—
Unearned revenue	12,825	44	—	12,869	—
Subscription-based IT liability	—	—	—	—	427
Bonds payable	—	140,200	—	140,200	—
Compensated absences	348	—	—	348	—
Lease liability	661	24	—	685	—
Total non-current liabilities	<u>35,101</u>	<u>140,268</u>	<u>—</u>	<u>175,369</u>	<u>427</u>
Total liabilities	<u>76,656</u>	<u>171,897</u>	<u>3,797</u>	<u>252,350</u>	<u>47,201</u>
Deferred inflows of resources	<u>4,029</u>	<u>25,316</u>	<u>—</u>	<u>29,345</u>	<u>—</u>
Net Position (Deficit)					
Net investment in capital assets	291	2,321	—	2,612	4,414
Restricted for:					
Debt	—	4,768	—	4,768	—
Employment insurance programs	—	—	539,964	539,964	—
Unrestricted (deficit)	(18,927)	5,113	—	(13,814)	16,852
Total net position (deficit)	<u>\$ (18,636)</u>	<u>\$ 12,202</u>	<u>\$ 539,964</u>	<u>\$ 533,530</u>	<u>\$ 21,266</u>

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I.				Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security	Totals	
Operating revenues:					
Charges for services	\$ —	\$ 31,070	\$ —	\$ 31,070	\$ 499,688
Employer premiums	—	—	240,090	240,090	—
Lottery sales	316,303	—	—	316,303	—
Video lottery (net)	531,976	—	—	531,976	—
Lease Revenue	—	3,009	—	3,009	—
Table games	136,600	—	—	136,600	—
Sports book	509,469	—	—	509,469	—
Federal grants	—	—	19	19	—
Miscellaneous	634	596	5,087	6,317	—
Total operating revenues	1,494,982	34,675	245,196	1,774,853	499,688
Operating expenses:					
Personnel services	11,687	17,508	—	29,195	61,300
Supplies, materials, and services	394,876	14,988	—	409,864	431,663
Prize awards, net of prize recoveries	655,938	—	—	655,938	—
Depreciation and amortization	432	13,324	—	13,756	4,091
Benefits paid	—	—	154,740	154,740	—
Total operating expenses	1,062,933	45,820	154,740	1,263,493	497,054
Operating income (loss)	432,049	(11,145)	90,456	511,360	2,634
Non-operating revenues (expenses):					
Interest revenue	2,136	1,456	—	3,592	786
Other non-operating revenues (expenses)	1,485	2,002	6,899	10,386	(3)
Interest expense	—	(8,546)	—	(8,546)	—
Total non-operating revenue (expenses)	3,621	(5,088)	6,899	5,432	783
Income (loss) before transfers	435,670	(16,233)	97,355	516,792	3,417
Transfers in	—	50,957	99,970	150,927	—
Transfers out	(434,667)	—	—	(434,667)	—
Change in net position	1,003	34,724	197,325	233,052	3,417
Net position (deficit) - beginning	(19,639)	(22,522)	342,639	300,478	17,849
Net position (deficit) - ending	\$ (18,636)	\$ 12,202	\$ 539,964	\$ 533,530	\$ 21,266

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Cash flows from operating activities:					
Cash received from gaming activities	\$ 1,506,420	\$ —	\$ —	\$ 1,506,420	\$ —
Cash received from customers	—	30,899	—	30,899	503,126
Cash received from employer premiums	—	—	242,007	242,007	—
Cash received from grants	—	—	(1,664)	(1,664)	—
Cash payments for gaming activities	(1,042,190)	—	—	(1,042,190)	—
Cash payments to suppliers	(7,222)	(15,064)	—	(22,286)	(426,268)
Cash payments to employees	(12,032)	(17,619)	—	(29,651)	(61,977)
Cash payments for benefits - Employment Security Fund	—	—	(156,598)	(156,598)	—
Other operating revenue (expense)	—	11,423	(1,315)	10,108	(5)
Net cash provided by (used for) operating activities	444,976	9,639	82,430	537,045	14,876
Cash flows from non-capital financing activities:					
Loans from other funds	—	—	—	—	340
Loans to other funds	—	—	—	—	(1,370)
Repayment of loans to other funds	—	—	—	—	(357)
Repayment of loans from other funds	—	—	—	—	(7,117)
Transfers in	—	40,610	100,068	140,678	—
Transfers out	(432,738)	—	—	(432,738)	—
Cash overdraft	(9,102)	—	—	(9,102)	—
Net transfers from (to) fiscal agent	—	—	(180,495)	(180,495)	—
Net cash provided by (used for) non-capital financing activities	(441,840)	40,610	(80,427)	(481,657)	(8,504)
Cash flows from capital and related financing activities:					
Principal paid on capital obligations	—	(20,250)	—	(20,250)	—
Principal and interest under leases	(300)	3,293	—	2,993	3,864
Interest paid on capital obligations	—	(7,499)	—	(7,499)	111
Acquisition of capital assets	(194)	(5,254)	—	(5,448)	(9,563)
Net cash provided by (used for) capital and related financing activities	(494)	(29,710)	—	(30,204)	(5,588)
Cash flows from investing activities:					
Interest on investments	2,136	1,077	—	3,213	786
Net cash provided by investing activities	2,136	1,077	—	3,213	786
Net increase (decrease) in cash and cash equivalents	4,778	21,616	2,003	28,397	1,570
Cash and cash equivalents, July 1	39,096	16,633	5,997	61,726	30,346
Cash and cash equivalents, June 30	<u>\$ 43,874</u>	<u>\$ 38,249</u>	<u>\$ 8,000</u>	<u>\$ 90,123</u>	<u>\$ 31,916</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	432,049	(11,145)	90,456	511,360	2,634
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	432	13,324	—	13,756	4,075
Other revenue (expense) and transfers in (out)	860	7,927	(5,138)	3,649	62
Net changes in assets and liabilities:					
Receivables (net)	(3,092)	(45)	1,918	(1,219)	5,612
Lease Receivable	525	—	—	525	—
Inventory	(450)	—	—	(450)	12
Deferred outflows of resources	866	—	—	866	—
Prepaid items	13	53	—	66	197
Due to / due from transactions	7	—	555	562	—
Accounts and other payables	4,571	(239)	(3,674)	658	2,818
Accrued expenses	(2,844)	—	(4)	(2,848)	(534)
Net pension liability	2,131	—	—	2,131	—
Net OPEB liability	432	—	—	432	—
Deferred inflows of resources	(4,332)	—	—	(4,332)	—
Unearned revenue	13,338	(236)	(1,683)	11,419	—
Prize awards payable	470	—	—	470	—
Total adjustments	12,927	20,784	(8,026)	25,685	12,242
Net cash provided by (used for) operating activities	<u>\$ 444,976</u>	<u>\$ 9,639</u>	<u>\$ 82,430</u>	<u>\$ 537,045</u>	<u>\$ 14,876</u>

(Continued)

State of Rhode Island
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Supplemental disclosure of noncash financing activities:

RI Lottery

Recognition of lease receivable and related deferred lease revenues and interest due to change in lease terms.	<u>\$</u> <u>436</u>
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RI Convention Center

Recognition of lease receivable and related deferred lease revenues and interest	<u>\$</u> <u>2,655</u>
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Settlement of offsetting obligation and receivables under management agreement	<u>\$</u> <u>26</u>
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Disposal of capital assets	<u>\$</u> <u>(9)</u>
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(Concluded)

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2023
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
Assets				
Cash and cash equivalents	\$ 18,144	\$ —	\$ 7,757	\$ —
Deposits held for others	—	—	—	46,787
Receivables				
Contributions	20,981	—	—	—
Due from State for teachers	24,747	—	—	—
Due from other plans	1,546	—	—	—
Other	1,406	—	—	23,078
Miscellaneous	—	—	195	—
Total receivables	<u>48,680</u>	<u>—</u>	<u>195</u>	<u>23,078</u>
Prepaid expenses	1,682	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	61,396	—	—
Equity in pooled trusts	11,169,582	—	—	—
Other investments	1,746,212	—	4,223,226	—
Total investments	<u>12,915,794</u>	<u>61,396</u>	<u>4,223,226</u>	<u>—</u>
Total assets	<u>12,984,300</u>	<u>61,396</u>	<u>4,231,178</u>	<u>69,865</u>
Liabilities				
Accounts payable	6,603	56	10,871	—
Due to other plans	4,547	—	—	—
Incurred but not reported claims	923	—	—	—
Other	9,974	—	—	—
Unclaimed property claims	—	—	—	1,730
Due to inmates and beneficiaries	—	—	—	617
Total liabilities	<u>22,047</u>	<u>56</u>	<u>10,871</u>	<u>2,347</u>
Net position				
Restricted for:				
Pension benefits	12,387,315	—	—	—
Other postemployment benefits	574,938	—	—	—
External investment pool participants	—	61,340	—	—
Tuition savings program	—	—	4,212,418	—
Individuals, organizations and other governments	—	—	—	67,518
Other	—	—	7,889	—
Total fiduciary net position	<u>\$ 12,962,253</u>	<u>\$ 61,340</u>	<u>\$ 4,220,307</u>	<u>\$ 67,518</u>

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
Additions				
Contributions				
Member contributions	\$ 232,724	\$ —	\$ —	\$ —
Employer contributions	592,402	—	—	—
Additional employer contributions	91	—	—	—
Supplemental employer contributions	35	—	—	—
State contributions for teachers	122,455	—	—	—
Interest on service credits purchased	133	—	—	—
Service credit transfers	16,827	—	—	—
From program participants	—	228,186	312,309	—
Total contributions	<u>964,667</u>	<u>228,186</u>	<u>312,309</u>	<u>—</u>
Other income	<u>1,925</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investment income				
Increase (Decrease) in fair value of investments	1,038,477	—	112,976	(1,470)
Interest	82,453	2,500	—	—
Dividends	82,622	—	148,850	—
Other investment income	405	—	—	—
	<u>1,203,957</u>	<u>2,500</u>	<u>261,826</u>	<u>(1,470)</u>
Less: investment expense	<u>(128,825)</u>	<u>(77)</u>	<u>—</u>	<u>—</u>
Net investment income (loss)	<u>1,075,132</u>	<u>2,423</u>	<u>261,826</u>	<u>(1,470)</u>
Unclaimed property	—	—	—	38,404
Deposits for patients, clients and inmates	—	—	—	9,784
Miscellaneous	—	—	—	4,519
Total additions	<u>2,041,724</u>	<u>230,609</u>	<u>574,135</u>	<u>51,237</u>
Deductions				
Retirement benefits	1,019,520	—	—	—
Death benefits	3,248	—	—	—
Distributions	46,367	249,536	—	—
Program participant redemptions	—	—	789,677	—
Refund of contributions	6,724	—	—	—
Administrative expense	10,817	—	15,584	—
Service credit transfers	16,827	—	—	—
OPEB benefits	31,205	—	—	—
Payments and transfers of unclaimed property	—	—	—	36,241
Payments made on behalf of individuals in State care	—	—	—	9,272
Miscellaneous	—	—	—	9,510
Total deductions	<u>1,134,708</u>	<u>249,536</u>	<u>805,261</u>	<u>55,023</u>
Change in net position restricted for:				
Pension benefits	833,048	—	—	—
Other postemployment benefits	73,968	—	—	—
External investment pool participants	—	(18,927)	—	—
Tuition savings program	—	—	(232,527)	—
Other	—	—	1,401	(3,786)
Fiduciary net position - beginning	<u>12,055,237</u>	<u>80,267</u>	<u>4,451,433</u>	<u>71,304</u>
Fiduciary net position - ending	<u>\$ 12,962,253</u>	<u>\$ 61,340</u>	<u>\$ 4,220,307</u>	<u>\$ 67,518</u>

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2023
(Expressed in Thousands)

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 52,946	\$ 17,262	\$ 860	\$ 14,091	\$ 1,029
Investments	50,768	—	—	2,171	—
Receivables (net)	4,791	2,457	165	7,101	87
Lease receivable	2,393	—	—	60	51
Restricted assets:					
Cash and cash equivalents	25,558	207,579	6,557	—	13,144
Investments	—	2,390	—	—	8,292
Receivables (net)	—	29	—	—	945
Due from primary government	21	6,081	177	5,977	1,378
Due from other component units	—	2	—	—	—
Inventories	—	—	—	1,845	47
Other assets	460	336	97	165	277
Total current assets	<u>136,937</u>	<u>236,136</u>	<u>7,856</u>	<u>31,410</u>	<u>25,250</u>
Non-current Assets:					
Investments	—	1,327	—	5,931	—
Receivables (net)	—	9,493	—	—	—
Lease receivable	15,800	—	—	226	53
Restricted assets:					
Cash and cash equivalents	42,142	5,934	—	—	15,054
Investments	9,614	7,334	—	—	111,540
Receivables (net)	1,370	118	—	—	—
Other assets	—	—	—	—	—
Capital assets - non-depreciable	66,671	7,899	556	45,890	4,380
Capital assets - depreciable (net)	433,313	83	—	117,313	213,583
Lease assets (net)	—	1,544	—	—	—
Right to use subscription-based IT asset (net)	—	95	—	875	35
Due from other component units	—	—	—	—	—
Other assets, net of amortization	59	1,105	568	2,014	—
Total non-current assets	<u>568,969</u>	<u>34,932</u>	<u>1,124</u>	<u>172,249</u>	<u>344,645</u>
Total assets	<u>705,906</u>	<u>271,068</u>	<u>8,980</u>	<u>203,659</u>	<u>369,895</u>
Deferred outflows of resources	<u>309</u>	<u>2,254</u>	<u>—</u>	<u>50,476</u>	<u>—</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2023
(Expressed in Thousands)

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
Liabilities and deferred inflows of resources					
Current Liabilities:					
Accounts payable	2,404	2,876	431	6,998	562
Due to primary government	—	—	—	810	40
Due to other component units	235	—	—	—	—
Accrued Expenses	—	—	—	—	5,108
Unearned revenue	2,079	33,501	584	2,017	6,853
Lease liability	428	422	—	—	—
Subscription-based IT liability	—	7	—	199	—
Other liabilities	9,612	22,308	847	8,551	—
Compensated absences	—	—	—	140	—
Current portion of long-term debt	21,610	1,446	2,085	—	6,680
Total current liabilities	<u>36,368</u>	<u>60,560</u>	<u>3,947</u>	<u>18,715</u>	<u>19,243</u>
Non-current Liabilities:					
Due to primary government	—	—	—	6,381	—
Due to other component units	30	—	—	—	—
Unearned revenue	—	1,581	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Lease liability	—	1,122	—	—	—
Subscription-based IT liability	—	9	—	717	—
Net pension liability	1,189	129	—	89,933	—
Net OPEB liability	162	17	—	63,839	—
Other liabilities	—	891	—	10,629	—
Compensated absences	—	—	—	326	—
Bonds payable	212,612	5,022	27,970	—	191,669
Total non-current liabilities	<u>213,993</u>	<u>8,771</u>	<u>27,970</u>	<u>171,825</u>	<u>191,669</u>
Total liabilities	<u>250,361</u>	<u>69,331</u>	<u>31,917</u>	<u>190,540</u>	<u>210,912</u>
Deferred inflows of resources	<u>17,640</u>	<u>1,533</u>	<u>—</u>	<u>33,601</u>	<u>101</u>
Net position (deficit)					
Net investment in capital assets	284,330	7,933	556	155,272	110,489
Restricted for:					
Debt	27,906	—	—	—	47,881
Program purposes	—	—	—	—	—
Other	6,930	1,107	6,453	9,279	—
Other nonexpendable	21,085	165,666	—	—	—
Unrestricted (deficit)	97,963	27,752	(29,946)	(134,557)	512
Total net position (deficit)	<u>\$ 438,214</u>	<u>\$ 202,458</u>	<u>\$ (22,937)</u>	<u>\$ 29,994</u>	<u>\$ 158,882</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2023
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 236,499	\$ 48,109	\$ 47,648	\$ 110,103	\$ 528,547
Investments	—	—	—	—	52,939
Receivables (net)	60,586	7,221	5,549	28,885	116,842
Lease receivable	—	11	46	7,514	10,075
Restricted assets:					
Cash and cash equivalents	—	—	501	819,681	1,073,020
Investments	—	—	—	138,234	148,916
Receivables (net)	—	—	—	98,354	99,328
Other assets	—	—	—	31,228	31,228
Due from primary government	2,388	2,573	2,006	9,819	30,420
Due from other governments	—	—	—	982	982
Due from other component units	—	—	—	5,854	5,856
Inventories	3,649	—	160	3,692	9,393
Other assets	2,247	1,953	4,929	8,556	19,020
Total current assets	<u>305,369</u>	<u>59,867</u>	<u>60,839</u>	<u>1,262,902</u>	<u>2,126,566</u>
Non-current Assets:					
Investments	256,396	39,795	5,668	—	309,117
Receivables (net)	9,714	739	—	22,131	42,077
Lease receivable	—	4	330	200,825	217,238
Restricted assets:					
Cash and cash equivalents	2,486	599	—	73	66,288
Investments	—	—	—	1,089,667	1,218,155
Receivables (net)	185	—	—	1,185,424	1,187,097
Other assets	31,083	1,079	—	1,212,662	1,244,824
Capital assets - non-depreciable	45,328	6,211	16,318	305,872	499,125
Capital assets - depreciable (net)	801,890	179,593	65,384	180,815	1,991,974
Lease assets (net)	6,792	19	24	34,091	42,470
Right to use subscription-based IT asset (net)	10,054	564	914	44	12,581
Due from other component units	—	—	—	61	61
Other assets, net of amortization	3,898	—	—	227,121	234,765
Total non-current assets	<u>1,167,826</u>	<u>228,603</u>	<u>88,638</u>	<u>4,458,786</u>	<u>7,065,772</u>
Total assets	<u>1,473,195</u>	<u>288,470</u>	<u>149,477</u>	<u>5,721,688</u>	<u>9,192,338</u>
Deferred outflows of resources	<u>25,138</u>	<u>8,528</u>	<u>7,312</u>	<u>22,110</u>	<u>116,127</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2023
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Liabilities and deferred inflows of resources					
Current Liabilities:					
Accounts payable	31,355	10,903	10,794	18,817	85,140
Notes payable	—	168	—	104,730	104,898
Loans payable	100	—	—	1,815	1,915
Due to primary government	1,665	1,980	—	69	4,564
Due to other component units	—	—	—	121	356
Lease liability	655	11	518	1,301	3,335
Subscription-based IT liability	4,799	408	—	20	5,433
Accrued expenses	—	4,824	—	—	9,932
Unearned revenue	15,947	5,083	3,941	4,560	74,565
Other liabilities	23,291	131	—	513,200	577,940
Compensated absences	2,253	4,578	3,586	606	11,163
Current portion of long-term debt	13,273	1,079	323	116,345	162,841
Total current liabilities	<u>93,338</u>	<u>29,165</u>	<u>19,162</u>	<u>761,584</u>	<u>1,042,082</u>
Non-current Liabilities:					
Due to primary government	14,120	7,301	—	—	27,802
Due to other component units	—	—	—	—	30
Unearned revenue	—	—	—	1,135	2,716
Notes payable	—	—	—	284,466	284,466
Loans payable	48	—	—	20,272	20,320
Lease liability	6,357	9	283	34,090	41,861
Subscription-based IT liability	3,763	185	—	5	4,679
Net pension liability	95,758	31,079	26,669	31,830	276,587
Net OPEB liability	21,377	9,973	8,294	20,919	124,581
Other liabilities	5,993	490	—	411,829	429,832
Compensated absences	22,010	1,091	673	3,219	27,319
Bonds payable	250,109	9,782	—	2,166,470	2,863,634
Total non-current liabilities	<u>419,535</u>	<u>59,910</u>	<u>35,919</u>	<u>2,974,235</u>	<u>4,103,827</u>
Total liabilities	<u>512,873</u>	<u>89,075</u>	<u>55,081</u>	<u>3,735,819</u>	<u>5,145,909</u>
Deferred inflows of resources	<u>26,285</u>	<u>13,831</u>	<u>9,016</u>	<u>219,457</u>	<u>321,464</u>
Net position (deficit)					
Net investment in capital assets	606,836	165,463	81,516	453,850	1,866,245
Restricted for:					
Debt	—	—	—	184,754	260,541
Program purposes	—	—	—	921,271	921,271
Other	142,106	7,157	4,526	25,649	203,207
Nonexpendable	133,127	31,688	3,063	—	354,629
Unrestricted (deficit)	77,106	(10,216)	3,587	202,998	235,199
Total net position (deficit)	<u>\$ 959,175</u>	<u>\$ 194,092</u>	<u>\$ 92,692</u>	<u>\$ 1,788,522</u>	<u>\$ 3,841,092</u>

(Concluded)

The notes to the financial statements are an integral part of this statement.

State of Rhode Island
Combining Statement of Activities
Component Units
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	\$ 80,526	\$ 60,456	\$ 5,938	\$ 148,740	\$ 34,338	\$ 646,824	\$ 159,126	\$ 145,713	\$ 482,506	\$ 1,764,167
Program revenues:										
Charges for services	73,926	5,041	1,036	16,631	31,473	387,542	56,101	37,341	252,368	861,459
Operating grants and contributions	10,615	18,120	5,193	117,074	—	249,491	89,695	115,431	236,223	841,842
Capital grants and contributions	11,374	—	—	40,216	15,159	32,448	11,133	10,895	107,137	228,362
Total program revenues	95,915	23,161	6,229	173,921	46,632	669,481	156,929	163,667	595,728	1,931,663
Net (expenses) revenues	15,389	(37,295)	291	25,181	12,294	22,657	(2,197)	17,954	113,222	167,496
General revenues:										
Interest and investment earnings (losses)	4,647	5,399	89	256	3,154	25,343	5,801	1,298	(4,999)	40,988
Miscellaneous revenue	366	56,993	—	10,127	119	—	925	—	1,140	69,670
Gain (Loss) on sale of capital assets	—	—	92	—	—	—	—	—	46	138
Total general revenue	5,013	62,392	181	10,383	3,273	25,343	6,726	1,298	(3,813)	110,796
Change in net position	20,402	25,097	472	35,564	15,567	48,000	4,529	19,252	109,409	278,292
Net position (deficit) - beginning as restated	<u>417,812</u>	<u>177,361</u>	<u>(23,409)</u>	<u>(5,570)</u>	<u>143,315</u>	<u>911,175</u>	<u>189,563</u>	<u>73,440</u>	<u>1,679,113</u>	<u>3,562,800</u>
Net position (deficit) - ending	<u>\$ 438,214</u>	<u>\$ 202,458</u>	<u>\$ (22,937)</u>	<u>\$ 29,994</u>	<u>\$ 158,882</u>	<u>\$ 959,175</u>	<u>\$ 194,092</u>	<u>\$ 92,692</u>	<u>\$ 1,788,522</u>	<u>\$ 3,841,092</u>

The notes to the financial statements are an integral part of this statement.

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Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying basic financial statements of the State of Rhode Island (the State) and its component units have been prepared in conformance with generally accepted accounting principles (GAAP) for governments as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

B. Reporting Entity

The accompanying financial statements include all funds of the State and its component units. GASB defines component units as legally separate organizations for which the elected officials of the primary government (such as the State) are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the State are such that exclusion from the State's financial statements would cause the statements to be misleading.

GASB has set forth criteria to be considered to determine financial accountability. The primary government (the State) is financially accountable if it appoints a voting majority of the entity's governing body **and** (1) it is able to impose its will on that entity **or** (2) there is a potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State. Also, the State is financially accountable if an entity is fiscally dependent on the State and there is the potential for the entity to provide specific financial benefits to, or to impose specific financial burdens on, the State, regardless of the State's appointment power over the governing body.

In accordance with GAAP, entities such as local school districts, charter schools, and other local authorities that may only partially meet the criteria for incorporation in this report have not been included. The State's financial support for the public education system is reported in the General Fund.

Blended Component Units

A component unit is reported as part of the primary government and blended into the appropriate funds when the following circumstances are met:

- The component unit provides services entirely or almost entirely to the primary government, or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it; or
- The component unit's governing body is substantively the same as the governing body of the primary government and (a) there is a financial benefit or burden relationship between the primary government and the component unit, or (b) management of the primary government has operational responsibility for the component unit; or
- The component unit's total debt outstanding is expected to be repaid entirely or almost entirely with resources of the primary government.

For each blended component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. Also, for the blended component units included in the State Annual Comprehensive Financial Report (ACFR), the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards.

The following component units are reported as part of the primary government in both the fund and government-wide financial statements.

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. RICCA is responsible for the management and operations of the R.I. Convention Center, Amica Mutual Pavilion, and the Veterans Memorial Auditorium Arts and Cultural Center. RICCA is dependent upon annual State appropriations of lease revenue by the General Assembly to fund debt service for its outstanding bonds. Therefore, RICCA's total debt outstanding, including leases, is expected to be repaid entirely with the resources from the State. For more detailed information, a copy of the RICCA financial statements can be obtained by writing to the R.I. Convention Center Authority, One LaSalle Square, Providence, RI 02903 or at www.riconvention.com.

Tobacco Settlement Financing Corporation (TSFC)

TSFC was organized in June 2002 as a public corporation by the State. TSFC is legally separate and provides services exclusively to the State through the purchase of its future tobacco settlement revenues. TSFC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

The Corporation recognizes receivables and revenue with respect to Tobacco Settlement Revenues (TSRs) based on the domestic shipment of cigarettes. The Corporation accrues at June 30th for TSRs that are derived from estimated sales of cigarettes for the period January 1 to June 30 each year. This accrual is estimated based upon the historical TSR payments for the prior three fiscal years.

The GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* (the Statement), effective for financial statement periods beginning on or after December 15, 2006. The Statement required restatement of prior period financial statements, except for the deferral requirements relative to sales of future revenues which were permitted to be applied prospectively.

As allowed under GASB Statement No. 48, the Corporation and the State elected to not retroactively apply the deferral requirements to its 2002 and 2007 TSR sales completed prior to the effective date. In accordance with accounting standards in effect at the time of the 2002 and 2007 TSR sales, the State fully recognized the amount received for its sale of future TSRs to the TSFC as revenue in those years.

For more detailed information, a copy of the financial statements can be obtained by writing to the Tobacco Settlement Financing Corporation, One Capitol Hill, Providence, RI 02908.

Rhode Island Public Rail Corporation (RIPRC)

This corporation was created and established for the purpose of enhancing and preserving the viability of commuter rail operations in the State. Currently its primary purpose, as outlined in Rhode Island General Laws (RIGLs), is to provide indemnity for rail service operating within the State. The State is fully responsible for reimbursing RIPRC for all costs associated with the purchase of such insurance coverage. RIPRC provides services exclusively to the State. Separately issued financial statements are not available for RIPRC.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column within the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity financial statements to be misleading.

For each discretely presented component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. For the discretely presented component units included in the State's ACFR, the State, generally acting through the Governor, appoints

a voting majority of the component units' governing boards. These discretely presented component units primarily serve or benefit those outside of the primary government.

The State distinguishes between major and non-major component units based upon the nature and significance of the component unit's relationship to the State. The factors underlying this determination include the type and dollar value of services provided to the citizens of the State, the presence of significant transactions with the State, and a significant benefit or burden relationship with the State.

Discretely presented component units, grouped by major and non-major categories, are as follows:

Major Component Units

Rhode Island Airport Corporation (RIAC)

This corporation was created in 1992 and its purpose is to be responsible for the management, operation, maintenance and improvements of the six airports in the State. RIAC revenues include airline and concession contract revenues, federal grants, licenses, and permits. RIAC leases the land from the State, on which the State's largest airport is located, and reimburses the State annually for general obligation proceeds utilized for certain airport projects. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Airport Corporation, 2000 Post Road, Warwick, RI 02886 or at www.pvdairport.com.

Rhode Island Commerce Corporation (RICC)

This corporation was created in 1995 to promote economic development, and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State. RICC has the power to issue tax-exempt bonds to accomplish its corporate purpose. RICC has one component unit, the Small Business Loan Fund Corporation, which was created for the purpose of granting secured and unsecured loans to Rhode Island's small business community. RICC's activities are largely supported by State appropriations and RICC has used its debt issuance authority to finance various economic development initiatives on behalf of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.commerceri.com.

I-195 Redevelopment District Commission (I-195 RDC)

This commission was created in 2011 by the Rhode Island General Assembly, to oversee, plan, implement, and administer the development of land reclaimed from the Interstate 195 relocation project and the Washington Bridge project. The I-195 RDC issued debt and utilized the proceeds to reimburse the State for the fair value of the land acquired. The State appropriates amounts to the I-195 RDC for debt service and operating assistance until sufficient land sale proceeds are available to fund these expenses. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, I-195 Redevelopment District, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.195district.com.

Rhode Island Public Transit Authority (RIPTA)

This Authority was established in 1964 to acquire any mass motor bus transportation system that has filed a petition to discontinue its service, provided that the Authority has determined it to be in the public interest to continue such service. Revenues of RIPTA include passenger revenue, a portion of the tax on gasoline, and operating assistance grants from the State and federal governments. In addition to significant operating assistance, the State has also forgiven certain debt service obligations benefiting RIPTA and owed to the State as a means to provide additional financial assistance to the Authority. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 705 Elmwood Avenue, Providence, RI 02907, or at www.ripta.com.

Rhode Island Turnpike and Bridge Authority (RITBA)

This authority was created by the General Assembly, with powers to construct, acquire, maintain and operate bridge projects as defined by law. RITBA is responsible for the maintenance and operation of the Claiborne Pell, Mount Hope, Jamestown, and Sakonnet River Bridges which are a vital segment of the State's infrastructure. In addition, the Authority is responsible for the collection of toll revenue from the users of the Claiborne Pell Bridge and provided back office functions for the State's truck tolling initiative that began on June 11, 2018 and ceased on September 24, 2022. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at www.ritba.org.

University and Colleges

The State's University and Colleges include the University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI). The Council on Postsecondary Education is vested with the responsibility of providing oversight for Rhode Island College (RIC) and the Community College of Rhode Island (CCRI), along with the Office of the Postsecondary Commissioner (OPC). URI is governed by the URI Board of Trustees. The university and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805. The financial statements can also be viewed at www.riopc.edu.

Non-major Component Units

Central Falls School District

The Central Falls School District (the District) is governed by a seven member board of trustees that is appointed by the State's Board of Education (Board). As a result of the enactment of Chapter 312 of Rhode Island Public Laws of 1991, the State assumed responsibility for the administration and operational funding of the District effective July 1, 1991. In June 2002, Chapter 16-2 of the Rhode Island General Laws established the board of trustees to govern the District in a manner consistent with most local school committees. In addition, the Commissioner of Elementary and Secondary Education and the Board have oversight over the development and approval of the District's operating budget and for other significant operating decisions and contracts. The District, which provides elementary and secondary education to residents of the City of Central Falls, is funded primarily through State appropriations and federal grant funds. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 949 Dexter Street – Lower Level, Central Falls, RI 02863-1715.

Division of Higher Education Assistance (DHEA)

DHEA was established on July 1, 2015 by an Act of the Rhode Island General Assembly for purpose of administering programs of post-secondary student financial assistance assigned by law to the Division. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Office of Postsecondary Commissioner, Division of Higher Education Assistance, 560 Jefferson Boulevard, Warwick, RI 02886, or at www.riopc.edu.

Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)

This corporation, established in 1973, was created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State. It has the power to issue notes and bonds to achieve its corporate purpose. Certain debt issued by RIHMFC is secured in part by capital reserve funds. The General Assembly may, but is not required to, appropriate funding of any deficiencies in such reserves. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721, or at www.rihousing.com.

Rhode Island Industrial Facilities Corporation (RIIFC)

The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale of RIIFC projects by RIIFC. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and, accordingly, have not been reported in the accompanying financial statements. Certain obligations of RIIFC are secured by mortgages which are insured by the Rhode Island Industrial-Recreational Building Authority for which the State's full faith and credit is pledged. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.commerceri.com.

Rhode Island Industrial-Recreational Building Authority (RIIRBA)

This authority is authorized to insure first mortgages and first security agreements granted by financial institutions and the Rhode Island Industrial Facilities Corporation for companies conducting business in the State. RIIRBA's insurance of first mortgages and first security agreements is backed by a pledge of the full faith and credit of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial-Recreational Building Authority, 315 Iron Horse Way, Suite 101, Providence, RI 02903, or at www.commerceri.com.

Rhode Island Resource Recovery Corporation (RIRRC)

RIRRC was established in 1974 in order to provide and/or coordinate solid waste management services to municipalities and persons within the State. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose. RIRRC coordinates and administers a statewide recycling program and has periodically transferred amounts to the State general fund as operating assistance. The State is one of several potentially responsible parties for the costs of remedial actions at RIRRC's superfund site. For more detailed information, a copy of the financial statements can be obtained by writing to R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919, or at www.rirrc.org.

Quonset Development Corporation (QDC)

QDC was established in 2004 as a real estate development and management company for the Quonset Point/Davisville Industrial Park. Its purpose is to promote the preservation, expansion, and development of new and existing industry and business, in order to stimulate and support diverse employment

opportunities in the State. The State has provided funding for certain capital improvements required at the industrial park to aid in its expansion and development. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Director, Quonset Development Corporation, 95 Cripe Street, North Kingstown, RI 02852 or at www.quonset.com.

The Metropolitan Regional Career and Technical Center (The Met)

The Met is a State funded, local education agency established by the R.I. Department of Education under the Rhode Island General Laws. The Met serves approximately 800 students statewide in grades 9-12. It is governed by a board of trustees that is appointed by the State Board of Education. The Met is funded primarily through State appropriations and federal grant funds. In addition, it conducts its operations in facilities that are owned by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, The Metropolitan Regional Career and Technical Center, 325 Public Street, Providence, RI 02905.

Rhode Island Infrastructure Bank (RIIB)

This agency was established in 1989 as the R.I. Clean Water Finance Agency for the purpose of providing financial assistance in the form of loans to municipalities, businesses and homeowners in the State for the construction or upgrading of water pollution abatement, energy efficiency, brownfield remediation, and climate resiliency projects. RIIB receives capital grants from the State and federal governments and is authorized to issue revenue bonds and notes. In conjunction with the creation of the Municipal Road and Bridge Revolving Fund (MRBRF), which was established to provide municipalities with low-cost financial assistance for road and bridge projects, the agency name was changed to the Rhode Island Infrastructure Bank. RIIB is considered to be a discretely presented component unit due in large part to its management of the MRBRF on behalf of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the R.I. Infrastructure Bank, 235 Promenade Street, Suite 119, Providence, RI 02908 or at www.riib.org.

Rhode Island Health and Educational Building Corporation (RIHEBC)

RIHEBC was established to assist eligible institutions in the educational and healthcare fields in Rhode Island in gaining access to capital. RIHEBC also remains proactive in developing cost-effective programs, offering staff assistance, and providing technical resources that benefit these institutions.

RIHEBC assists the State with the administration of two funding programs to assist school districts with capital project funding. Funding from the School Building Authority Capital Fund (SBACF) provides grants and loans for high priority local school capital projects in communities with limited financial resources. The State fiscal year 2019 budget legislation authorized a \$250M Statewide School Construction Bond which was approved by voters in the November 2018 election. The bond proceeds allow RIDE/SBA to provide LEAs who have been approved for Necessity of School Construction, with upfront funding as opposed to waiting until their project is completed to receive state aid. RIHEBC has administrative duties related to the management and custody of monetary assets of the SBACF and School Construction Bond Proceeds (once drawn from the State's Trustee), including establishing a trust to hold related funds, creating and maintaining accounting records, and the distribution and management of award and loan programs. RIHEBC was determined to be a discretely presented component unit largely due to its support in administering these school construction funding programs.

For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Health and Educational Building Corporation, 33 Broad Street, Suite 200, Providence, RI 02903 or at www.rihebc.com.

Fiduciary Component Units

The following entities qualify as fiduciary component units of the State of Rhode Island and are reported in the State's fiduciary funds in accordance with GAAP prescribed by GASB:

The Rhode Island Employees' Retirement System (ERS) (pension trust and defined contribution plans) – ERS administers pension plans covering various public employees of the State and its political subdivisions. A copy of the annual report for ERS can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

The Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System) (OPEB Trust) is administered by the State of Rhode Island OPEB Board. The OPEB System administers the State's six defined benefit OPEB plans. A copy of the financial statements can be obtained by writing to the State Controller's Office, One Capitol Hill, Providence, RI 02908.

The Ocean State Investment Pool (Investment Trust Fund) is administered by the Office of the General Treasurer and because of the State's trustee responsibilities for the portion of the investment pool owned by participants external to the reporting entity, generally accepted accounting principles (GAAP) requires that activity to be reported as an investment trust fund. A copy of the annual report for the Ocean State Investment Pool can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

The Rhode Island Higher Education Savings Trust (RIHEST) and *ABLE Consortium Trust (ABLE)* are also administered by the Office of the General Treasurer. RIHEST allows families to save money for qualified higher education expenses on a tax-advantaged basis. ABLE allows for families a tax-advantaged means to save money for disability related expenses. Under GAAP, these trust funds are required to be reported as private purpose trust funds. A copy of the annual report for RIHEST or ABLE can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

The HealthSource RI Trust (HSRI) is administered by the Rhode Island Health Benefits Exchange (HBE), an office within the State of Rhode Island Department of Administration. HSRI collects health insurance premium payments for qualifying plans purchased through the HBE and remits those payments to the respective insurers providing the coverage to qualifying employers and individuals. Under GAAP, these trust funds are required to be reported as private purpose trust funds. A copy of the annual report for HSRI can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

Because of the State's trustee responsibilities for these systems, plans, and trusts, GAAP requires them to be reported as fiduciary activities of the reporting entity rather than discretely presented component units.

In accordance with GAAP, fiduciary funds and discretely presented component units that are fiduciary in nature are excluded from the government-wide financial statements.

Related Organizations

The Rhode Island Student Loan Authority and Narragansett Bay Commission are "related organizations" of the State under GAAP as defined by GASB. The State is responsible for appointing a voting majority of the members of each entity's board, however, the State's accountability does not extend beyond the appointments. These entities do not meet the criteria for inclusion as component units of the State and therefore are not included in these financial statements.

C. Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are

reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets – This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and the amount of outstanding bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted – This category represents the portion of net position whose use is subject to constraints that are either a) imposed externally by creditor, grantor, or contributor, or b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents the portion of net position that does not meet the definition of the two preceding categories. The use of the unrestricted net position is often subject to constraints imposed by management, but such constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The State includes certain centralized services charged through internal service funds as direct expenses by charging these amounts directly to departments and programs. The State does not allocate indirect costs amongst the functional expenditure categories.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

The State reports the following fund types:

Governmental Fund Types

General Fund - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is legally mandated.

Capital Projects Funds - These funds reflect transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities of the State and its component units.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are

used to report resources if legally mandated or when financial resources are being accumulated for principal and interest maturing in future years.

Permanent Fund - The Permanent School Fund accounts for certain resources and the earnings thereon, which are used for the promotion and support of public education.

Proprietary Fund Types

Internal Service Funds - These funds account for, among other things, employee medical benefits, State fleet management, unemployment and workers' compensation for State employees, human resources administration, facilities maintenance, information technology, prison industry operations, surplus property, telecommunications and other utilities, and records maintenance.

Enterprise Funds - These funds may be used to report any activity for which a fee is charged to external users for goods and services.

Fiduciary Fund Types

Pension and Other Employee Benefit Trust Funds

Pension Trust Funds - These funds account for the activities of the Employees' Retirement System, Municipal Employees' Retirement System, State Police Retirement Benefit Trust, Judicial Retirement Benefit Trust, Rhode Island Judicial Retirement Fund Trust, State Police Retirement Fund Trust, Teachers' Survivors Benefit Plan, FICA Alternative Retirement Income Security Program, and the defined contribution retirement plan, which all accumulate resources for pension benefit payments to eligible retirees.

Other Employee Benefit Trust Funds - These funds account for the activities of the Rhode Island State Employees' and Electing Teachers OPEB System, which accumulates resources to provide postemployment health care benefits to eligible retirees.

Investment Trust Fund - This fund accounts for the share of the Ocean State Investment Pool that is owned by participants external to the reporting entity.

Private Purpose Trust Funds

The Rhode Island Higher Education Savings Trust (RIHEST) administers the CollegeBound 529 fund which was established as part of the Rhode Island Tuition Savings Program (Program) to enable residents of any state to save money on a tax-advantaged basis, to pay qualified higher education expenses of their designated beneficiaries. All assets of the Program are held for the benefit of Program participants.

The Touro Jewish Synagogue Fund accounts for the earnings on monies bequeathed to the State for the purpose of maintaining the Touro Jewish Synagogue.

HealthSource RI Trust was established for the purpose of collecting health and dental insurance premium payments from qualified employers and individuals and remitting such payments to issuers of Qualified Health Plans and Qualified Dental Plans offered through the Rhode Health Benefits Exchange (HSRI).

The ABLE Consortium Trust was established to facilitate, in an efficient and cost effective manner, the investment of contributions from account owners in ABLE savings accounts which qualify under section 529A of the Internal Revenue Code. ABLE accounts allow individuals with disabilities and their families a tax-advantaged way to save money for disability related expenses.

Custodial Funds - These funds account for assets held by the State pending distribution to others including confiscated property, assets pledged to the State as required by statute, funds held for the use of hospital patients and individuals with developmental disabilities, workers' compensation insurance bond deposits, funds held for the use of inmates, and unclaimed property.

In accordance with GAAP for government as prescribed by the GASB, the focus in the fund financial statements is on major and non-major funds rather than on fund type. The general fund is a major fund. Other governmental funds and enterprise funds are evaluated on these criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, resources/revenues, **or** expenditures/expenses of that fund are at least 10% of the respective total for all funds of that type, **and**
- Total assets and deferred outflows, liabilities and deferred inflows, resources/revenues, **or** expenditures/expenses of that fund are at least 5% of the **same** respective total for all funds being evaluated.

Major Funds

Governmental Funds:

General Fund

This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Intermodal Surface Transportation Fund

This special revenue fund accounts for the collection of the gasoline tax, federal grants, bond proceeds, Rhode Island Capital Plan funds, tolls and certain motor vehicle registration and licensing surcharges, that are used in maintenance, upgrading, and construction of the State's highway system. It also accounts for the proceeds from the Grant Anticipation Revenue Vehicle (GARVEE) bonds, the RI Motor Fuel Tax (RIMFT) revenue bonds, the I-195 Redevelopment District Commission bonds, the Mission 360 Loan Program, RI Bridge Maintenance Fund tolls, and related expenditures. Management considers this a major fund regardless of the above criteria.

R.I. Capital Plan Fund

This fund accounts for the portion of the payment into the budget reserve account that causes the balance in the budget reserve account to exceed the constitutional limit. Excess funding is transferred to this capital projects fund solely for funding capital projects appropriated by the General Assembly.

Proprietary Funds:

Rhode Island Lottery

The R.I. Lottery, a division of the Department of Revenue, operates games of chance for the purpose of generating resources for the State's General Fund. For more detailed information, a copy of the financial statements can be obtained by writing to the Rhode Island Lottery, 1425 Pontiac Avenue, Cranston, RI 02920, or at www.rilot.com.

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. RICCA is responsible for the management and operations of the R.I. Convention Center, Amica Mutual Pavilion, and the Veterans Memorial Auditorium Arts and Cultural Center located in Providence.

Employment Security Fund

This fund accounts for the State's unemployment compensation program. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons. Funds are also provided by the federal government and interest income. Management considers this a major fund regardless of the above criteria.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes, grants and donations are non-exchange transactions, in which the State receives value without directly giving equal value in exchange. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met and federal grant authority is received. Federal grants also include non-monetary transactions for food commodities and vaccines. Non-monetary commodity and vaccine revenues and expenditures are valued at their federally reported value. When federal funds are received in advance of meeting eligibility requirements or incurrence of allowable expenditures, amounts are reflected as unearned revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (i.e., earned and collected within the next 12 months) or soon enough thereafter to pay liabilities of the current period. Significant sources of tax revenues susceptible to accrual are recorded as taxpayers earn income (personal income and business corporation taxes), as sales are made (sales and use taxes) and as other taxable events occur (miscellaneous taxes), net of estimated tax refunds. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures for principal and interest on long-term debt and compensated absences are recorded when payments come due. Expenditures and liabilities relating to other claims and judgments are recorded to the extent that such amounts are expected to be paid within the current period.

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenditures) in total net position. All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenditures generally result from providing services and producing and delivering goods

in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges to customers for sales and services. Operating expenditures for enterprise and internal service funds include the cost of sales and services, administrative expenditures and depreciation on capital assets. All revenues and expenditures not meeting these definitions are reported as non-operating revenues and expenses.

Custodial funds are a type of fiduciary fund used to account for the assets held for distribution by the State as a custodian for another entity for which the government has custodial responsibility and accounts for the flow of assets. Custodial funds are accounted for using the economic resources measurement focus.

The State enacted budget designates the source of funds for expenditures. When a type of expenditure is allocatable to multiple funding sources, generally the State uses restricted resources first, then unrestricted resources as they are needed.

E. Cash and Cash Equivalents

Cash represents amounts in demand deposit accounts with financial institutions. Cash equivalents are highly liquid investments with a maturity of three months or less at the time of purchase. Cash equivalents are stated at cost, which approximates fair value except for those of the Ocean State Investment Pool and other money market mutual funds which are stated at amortized cost, which approximates fair value.

Except for certain internal service funds, the State does not pool its cash deposits. For those internal service funds that pool cash, each fund reports its share of the cash on the Statement of Net Position.

F. Funds on Deposit with Fiscal Agent

Funds on deposit with fiscal agent in the governmental activities and business-type activities represent the unexpended portion of debt instruments sold primarily for capital acquisitions and historic tax credit financing, as well as funds held by the United States Treasury for the payment of unemployment benefits.

G. Investments

Investments have a maturity of more than three months and are generally stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

H. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined based upon past collection experience. Within governmental funds, an allowance for unavailable amounts (amounts not expected to be collected in the next twelve months) is also reflected.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds"

Outstanding balances between funds related to services provided and used, transfers and reimbursements are classified as "due to/due from other funds." Residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

I. Due From Other Governments and Agencies

Due from other governments and agencies is primarily comprised of amounts due from the federal government for reimbursement-type grant programs.

J. Interfund Activity

In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity, for the government-wide financial statements. However, in order to avoid distorting the direct costs and program revenues of the applicable functions, interfund services provided and used between different functional categories have not been eliminated.

The Due From/To Other Funds are reported at the net amount within the fund financial statements. Transfers between governmental and business-type activities are reported at the net amount within the government-wide financial statements.

For the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of expenditures/expenses made by one fund for another are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

K. Inventories

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase. Inventories of the proprietary funds are stated at cost (using the first-in, first-out methodology). Certain inventories of the University and Colleges are held for resale, and are stated at the lower of cost or market (retail inventory method). Other University and College inventory consists of supplies and are stated at cost (using the first in, first out methodology). All inventories of the University and Colleges consist primarily of bookstore and dining, health and residential life services items. Inventories of all other component units are stated at cost.

L. Capital Assets

Capital assets, which include land, intangible assets not being amortized, construction in progress, land improvements, buildings, building improvements, furniture and equipment (which also includes subcategories for vehicles and computer systems), depreciable intangibles (computer software), and infrastructure (e.g., roads, bridges, dams, piers) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items are reported at acquisition value. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Intangible assets not being amortized consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

Applicable capital assets are depreciated or amortized using the straight-line method (using a half-year convention). Capitalization thresholds and estimated useful lives for depreciable capital asset categories of the primary government are as follows:

<u>Asset Category</u>	<u>Capitalization Thresholds</u>	<u>Estimated Useful Lives</u>
Capital assets (depreciable)		
Land improvements	\$1 million	20 years
Buildings	No minimum	20 - 50 years
Building improvements	\$1 million	10 - 20 years
Furniture and equipment	\$5 thousand	3 - 10 years
Intangibles (including computer software)	\$2 million	5 - 10 years
Infrastructure	\$1 million	7 - 75 years

Capital assets acquired in the governmental funds are recorded as capital outlay expenditures in capital projects funds and current expenditures by function in other governmental fund financial statements. Depreciation and amortization are recorded in the government-wide financial statements, proprietary funds, fiduciary funds and component unit financial statements. Capital assets of the primary government are depreciated using the straight-line method over the estimated useful lives of the assets.

The State has recorded its investment in intangible assets, which includes certain land rights such as conservation and agricultural easements as well as certain rights of way obtained by the State. These easements tend to be of a perpetual nature and thus are not amortized. Intangible assets also include computer software, which is amortized over a 5-10 year period. The State has included its investment in intangible assets within Note 5, Capital Assets.

Discretely presented component units have adopted estimated useful lives for their capital assets as well as capitalization thresholds. These entities depreciate capital assets using the straight-line method.

M. Bonds Payable

In the Governmental Funds- Statement of Revenues, Expenditures, and Changes in Fund Balances, bond discounts, premiums, and issuance costs are recognized in the current period. In the government-wide financial statements bond discounts, premiums, and deferred gains and losses from refundings are deferred and amortized over the term of the bonds using the outstanding principal method.

For proprietary fund types and component units, bond discounts, premiums and deferred gains and losses from refundings are generally deferred and amortized over the term of the bonds using the interest method.

Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred gains and losses from refundings are presented as either deferred inflows of resources or deferred outflows of resources.

N. Leases and Subscription-Based Information Technology Arrangements (SBITAs)

Lessee and SBITA Activities

The State is a lessee for various noncancellable leases for equipment and office facilities. The State also has noncancellable SBITAs for the right to use information technology hardware and software.

For leases and SBITAs that meet the capitalization threshold, the State recognizes a lease or subscription liability, respectively, and an intangible right to use lease asset or subscription asset (capital assets), respectively, on the government-wide Statement of Net Position and on the proprietary fund financial statements.

For governmental fund financial reporting, the initial value of the lease or subscription liability is reported as other financing sources with a corresponding capital outlay expenditures at lease or subscription commencement.

The lease or subscription liability is initially measured at the present value of payments expected to be made during the term. Subsequently, the lease or subscription liability is reduced by the principal portion of lease payments made.

The lease or subscription asset is initially measured as the amount of the lease liability, plus any payments made at or before the commencement date plus capitalizable implementation costs, less any incentives received at or before the commencement date. Subsequently, the asset is amortized on a straight-line basis over the shorter of the term or the useful life of the underlying asset. If the State is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

Generally, the State's incremental borrowing rate is used as the discount rate for leases and SBITAs unless the rate that the lessor or vendor charges is known. The incremental borrowing rate is based on an estimated discount rate at the date of commencement or measurement based on the yield rates from recently issued general obligation bonds relative to U.S. Treasury yield rates on the date of issuance.

The lease or subscription term includes the noncancellable periods of the lease or SBITA, respectively, plus any additional periods covered by either the State or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the State and the lessor have an unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

Certain payments are evaluated to determine if they should be included in the measurement of the lease and subscription liabilities, including those payments that require a determination of whether they are reasonably certain of being made, such as residual value guarantees, purchase options, payments for termination penalties, and other payments.

The State monitors changes in circumstances that may require remeasurement of a lease or subscription liability. When certain changes occur that are expected to significantly affect the amount of the liability, it is remeasured, and a corresponding adjustment is made to the lease or subscription asset.

For leases and SBITAs below the capitalization threshold and for leases and SBITAs with a maximum possible term of 12 months or less at commencement, an expense or expenditure is recognized based on the provisions of the contract.

Lessor Activities

The State is a lessor for various noncancellable leases of land, buildings, and other assets such as communication towers.

For leases that meet the capitalization threshold at lease commencement, the state recognizes a lease receivable and a deferred inflow of resources on the government-wide Statement of Net Position, on the proprietary and fiduciary fund financial statements, and on the governmental funds Balance Sheet. The lease receivable is initially measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is initially measured as the amount of the lease receivable, plus lease payments made at or before the lease commencement date, less any lease incentives paid to, or on behalf of, the lessee at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as lease revenue on a straight-line basis over the lease term.

Generally, the State's incremental borrowing rate for leases is used as the discount rate for lease receivables.

The lease terms include the noncancellable period of the lease plus any additional periods covered by either a lessee or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the lessee and the State have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease term.

The State monitors changes in circumstances that may require remeasurement of a lease receivable. When certain changes occur that are expected to significantly affect the amount of the lease, the receivable is remeasured, and a corresponding adjustment is made to the deferred inflow of resources.

For leases below the capitalization threshold and leases with a maximum possible term of 12 months or less at commencement, revenue is recognized based on the provisions of the lease contract.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) cost-sharing plan and the single-employer plans administered by the Employees' Retirement System of Rhode Island (System), and the additions to and deductions from the plans fiduciary net position have been determined on the same basis as they are reported by ERS. The primary government's proportionate share of pension amounts were further allocated to proprietary funds (the Lottery) based on the amount of employer contributions paid by each proprietary fund. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable and in accordance with the benefit terms. Investments are recorded at fair value.

As more fully explained in Note 18, a special funding situation exists with respect to local teachers for which the State funds 40% of actuarial determined contributions to the ERS plan. Accordingly, the financial statements reflect the State's proportionate share of the net pension liability, pension expense, and deferred inflows/outflows related to this special funding situation.

As of the June 30, 2020 measurement date, the State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, the provisions of GASB Statement No. 73 have been implemented which are largely consistent with the provisions of GASB Statement No. 68 regarding recognition of the pension liability, pension expense and deferred inflows/outflows except there is no fiduciary net position accumulated to offset the total pension liability, and no employer contributions are made other than the amount needed to provide benefits on a pay-as-you-go basis. See Note 18 for complete details of the State's reporting of this plan.

For certain employees participating in the LIUNA defined benefit pension plan (a non-governmental union sponsored plan), there is no required employer contribution and no pension expense is recorded in the financial statements. Consistent with the provisions of GASB Statement No. 78, which provides an exception for non-governmental sponsored plans, no determination of the proportionate net pension liability, pension expense, or deferred inflows or outflows, if any, is made for this cost-sharing defined benefit pension plan.

P. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Employees' and Electing Teachers OPEB System of the State of Rhode Island (the System), and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, the System recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments that have a maturity at the time of purchase of one year or less, which are reported at amortized cost which approximates fair value.

Q. Compensated Absences

Vacation pay may be discharged, subject to limitations as to carry-over from year to year, by future paid leave or by cash payment upon termination of service. Sick pay may be discharged by payment for an employee's future absence caused by illness or, to the extent of vested rights, by cash payment upon death or retirement. Also, an additional category of leave obligation has been established as a result of pay reductions taken by certain classes of employees. For governmental fund types, such obligations are recognized when paid. For the government-wide financial statements and proprietary fund types, they are recorded as liabilities when earned.

R. Other Assets and Liabilities

Other assets reported within the primary government mainly consist of deposits required by contract with the State healthcare claims administrator. Other liabilities include 1) escrow deposits, accrued salary and fringe benefits for the governmental fund types; 2) accrued interest payable, accrued salaries, accrued vacation and sick leave for the proprietary fund types; and 3) escrow deposits, landfill closure costs, accrued expenses, and arbitrage and interest payable for the component units.

S. Deferred Outflows of Resources

Deferred outflow of resources represents a consumption of net assets by the government that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Position. See Note 8 for a disaggregation of deferred outflows.

Deferred outflows of resources of governmental funds, proprietary funds, and discrete component units are reported in detail in their respective fund statements.

T. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period, and therefore will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental or business-type activities columns or in the discrete component units column on the government-wide Statement of Net Position. See Note 8 for a disaggregation of deferred inflows.

Deferred inflows of resources of governmental funds, proprietary funds, and discrete component units are reported in detail in their respective fund statements.

U. Fund Balances

In the fund financial statements, governmental funds report fund balance as non-spendable, restricted, committed, assigned or unassigned based primarily on the extent to which the State is bound to honor constraints on how specific amounts can be spent. More information about each category is presented below:

- Non-spendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.
- Restricted – amounts with constraints placed upon their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by constitutional provisions, or (c) by law through enabling legislation enacted by the General Assembly.

- Committed – amounts that can only be used for specific purposes as established through the enactment of legislation by the General Assembly, and that remain binding unless modified or rescinded through subsequent legislative action. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- Assigned – amounts that are constrained by the State's intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor.
- Unassigned – the residual classification for the State's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, followed by unrestricted resources. Unrestricted resources, when available for a particular use, are used in the following order: committed, assigned, and unassigned.

V. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2023, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*
- GASB Statement No. 99, *Omnibus 2022*

In fiscal year 2023, the State implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships (PPPs) and Availability Payment Arrangements (APAs)*. This statement establishes accounting and financial reporting guidance for arrangements between governments and an external entity. PPP arrangements generally result in the government conveying control of the right to operate or use a capital asset to an external entity for a period of time in exchange or exchange-like transactions. APAs are agreements in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This accounting standard did not have a material impact on the State's financial statements.

In fiscal year 2023, the State implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right to use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

In fiscal year 2023, the State implemented GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

The State will adopt the following new accounting pronouncements in future years:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for reporting periods beginning after June 15, 2023. This Statement is an amendment of GASB Statement No. 62 and

it aims to improve the clarity of accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice.

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This is achieved by aligning recognition and measurement guidance under a unified model which will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation.

Management has not yet determined the effect that the above GASB statements will have on the financial statements.

Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust

A. Primary Government-Governmental and Business-Type Activities

Cash Deposits

Cash deposits include demand deposit accounts, interest-bearing deposit accounts, and certificates of deposit. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in State's name.

In accordance with Chapter 35-10.1 of the RI General Laws, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than 60 days. Any of these institutions which do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the cash deposits of the primary government were required to be collateralized at June 30, 2023 pursuant to this statutory provision. However, the State Investment Commission (SIC) has instituted a collateralization requirement for institutions holding State deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100%-102% of the balance of uninsured deposits. The percentage of collateral required is determined by the underlying classification of the collateral. Additionally, consistent with SIC's guidelines, certain interest-bearing deposit accounts used as short-term investments require collateral ranging from 100%-102% of the outstanding balance. The percentage of collateral required is determined by the underlying collateral classification. The lone exception to the full collateralization requirement is the Ocean State Investment Pool Trust (OSIP or the Trust), which follows the 60 day time deposit rule, but otherwise does not require full collateralization. The investment objective of the OSIP Cash Portfolio is to seek to obtain as high a level of current income as is generally consistent with the preservation of principal and liquidity within the OSIP investment guidelines, which are consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. While investment in the pool is not guaranteed or fully collateralized, certain investments within the pool are collateralized. At June 30, 2023, of the \$1.5 billion invested, \$227.9 million were collateralized purchase agreements.

All of the bank balances of the primary government and its blended component units, except for \$13.0 million, were either covered by federal depository insurance; collateralized by securities held by an independent third party in the State or the blended component unit's name; or collateralized by a Federal Home Loan Bank Letter of Credit in the State or the blended component unit's name.

Cash Equivalents and Investments

The SIC is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the RI General Laws, the SIC may, in general, "invest in securities as would be acquired by prudent persons of discretion

and intelligence in these matters who are seeking a reasonable income and the preservation of their capital.”

The OSIP Cash Portfolio (the Cash Portfolio) is a portfolio of the OSIP Trust, which is an investment pool established by the General Treasurer of the State of Rhode Island under Declaration of Trust, dated January 25, 2012. This trust is pursuant to the Rhode Island Local Government Investment Pool Act, G.L. 35-10.2, of the RI General Laws as amended, for the purpose of investing funds of, and funds under custody of agencies, authorities, commissions, boards, municipalities, political subdivisions, and other public units of the State of Rhode Island. The Cash Portfolio, which began operations on March 6, 2012, is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*.

OSIP has met the criteria outlined in GASB Statement No. 79 to permit election to report its investments at amortized cost which approximates fair value. The OSIP is not rated and the weighted average maturity of investments held in the pool is not to exceed 60 days. OSIP transacts with its participants at a stable net asset value (“NAV”) per share. Investments reported at NAV are not subject to the fair value hierarchy. There are no participant withdrawal limitations.

Other short-term cash equivalent type investments are made by the General Treasurer in accordance with guidelines established by the SIC. Investments of certain blended component units are not made at the direction of the SIC, but are governed by specific statutes or policies established by their governing body.

A copy of the annual report for the OSIP can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

Fair Value of Financial Instruments

GASB Statement No. 72—*Fair Value Measurement and Application* establishes a fair value hierarchy for inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. The fair value hierarchy is categorized into three levels based upon the inputs as follows:

- Level 1 - Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2 -Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for the substantial full term of the asset or liability.
- Level 3 -Unobservable inputs for the asset or liability (supported by little or no market activity).
Level 3 inputs include management's assumption about the market participants asset or liability pricing (including assumptions about risk).

Debt and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. The asset or liability fair value measurement, classified as Level 3 is based on the lowest level of any input that is significant to the fair value measurement.

The following table depicts the State's cash equivalents and investments (expressed in thousands) at June 30, 2023:

Pooled cash equivalents (at amortized cost)

Financial company commercial paper	\$ 563,260
Asset backed commercial paper	145,533
U.S. Government agency repurchase agreement	203,941
U.S. Government agency debt	31,978
U.S. Treasury debt	148,402
Certificates of deposit	109,000
Non-Negotiable time deposit	199,545
Non-Financial company commercial paper	68,961
US Treasury repurchase agreement	24,000
Total investments	<u>1,494,620</u>
Less: other liabilities in excess of assets	439
Total investment pool	<u>1,494,181</u>

Less: funds held by fiduciary funds and discretely presented component units

Amounts held by fiduciary trust funds:

Pension trust	5,587
OPEB trust	2,524

Amounts held by discretely presented component units:

URI	64,594
RIC	36,379
RIIRBA	26
RIRRC	4,092
RIHEBC	3,228
RIPTA	7,303

Amounts held for external parties 61,340

Primary government pooled cash equivalents \$ 1,309,108

Add: other primary government cash equivalents and investments

Money market mutual funds 78,708

Total primary government cash equivalents and investments \$ 1,387,816

Cash equivalents and investments	\$ 1,387,816
Cash deposits and interest bearing deposits	2,206,654
Total cash, cash equivalents and investments	<u><u>\$ 3,594,470</u></u>

Statement of Net Position

Cash and cash equivalents	\$ 3,515,866
Restricted cash and cash equivalents	78,604
Total cash, cash equivalents and investments	<u><u>\$ 3,594,470</u></u>

State restricted cash and cash equivalents total \$78.6 million at June 30, 2023. Of this total, \$49.9 million is held by the Tobacco Settlement Financing Corporation and \$28.7 million is held by the R.I. Convention Center Authority. Both entities are blended component units.

Investments held within the OSIP pooled trust are valued at net asset value per unit (NAV) and is calculated daily. The OSIP pooled trust categorizes the inputs to valuation techniques into a disclosure

hierarchy consisting of three levels as described previously. The securities held within the OSIP pooled trust are valued at amortized cost, which approximates fair value. These securities are generally high quality and liquid; however, they are reflected as Level 2 in the hierarchy because the inputs used to determine fair value are not quoted prices in an active market.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either: (a) the counterparty, or (b) the counterparty's trust department or agent but not in the government name. Pursuant to guidelines established by the SIC, securities purchased or underlying collateral are required to be delivered to an independent third party custodian for the investments of the primary government.

Interest rate risk is the risk that changes to interest rates will adversely affect the fair value of an investment. Based on SIC's policy, the State's short-term investment portfolio is structured to minimize interest rate risk by matching the maturities of investments with the requirements for funds disbursement.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by the State Minimum Rating Criteria Policy, collateralization requirements, and the fact that maximum participation by any one issuer is limited to 35% of the total portfolio. Credit risk policies have been developed for investments in commercial paper.

As of June 30, 2023, information about the State's exposure to interest rate risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	Investment Maturities (in days)				
	Fair Value	Amortized Cost	0-30	31-90	91-180
Financial Company Commercial Paper	\$ 563,207	\$ 563,260	\$ 330,644	\$ 146,919	\$ 85,697
Asset Backed Commercial Paper	145,526	145,533	121,968	14,801	8,764
U.S. Government Agency Repurchase Agreements	203,941	203,941	203,941	—	—
U.S. Government Agency Debt	31,978	31,978	30,000	1,978	—
U.S. Treasury Debt	148,443	148,402	99,666	48,736	—
U.S. Treasury Repurchase Agreement	24,000	24,000	24,000	—	—
Certificates of Deposit	109,000	109,000	88,000	21,000	—
Non-Negotiable Time Deposit	199,545	199,545	199,545	—	—
Non-Financial Company Commercial Paper	68,951	68,961	68,961	—	—
	<u>\$ 1,494,591</u>	<u>\$ 1,494,620</u>	<u>\$ 1,166,725</u>	<u>\$ 233,434</u>	<u>\$ 94,461</u>

At June 30, 2023 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	Quality Ratings (1)			
	At Fair Value	Total Amortized Cost	A-1+	A-1
Financial Company Commercial Paper	\$ 563,207	\$ 563,260	\$ 105,620	\$ 457,640
Asset Backed Commercial Paper	145,526	145,533	8,764	136,769
U.S. Government Agency Repurchase Agreements	203,941	203,941	111,941	92,000
U.S. Government Agency Debt	31,978	31,978	—	31,978
U.S. Treasury Debt	148,443	148,402	148,402	—
U.S. Treasury Repurchase Agreement	24,000	24,000	2,000	22,000
Certificates of Deposit	109,000	109,000	8,000	101,000
Non-Negotiable Time Deposit	199,545	199,545	132,045	67,500
Non-Financial Company Commercial Paper	68,951	68,961	—	68,961
	<u>\$ 1,494,591</u>	<u>\$ 1,494,620</u>	<u>\$ 516,772</u>	<u>\$ 977,848</u>

(1) Moody's Investor Service, except where not available Standard & Poor's ratings are used.

The OSIP has not been assigned credit quality ratings by rating agencies.

As of June 30, 2023, information about the State exposure to interest rate risk and credit risk for non-pooled cash equivalents and investments (expressed in thousands) is as follows:

Issuer	Fair Value (in thousands)	Type of Investment	Moody's Rating	Average Maturities in Days
Fidelity Institutional Money Market Government Portfolio Class I and III	\$ 27,995	Money Market	AAA-mf	24
BlackRock Federal Fund Institutional Shares	404	Money Market	AAA-mf	23
Goldman Sachs Financial Square Treasury Instruments Fund	50,309	Money Market	Aaa-mf	39
	<u>\$ 78,708</u>			

All the non-pooled cash equivalents and investments have a maturity date of less than one year.

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Funds on Deposit with Fiscal Agent

Investments within the category *Funds on deposit with fiscal agent* are governed by specific trust agreements entered into at the time of the issuance of the related debt. The trust agreements outline specifically permitted investments, including any limitations on credit quality and concentrations of credit risk.

The State funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2023 with the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	\$ 22,691	\$ 22,465	\$ 226	—
U.S. Government Agencies	2,504	2,504	—	Aaa
Money Market Funds	165,061	165,061	—	Aaa-mf
Fixed Income	42,341	37,440	4,901	See Table
	232,597	\$ 227,470	\$ 5,127	
Cash/Cash Reserve	277			
Funds on Deposit with fiscal agent	\$ 232,874			

Cash includes \$0.3 million in uninsured and non-collateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	Unrated	Total
Fixed Income	\$ 25,085	\$ 472	\$ 1,815	\$ 2,331	\$ 1,240	\$ 947	\$ 469	\$ 9,982	\$ 42,341

The following table (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2023:

	Fair Value June 30, 2023	Quoted Prices in Active Markets for Identical Assets		Significant Other Observable Inputs
		(Level 1)	(Level 2)	
Investments at Fair Value				
U.S. Treasuries	\$ 22,691	\$ 22,691	\$ —	\$ —
U.S. Government Agencies	2,504	—	2,504	—
Fixed Income	42,341	—	42,341	—
Total investments by fair value level	\$ 67,536	\$ 22,691	\$ 44,845	\$ —
Investments Measured at Net Asset Value (NAV)				
Money Market Mutual Funds	165,061			
Cash/Cash Reserve	277			
Total Funds on Deposit with Fiscal Agent	\$ 232,874			

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Funds on deposit with fiscal agent also include approximately \$456.9 million held by the Federal Unemployment Insurance Trust Fund within the Business-Type Activities-Employment Security Fund.

B. Concentration of Credit Risk

The SIC has adopted limitations for the maximum percentages of the State total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities. There is no single issuer exposure that comprises more than 5% of the overall portfolio.

C. Pension Trusts

Summary of Significant Accounting Policies

Investments - Investment transactions are recorded on a trade date basis. Gains or losses on foreign currency exchange contracts are included in income, consistent with changes in the underlying exchange rates. Dividend income is recorded on the ex-dividend date.

Method Used to Value Investments - Investments are recorded within the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Short-term investments are generally carried at cost or amortized cost, which approximates fair value.

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services.

Commingled funds and collective unit trusts include international equity index funds and an emerging markets debt fund. The fair value of these commingled funds is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

Derivative investments (e.g., futures contracts and credit default swaps) are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

The Pension System Investments (the System) also trades in foreign exchange contracts to manage exposure to foreign currency risks. Such contracts are used to purchase and sell foreign currency at a guaranteed future price. The change to the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity, equity options, real estate, hedge funds, private real assets ex-real estate, crisis protection class - trend following, and emerging markets debt) are valued based on the reported NAV by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Hedge funds, private equity, real estate, private real assets ex-real estate, crisis protection class - trend following investments, equity options, and emerging markets debt represented 7.2%, 21.1%, 5.6%, 3.9%, 4.4%, 1.9% and 1.6% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2023.

Investment Expenses - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. Certain expenses of the Office of the General Treasurer associated with oversight of the pooled investment trust are also allocated and included as investment expenses. When indirect

investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, private real assets ex-real estate, crisis protection class, equity options, and emerging markets debt), are not reported separately to System management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

Net investment income within the defined contribution plan is reported on a net-of-fees basis.

Cash and Cash Equivalents

At June 30, 2023, the carrying amount of pension trust cash deposits was approximately \$11.1 million and the bank balance was approximately \$11.2 million. The bank and book balances represent the plans deposits in short-term trust accounts, which include demand deposit accounts and interest-bearing, collateralized bank deposit accounts. The bank balances, include interest-bearing collateralized bank deposits and are either federally insured or collateralized (102%) with U.S. Treasury, agencies, and federal home loan bank letters of credit held by a third-party custodian.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the System deposits were required to be collateralized at June 30, 2023 (excluding the collateralized interest-bearing deposits). However, the SIC has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance unless Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%. The percentage of collateral required is determined by the underlying classification of the collateral.

The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11(2)(iii) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

Investments - Pooled Investment Trust

(a). General

The custodian bank holds assets of the System in a Pooled Investment Trust and each plan holds units in the trust. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust.

Investment Policy - The SIC oversees all investments made by the State of Rhode Island, including those made for the System's Pooled Investment Trust. The establishment of the SIC, its legal authority and investment powers are outlined in Chapter 35-10 of the Rhode Island General Laws.

The SIC has adopted a Defined Benefit Investment Policy Statement which includes specific asset allocation targets and asset class policies. The most recent policy statement was adopted by the SIC on August 25, 2021 and may be amended by a majority vote of SIC members. The SIC approved a revised Investment Policy Statement on December 6, 2023 with an effective date of January 1, 2024. The SIC's asset allocation policy seeks to achieve the assumed rate of return adopted by the System over the long-term while reducing risk through the prudent diversification of the portfolio across various asset classes.

The System leverages the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and investment policy development. The SIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance,

and makes determinations regarding the retention of managers. Professional investment managers are selected by the SIC to manage portfolios in accordance with investment management agreements.

The following was the SIC's adopted asset allocation policy targets as of June 30, 2023:

Asset Class	Long-Term Target Asset Allocation
GROWTH	
Global Equity	40.0%
Private Growth	15.0%
<i>subtotal</i>	55.0%
INCOME	
	12.0%
STABILITY	
Crisis Protection Class	10.0%
Inflation Protection	8.0%
Volatility Protection	15.0%
<i>subtotal</i>	33.0%
Total	100.0%

Consistent with a target asset allocation model adopted by the SIC, the System directs its separate-account investment managers to maintain, within the mandate specified by the SIC, diversified portfolios by sector, credit rating and issuer using the prudent person standard. The prudent person standard is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Specific manager performance objectives are outlined and generally stated in relation to a benchmark or relevant index. These guidelines also include prohibited investments, limitations on maximum exposure to a single industry or single issuer, a minimum number of holdings within the manager's portfolio and, for fixed income managers, minimum credit quality ratings and duration/maturity targets.

Investment expense is allocated to each plan based on the plan units in the Pooled Investment Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Investment Trust for the defined benefit plans at June 30, 2023:

Investment Type	Fair Value (in thousands)
Cash and Cash Equivalents:	
US Cash	\$ 24,721
Non-US Cash	9,792
Commercial Paper	27,229
Repurchase Agreements	10,500
Short-Term Collective Investment Funds	112,058
US Government Securities	493,527
US Government Agency Securities	199,550
Collateralized Mortgage Obligations	33,227
Corporate Bonds	727,098
Emerging Markets Debt - Collective Unit Trust	171,772
Commingled Funds - International Equity	1,069,058
Domestic Equity Securities	2,569,252
International Equity Securities	475,917
Equity Options - Private LLC Investment	197,760
Private Equity	2,237,431
Real Estate	594,143
Hedge Funds	761,990
Crisis Protection Class - Trend Following - Limited partnerships	461,132
Private Real Assets ex-Real Estate	415,932
Derivatives:	
Futures	(5,468)
Credit Default Swaps	277
Investments at Fair Value	\$ 10,586,898
Investment receivable	317,493
Investment payable	(311,937)
Total Pooled Investment Trust	\$ 10,592,454

(b). Fair Value Hierarchy

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 includes unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investments and Derivative Instruments Measured at Fair Value (in thousands)

Investments at Fair Value	Fair Value June 30, 2023	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Equity Investments				
Global Equity	\$ 3,045,169	\$ 3,041,254	\$ 3,805	\$ 110
	<u>\$ 3,045,169</u>	<u>\$ 3,041,254</u>	<u>\$ 3,805</u>	<u>\$ 110</u>
Fixed Income				
US Government Securities	\$ 493,527	\$ 493,527	\$ —	\$ —
US Government Agency Securities	199,550	—	199,550	—
Corporate Bonds	727,098	—	727,098	—
Collateralized Mortgage Obligations	33,227	—	33,227	—
	<u>\$ 1,453,402</u>	<u>\$ 493,527</u>	<u>\$ 959,875</u>	<u>\$ —</u>
Derivative Investments				
Equity and Fixed Income Index Futures	\$ (5,468)	\$ (5,468)	\$ —	\$ —
Other Derivatives	277	—	277	—
	<u>\$ (5,191)</u>	<u>\$ (5,468)</u>	<u>\$ 277</u>	<u>\$ —</u>
Commercial Paper	<u>\$ 27,229</u>	<u>\$ —</u>	<u>\$ 27,229</u>	<u>\$ —</u>
Total Investment at Fair Value Level	<u>\$ 4,520,609</u>	<u>\$ 3,529,313</u>	<u>\$ 991,186</u>	<u>\$ 110</u>
Investments Measured at Net Asset Value (NAV)				
Short-Term Collective Investment Funds	\$ 112,058			
Commingled Funds - International Equity	1,069,058			
Hedge Funds	761,990			
Private Equity	2,237,431			
Real Estate	594,143			
Private Real Assets ex-Real Estate	415,932			
Emerging Markets Debt Collective Unit Trust	171,772			
Equity Options - Private LLC Investment	197,760			
Crisis Protection Class - Trend Following	461,132			
	<u>\$ 6,021,276</u>			
Cash and Cash Equivalents				
US Cash	\$ 24,721			
Non-US Cash	9,792			
Repurchase Agreements	10,500			
	<u>\$ 45,013</u>			
Net Investment Receivable	<u>5,556</u>			
Total Pooled Investment Trust	<u>\$ 10,592,454</u>			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Equity securities classified in Level 3 are valued using consensus pricing.

Derivative instruments classified in Level 2 are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands):

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption (if currently eligible)</u>	<u>Redemption Notice Period</u>
Short-Term Collective Investment Funds (1)	\$ 112,058	\$ —	daily	none
Commingled Funds - International Equity (2)	1,069,058	—	daily	see note below
Hedge Funds (3)	761,990	—	see note below	see note below
Private Equity (4)	2,237,431	1,136,410	see note below	see note below
Real Estate (5)	594,143	186,876	see note below	see note below
Private Real Assets ex-Real Estate (6)	415,932	193,196	see note below	see note below
Crisis Protection Class - Trend Following (7)	461,132	—	see note below	see note below
Emerging Markets Debt - Collective Unit Trust (8)	171,772	—	see note below	see note below
Equity Options - Private LLC investment (9)	197,760	—	see note below	see note below
	<u>\$ 6,021,276</u>	<u>\$ 1,516,482</u>		

(1) Short-Term Collective Investment Funds - these investments are used as temporary cash management investments for amounts pending investment or for amounts liquidated from investments pending distribution for pension benefits. The fair value of these investments reflect the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the Short-Term Collective Investment Funds.

(2) Commingled Funds – consist of three international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI EAFE. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund manager which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may be redeemed daily.

(3) Hedge Funds – this portfolio is comprised of eight limited partnerships divided into two sub-categories: global equity and absolute return. Global equity funds are designed to benefit from the stock market with considerably less risk. They own stakes in companies they expect to outperform and also sell short stocks that they expect to underperform. Absolute return hedge funds employ strategies that seek to generate long-term returns and mitigate risk, regardless of broader market moves. The funds invest across asset classes, including government bonds, other fixed income securities, equity indexes, commodities, and currencies.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023. Of the underlying holdings within the hedge funds approximately 60% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

The System investments in hedge fund assets are available for redemption on a monthly, quarterly, semi-annual or annual basis, and are subject to notice periods which vary by fund and range from 30 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

(4) Private equity – these 137 limited partnership funds provide the portfolio exposure to private companies through equity and/or debt investments. Private equity fund managers invest in private companies with the goal of enhancing their value over the long-term.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023.

Private equity investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(5) Real Estate – these 24 limited partnership investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments.

These funds acquire, manage and sell physical properties, including office, retail, apartment, and industrial buildings as well as more niche property types, such as student housing, self-storage and hotels. The primary goals of this asset class are to provide current income, risk-adjusted total returns, and diversification.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023.

With the exception of five core/core+ open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), the investments cannot be redeemed. Redemptions from core/core+ open-end funds may not be fulfilled in a timely manner due to market conditions. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(6) Private Real Assets ex-Real Estate – These 14 funds provide inflation-protection and current income to the portfolio through investments in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, and hospitals. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023.

With the exception of two open-end core funds which allow for quarterly liquidity (with a notice period of between 45 to 60 days), the investments cannot be redeemed. Redemptions from core/core+ open-end funds may not be fulfilled in a timely manner due to market conditions and initial lock-up period. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(7) Crisis Protection Class – Trend Following – These three funds were created as limited liability companies with the Employees' Retirement System of the State of Rhode Island as the sole member. The investment managers principal investment objectives for the companies include:

- Providing diversified exposure to market trends across asset classes, geographies and time horizons to generate sizable profits during the periods when growth-risk exposed assets decline significantly;
- Generating significant medium-term capital growth independent of overall movements in traditional stock and bond markets within a rigorous risk management framework; and
- Outperforming the Credit Suisse Liquid Alternative Beta Managed Futures Index (CLABT18 Index) over a 5-year period.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023. As the Employees' Retirement System

of the State of Rhode Island is the sole member, the limited liability company could be liquidated at its option. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(8) Emerging Markets Debt – Collective Unit Trust – This collective unit trust seeks to generate attractive returns relative to an emerging markets debt blended benchmark. The strategy seeks to take advantage of investment opportunities across emerging markets fixed income spectrum, including hard and local currency denominated sovereign, quasi sovereign and corporate debt, and their derivatives. Currencies are used both to manage risk and enhance return.

The fair value of the collective unit trust has been determined using the NAV per share of the investments as reported by the manager of the collective trust at June 30, 2023.

This investment includes monthly liquidity provisions (first business day of the month) with notice required by the 22nd of the prior month.

(9) Equity Options – Private LLC Investment – The fund seeks to achieve its goal primarily through a strategy of writing exchange-traded put options on the S&P 500® Index. These options are fully collateralized by short duration U.S. Treasury securities. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in short duration fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The fair value of this investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023. The underlying investments at June 30, 2023, which consist of equity options and fixed income investments were publicly traded.

This investment includes monthly liquidity provisions with 7 business days' notice.

(c). Rate of Return

For the year ended June 30, 2023, the annual money-weighted returns on investments within each of the plans, net of investment expense, are shown in the following table. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

	ERS	TSB	MERS	SPRBT	JRBT	RIJRFT	SPRFT
Money-weighted rate of return - year ended June 30, 2023	9.62%	8.50%	8.42%	8.77%	8.81%	(7.10)%	7.56%

(d). Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its investment exposure to interest rate risk by comparing its fixed income and cash managers portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager's mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its Liquid Credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by the System vary by asset class which include Investment Grade Fixed Income, Liquid Credit, Long Duration Treasuries, Inflation-Linked Bonds, CPC Enhanced Cash Portfolio, and Strategic Cash.

The fixed income indices currently used by the System are:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Barclays Long Duration US Treasury Index
- ICE BofA ML US Treasury Notes 0-1 Year
- Emerging Market Debt Custom BM: 50% JPM EMBI Global Diversified Index + 50% JPM GBI-EM Global Diversified Index
- Bloomberg Barclays US Corporate Bond Index
- Bloomberg Barclays Securitized MBS/ABS/CMBS Index

At June 30, 2023, no fixed income manager was outside of their policy guidelines.

The following table shows the System's fixed income investments (in thousands) by type, fair value and the effective duration at June 30, 2023:

Investment Type	Fair Value (in thousands)	Effective Duration
US Government Agency Securities	\$ 199,550	8.10
US Government Securities	493,527	14.32
Collateralized Mortgage Obligations	33,227	2.86
Corporate Bonds	727,098	4.11
Emerging Market Debt	171,772	5.93
Total Fixed Income	<u>\$ 1,625,174</u>	7.87

At June 30, 2023, the System had investments totaling \$112.0 million in short-term collective investment funds. The cash-equivalent type investments held in those funds had a weighted average maturity of 12 days. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

Repurchase agreements are secured with collateral held at a custodian bank. The System enters into repurchase agreements to earn interest on short-term funds. The System repurchase agreements outstanding at June 30, 2023 had maturities of one to two days.

At June 30, 2023, the System had investment in commercial paper totaling \$27.2 million, with maturities ranging from 5 to 230 days.

The System invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only strips. They are reported in U.S. Government Agency Securities and Collateralized Mortgage Obligations in the table above. CMO are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

The System may invest in interest-only and principal-only strips in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments from underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

(e). Credit Risk

Credit risk is the possibility of a loss due to the failure of a counterparty to repay a loan or meet another contractual obligation. The System may be exposed to credit risk with respect to its fixed income investments. The System manages its credit risk by setting credit rating criteria to govern the investment

activities of its fixed income managers at the portfolio and security level. Ratings criteria may be expressed on a relative basis against predetermined benchmark index or on an absolute basis based on that managers mandate. If a security is not rated by any Rating Agency, the internal rating assigned by the investment manager or an affiliate (Internal Rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System overall asset allocation targets and related objectives.

The System manages exposure to credit risk generally by instructing fixed income managers to adhere to an overall target weighted average credit quality for their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities.

The System's exposure to credit risk as of June 30, 2023 is as follows (in thousands):

Moody's Quality Rating	US Government Agency	CMO	Corporate Bonds	Grand Total
A1	\$ —	\$ —	\$ 36,566	\$ 36,566
A2	—	143	27,140	27,283
A3	—	—	35,071	35,071
Aa1	—	1,734	4,823	6,557
Aa2	—	7,610	20,691	28,301
Aa3	—	1,283	7,633	8,916
Aaa	190,734	20,272	35,026	246,032
B1	—	—	29,347	29,347
B2	—	—	25,039	25,039
B3	—	—	19,594	19,594
Ba1	—	222	26,210	26,432
Ba2	—	—	34,174	34,174
Ba3	—	—	62,265	62,265
Baa1	—	81	47,804	47,885
Baa2	—	965	63,297	64,262
Baa3	—	—	98,199	98,199
Ca	—	—	587	587
Caa1	—	—	10,493	10,493
Caa2	—	—	3,811	3,811
Caa3	—	—	466	466
Not Rated	8,816	917	138,831	148,564
WR	—	—	31	31
Grand Total	\$ 199,550	\$ 33,227	\$ 727,098	\$ 959,875

Ratings provided by Moody's Investors Service

An emerging market debt portfolio totaling \$171.8 million at June 30, 2023 and held within a collective unit trust had an overall average credit quality rating of Baa2 (Moody's).

Investments in commercial paper totaling \$27.2 million at June 30, 2023 were rated P1 and P2 (Moody's).

(f). Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of investments in a single issuer. There is one comingled fund within the System's pooled investment trust that comprises 5.4% of the overall portfolio; otherwise, there is no single issuer exposure within the System's pooled investment trust that comprises more than 5% of the overall portfolio.

(g). Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2023, all securities were registered in the name of the System (or in the nominee name of its custodial agent) and were held in the possession of the System's custodial bank, Bank of New York Mellon.

(h). Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk. The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. The System's exposure to foreign currency risk at June 30, 2023, is detailed in the following table. In addition to the foreign currency exposure highlighted in the following table, certain hedge fund investments may have foreign currency exposure.

Foreign Currency Risk (in thousands)

Currency	Commingled Funds	Equities	Emerging Market Debt	Private Equity	Cash	Futures	Corporate Bonds	Total
Australian Dollar	\$ 42,518	\$ 25,994	\$ —	\$ —	\$ 476	\$ (26)	\$ —	\$ 68,962
Brazilian Real	23,594	—	9,190	—	—	—	—	32,784
Canadian Dollar	68,738	50,415	—	184	537	(67)	—	119,807
Chilean Peso	2,231	—	434	—	—	—	—	2,665
Chinese Yuan	11,622	—	8,924	—	—	—	—	20,546
Colombian Peso	431	—	4,268	—	—	—	—	4,699
Czech Republic Koruna	698	—	3,704	—	—	—	—	4,402
Danish Krone	17,404	19,198	—	—	13	—	—	36,615
Egyptian Pound	436	—	175	—	—	—	—	611
Euro Currency	196,818	141,518	764	160,440	4,459	(213)	7,136	510,922
Great Britain Pound	85,479	62,999	—	—	1,793	39	—	150,310
Hong Kong Dollar	106,718	6,969	—	—	407	14	—	114,108
Hungarian Forint	960	—	4,138	—	—	—	—	5,098
Indian Rupee	62,995	—	—	—	—	—	—	62,995
Indonesia Rupiah	8,167	—	7,423	—	—	—	—	15,590
Israeli Shekel	2,274	795	—	—	71	—	—	3,140
Japanese Yen	129,641	89,629	—	—	689	(234)	—	219,725
Kazakhstani Tenge	—	—	327	—	—	—	—	327
Kuwaiti Dinar	3,399	—	—	—	—	—	—	3,399
Malaysian Ringgit	5,563	—	7,849	—	—	—	—	13,412
Mexican Peso	11,765	—	7,647	—	—	—	—	19,412
New Taiwan Dollar	65,612	—	—	—	—	—	—	65,612
New Zealand Dollar	1,174	6,655	—	—	152	—	—	7,981
Norwegian Krone	3,594	686	—	—	24	—	—	4,304
Peruvian Nouveau Sol	—	—	1,446	—	—	—	—	1,446
Philippine Peso	2,713	—	63	—	—	—	—	2,776
Polish Zloty	3,531	—	5,280	—	—	—	—	8,811
Qatari Real	3,669	—	—	—	—	—	—	3,669
Romanian leu	—	—	2,830	—	—	—	—	2,830
Saudi Riyal	17,450	—	—	—	—	—	—	17,450
Singapore Dollar	7,068	6,489	—	—	122	—	—	13,679
Swedish Krona	18,812	15,501	—	—	527	6	—	34,846
Swiss Franc	57,245	49,070	—	—	523	—	—	106,838
South African Rand	13,536	—	6,210	—	—	—	—	19,746
South Korean Won	52,700	—	—	—	—	—	—	52,700
Thailand Baht	8,004	—	7,512	—	—	—	—	15,516
Turkish Lira	2,250	—	1,126	—	—	—	—	3,376
United Arab Emirates Dirham	5,303	—	—	—	—	—	—	5,303
Uruguayan Peso	—	—	468	—	—	—	—	468
Total	\$ 1,044,112	\$ 475,918	\$ 79,778	\$ 160,624	\$ 9,793	\$ (481)	\$ 7,136	\$ 1,776,880
United States Dollar	24,948	—	91,994	2,076,807	—	(4,986)	719,962	2,908,725
Grand Total	\$ 1,069,060	\$ 475,918	\$ 171,772	\$ 2,237,431	\$ 9,793	\$ (5,467)	\$ 727,098	\$ 4,685,605

(i). Derivatives and Other Similar Investments

Certain of the System investment managers are allowed to invest in derivative type transactions consistent with the terms and limitations governing their investment objective and related contract specifications. Derivatives and other similar investments are financial contracts whose value depends on one or more underlying assets, reference rates, or financial indices.

The System's derivative investments include forward foreign currency transactions, futures contracts, options, rights, and warrants. The System enters into these transactions to enhance performance,

rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

Forward foreign currency contracts – The System enters into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments. A currency forward is a contractual agreement to pay or receive specific amounts of foreign currency at a future date in exchange for another currency at an agreed upon exchange rate. If not offset by a corresponding position with the opposite currency exposure, these contracts involve risk in excess of the amount reflected in the System's Statements of Fiduciary Net Position. The face or contract amount in U.S. dollars reflects the total exposure the System has in currency contracts. The U.S. dollar value of forward foreign currency contracts is determined using forward currency exchange rates supplied by a quotation service. Losses may arise due to changes in the value of the foreign currency or if the counterparty does not perform under the contract.

Futures contracts – The System uses futures to manage its exposure to the domestic and international equity, money market, and bond markets and the fluctuations in interest rates and currency values. Futures are also used to obtain target market exposures in a cost-effective manner and to narrow the gap between the System's actual cash exposures and the target policy exposures. Using futures contracts in this fashion is designed to reduce (or hedge) the risk of the actual plan portfolio deviating from the policy portfolio more efficiently than by using cash securities. The program is only used to manage intended exposures and asset allocation rebalancing.

Buying futures tends to increase the System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

Credit Default Swaps – A credit manager may use credit default swaps in the portfolio to either obtain exposure to the high yield market efficiently (i.e. by selling protection) at a similar or better price than what can be obtained in cash bonds, or to hedge the credit risk of the portfolio (i.e. buying protection).

Through commingled funds, the System also indirectly holds derivative type instruments, primarily equity primarily through futures, forwards and total return swaps.

Additionally, the System is an investor in a private investment fund that writes collateralized put options on both U.S. indices, including the S&P 500® Index and exchange traded funds. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The System invests in mortgage-backed securities, which are included in the categories described as collateralized mortgage obligations and U.S. Government Agency Securities. These securities are based on the cash flows from interest and principal payments by the underlying mortgages. As a result, they are sensitive to prepayments by mortgagees, which are likely in declining interest rate environments, thereby reducing the value of these securities.

Additional information regarding interest rate risks for these investments is included in *Interest Rate Risk*.

The System may sell a security in anticipation of a decline in the fair value of that security or to lessen the portfolio allocation of an asset class. Short sales may increase the risk of loss to the System when the price of a security underlying the short sale increases and the System is obligated to deliver the security in order to cover the position.

The following summarize the System's exposure to specific derivative investments (in thousands) at June 30, 2023:

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2022	Fair Value at June 30, 2023	Notional Amount
Fixed income futures - long	\$ 1	\$ 444	\$ 445	\$ 42,477
Fixed income futures - short	(2,475)	(1,014)	(3,489)	322,487
Equity index futures - long	654	213	867	(22,511)
Equity index futures - short	(3,090)	(200)	(3,290)	(181,355)
Credit default swaps (index)	451	(174)	277	—
Total return swaps	237	(237)	—	—
Total	\$ (4,222)	\$ (968)	\$ (5,190)	
Foreign Currency Forward Contracts Payable				
Pending payable (liability)			\$ (4)	
Pending receivable (asset)			278	
Total			\$ 274	

The System is exposed to counterparty risk on foreign currency contracts that are in asset positions. The aggregate fair value of derivative instruments in asset positions at June 30, 2023 was \$274 thousand. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

The System executes (through its investment managers) derivative instruments with various counterparties. The credit ratings (Moody's) of nine counterparties were Aa3 (three counterparties), Aa2 (two counterparties), Aa1 (two counterparties), and A1 and WR for the remaining two counterparties.

Other Investments - Defined Contribution Plan

The SIC selected various investment options for defined contribution plan participants with the overall objective of offering low-cost, strategic, and long-term oriented investment products. Plan participants can choose one or more of the various options and can change options at any time. Plan participants who do not elect a specific option default to a target date retirement fund consistent with their anticipated Social Security retirement eligibility date.

The majority (98%) of investments held by participants in the defined contribution plan are target date retirement funds, equity or fixed income funds. The target retirement date funds provide for diversified portfolios of equities and bonds that become progressively more conservative as the fund's associated target retirement date approaches. Equity index funds seek to replicate the price and yield performance of a particular index.

The target retirement date and equity and fixed income funds are priced daily based on the traded prices of the underlying securities held within the funds. There are no withdrawal limitations for these funds. These funds are classified as Level 1 investments (quoted prices in active markets for identical assets) within the fair value hierarchy. Annuities are reported at contract value, which approximates fair value. Annuities held by participants within the defined contribution plan (approximately 2% of total defined contribution plan investments) are classified as Level 3 investments (significant unobservable inputs) within the fair value hierarchy.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2023, all non-annuity assets, including mutual funds, that are traded and held in retirement plans by TIAA were held at TIAA-Trust, N.A., FSB (formerly TIAA-CREF Trust Company, FSB) as custodian/trustee.

The majority of the defined contribution plan investment options are funds that invest in diversified portfolios of securities including equity and fixed-income investments. For investment options that are solely fixed income, weighted-average maturity or duration have been disclosed as a measure of interest rate risk.

Fixed income funds (approximately 1% of total defined contribution plan investments) are subject to interest rate, inflation and credit risks. Target-date retirement funds share the risks associated with the types of securities held by each of the underlying funds in which they invest including equity and fixed income funds. Funds may have exposure to foreign currency risk through investment in non-US denominated securities.

D. OPEB Trusts

The Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System), which accumulates resources for other postemployment benefit payments to qualified employees, consists of six plans: State employees, Teachers, Judges, State Police, Legislators and Board of Education.

Summary of Significant Accounting Policies

Investments - Investment transactions are recorded on a trade date basis. Dividend income is recorded on the ex-dividend date.

Method Used to Value Investments - Investments are recorded in the financial statements at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Short-term investments are generally carried at cost or amortized cost, which approximates fair value.

The fair value of fixed income securities is generally based on published market prices and quotations from national security exchanges and securities pricing services.

Commingled funds include domestic and international equity index funds. The fair value of these commingled funds is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

Derivative investments (e.g., futures contracts) are valued at the settlement price established each day by the board of trade or exchange on which they are traded.

Other investments that are not traded on a national security exchange (primarily private equity, equity options, real estate, private real assets ex-real estate investments) are valued based on the reported NAV by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value non-publicly traded assets at current fair value, taking into consideration the financial performance of the issuer, cash flow analysis, recent sales prices, market comparable transactions, a new round of financing, a change in economic conditions, and other pertinent information.

Equity options, money market, private equity, real estate, and private real assets ex-real estate represented 3.8%, 1.2%, 3.1%, 1.6%, and 0.5% respectively of the total reported fair value of all pooled OPEB trust investments at June 30, 2023.

Investment Expenses - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. When indirect investment expenses for certain types of investments (e.g., private equity, real estate, private real assets-ex real estate, and equity options), are not reported separately to System's management and the investment custodian, additional information is obtained to allow reporting of the System's share of such indirect investment expenses on a gross fee basis.

Cash Deposits and Cash Equivalents

At June 30, 2023, the carrying amount of the OPEB System cash deposits was approximately \$4.6 million and the bank balance was \$4.6 million. The bank and book balances represent the OPEB System's deposits in short-term trust accounts, which include fully insured demand deposit accounts and interest-bearing, collateralized bank deposit accounts.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the System deposits were required to be collateralized at June 30, 2023 (excluding the collateralized interest-bearing deposits). However, the SIC has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to 102% of the deposit amounts that are not insured by federal depository insurance unless Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%. The percentage of collateral required is determined by the underlying classification of the collateral.

The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11(2)(iii) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

The OPEB System also had cash equivalents totaling \$2.5 million invested in the Ocean State Investment Pool at June 30, 2023. See Note 2A for details.

Investments - Pool Investment Trust

(a). General

The custodian bank holds assets of the OPEB System in a Pooled Investment Trust and each plan holds units in the trust. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust. The assets of each of the plans are pooled for investment purposes only, and units are assigned to the plans based on their respective share of fair value.

Investment Policy - The SIC oversees all investments made by the State of Rhode Island, including those made for the OPEB System. The establishment of the SIC, its legal authority and investment powers are outlined in Chapter 35-10 of the Rhode Island General Laws.

The SIC has adopted an Investment Policy Statement (IPS) which includes specific asset allocation targets and asset class policies. The most recent policy statement was adopted by the SIC on June 22, 2022 and was effective as of January 1, 2023, and may be amended by a majority vote of SIC members. After fiscal year end on June 30, 2023, the SIC approved a revised Investment Policy Statement on December 6, 2023 with an effective date of January 1, 2024. The SIC's asset allocation policy seeks to achieve the assumed rate of return adopted by the System over the long-term while reducing risk through the prudent diversification of the portfolio across various asset classes.

The System leverages the services of actuaries and consultants to provide guidance regarding actuarial matters, asset allocation, and investment policy development. The SIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the SIC to manage portfolios in accordance with investment management agreements.

The SIC adopted the following asset allocation policy targets as of June 30, 2023:

Asset Class	Target Asset Allocation
<i>GROWTH</i>	
Global Equity	40.0 %
Private Growth	5.0 %
<i>Subtotal</i>	45.0 %
<i>INCOME</i>	21.0 %
<i>STABILITY</i>	
Inflation Protection	8.0 %
Volatility Protection	26.0 %
<i>Subtotal</i>	34.0 %
Total	100.0 %

Consistent with a target asset allocation model adopted by the SIC, the System directs its separate-account investment managers to maintain, within the mandate specified by the SIC, diversified portfolios by sector, credit rating and issuer using the prudent person standard. The prudent person standard is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Specific manager performance objectives are outlined and generally stated in relation to a benchmark or relevant index. These guidelines also include prohibited investments, limitations on maximum exposure to a single industry or single issuer, a minimum number of holdings within the manager's portfolio and, for fixed income managers, minimum credit quality ratings and duration/maturity targets.

Investment expense is allocated to each plan based on the plan units in the Pooled Investment Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2023:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>
US Cash and Cash Equivalents:	
US Cash	\$ 622
Money Market Mutual Funds	7,079
Corporate Bonds	10,525
Derivatives:	
Equity and Fixed Income Index Futures	(223)
Commingled Funds - International Equity	102,617
Commingled Funds - Domestic Equity Index Fund	404,358
Equity Options	21,798
Private Equity	17,689
Real Estate	9,308
Private Real Assets ex-Real Estate	3,060
Investment at Fair Value	\$ 576,833
Investment receivable	295
Total Pooled Investment Trust	\$ 577,128

(b). Fair Value Hierarchy

The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.

Level 2 inputs are other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3 includes unobservable inputs for an asset or liability.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

The following table presents the investments measured at fair value at June 30, 2023 (expressed in thousands):

<u>Investments at Fair Value</u>	<u>Fair Value</u> <u>June 30, 2023</u>	<u>Quoted Prices</u> <u>in Active Market</u> <u>for Identical</u> <u>Assets</u> <u>(Level 1)</u>	<u>Significant</u> <u>Other</u> <u>Observable</u> <u>Inputs</u> <u>(Level 2)</u>
Fixed Income:			
Corporate Bonds	\$ 10,525	\$ —	\$ 10,525
Derivatives	(223)	(223)	—
Total investments by fair value level	<u>\$ 10,302</u>	<u>\$ (223)</u>	<u>\$ 10,525</u>
Investments measured at the net asset value (NAV)			
Commingled Funds - International Equity	\$ 102,617		
Commingled Funds - Domestic Equity Index Fund	404,358		
Equity Options	21,798		
Money Market Fund	7,079		
Private Equity	17,689		
Real Estate	9,308		
Private Real Assets ex-Real Estate	3,060		
	<u>\$ 565,909</u>		
Cash and Cash Equivalents			
US Cash and Cash Equivalents	<u>622</u>		
Net investment receivable			
	<u>295</u>		
Total Pooled Investment Trust			
	<u>\$ 577,128</u>		

Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for identical assets for those securities.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table (in thousands):

	<u>Fair Value</u>	<u>Unfunded</u> <u>Commitments</u>	<u>Redemption</u> <u>(if currently</u> <u>eligible)</u>	<u>Redemption</u> <u>Notice Period</u>
Commingled Funds - International Equity	\$ 102,617	\$ —	daily	none
Commingled Funds - Domestic Equity Index Fund	404,358	—	daily	see note below
Equity Options	21,798	—	see note below	see note below
Money Market Fund	7,079	—	see note below	see note below
Private Equity	17,689	10,124	see note below	see note below
Real Estate	9,308	2,027	see note below	see note below
Private Real Assets ex-Real Estate	3,060	—	see note below	see note below
	<u>\$ 565,909</u>	<u>\$ 12,151</u>		

Commingled Funds – International Equity – consist of 46 international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI CAD. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund managers, which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may be redeemed daily.

Commingled Funds – Domestic Equity – consist of three institutional domestic equity index funds. The fair values of these investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund managers, which reflects the exchange pricing of the equity holdings within each fund. There are no withdrawal limitations for the index funds.

Equity Options – Private LLC Investment – The fund seeks to achieve its goal primarily through a strategy of writing exchange-traded put options on the S&P 500® Index. These options are fully collateralized by short duration U.S. Treasury securities. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in short duration fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

The fair value of the equity options – private LLC investment has been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023. The underlying investments at June 30, 2023, which consist of equity options and fixed income investments were publicly traded.

This investment includes monthly liquidity provisions with 7 business days' notice.

Money Market Mutual Funds – are used as temporary cash management investments. The fair value of these funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Private Equity – these 8 limited partnership funds provide the portfolio exposure to private companies through equity and/or debt investments. Private equity fund managers invest in private companies with the goal of enhancing their value over the long-term.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023. The investments cannot be redeemed. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Real Estate – these 5 limited partnership investments are comprised of two different private real estate equity components, Core and Non-Core, which generally refer to the relative levels of risk in the underlying assets. Core investments include existing, substantially leased, income-producing properties located principally in economically diversified metropolitan areas. Non-Core investments represent those properties and/or investment strategies that require specialized acquisition and management expertise and skill to mitigate the business and leasing risks that may be associated with individual investments. Non-Core investments, which may be referred to as Value Added and Opportunistic investments, are expected to be held for shorter periods, have greater volatility compared to Core investments, and as such, are expected to provide yields higher than those associated with Core investments.

These funds acquire, manage and sell physical properties, including office, retail, apartment, and industrial buildings as well as more niche property types, such as student housing, self-storage and hotels. The primary goals of this asset class are to provide current income, risk-adjusted total returns, and diversification.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2023.

With the exception of two core/core+ open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), these investments cannot be redeemed. Redemptions from core/core+ open-end funds may not be fulfilled in a timely manner due to market conditions. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

Private Real Assets ex-Real Estate – This fund provides inflation-protection and current income to the portfolio through investment in facilities and services required for an economy to function including electricity production and distribution, pipelines, sewers and waste management, airports, roads, bridges, ports, railroads, telephone and cable networks, hospitals, farmlands, etc. The fair value of this investment has been determined using the NAV per share of the investment as reported by the general partner at June 30, 2023.

This investment allows for quarterly liquidity (with a notice period of between 45 to 60 days). Redemptions may not be fulfilled in a timely manner due to market conditions and initial lock-up period. The nature of this investment provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(c). Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2023, the annual money-weighted returns on investments within each of the plans, net of investment expense, are shown in the following table:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Money-weighted rate of return - year ended June 30, 2023	11.89%	16.85%	9.70%	11.27%	11.07%	11.07%

(d). Interest Rate Risk

Interest rate risk is the possibility that the value of a fixed income security will decline due to changes in market interest rates. Due to its significant holdings of fixed income securities, the System manages its investment exposure to interest rate risk by comparing its fixed income and cash managers portfolio-level and security-level interest rate sensitivities against a predetermined benchmark index based on that manager's mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its Liquid Credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by the System vary by asset class which include US High Yield, US Aggregate Bond, and JP Morgan CLOIE BB Index.

The fixed income indices currently used by the System is:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Emerging Market Debt Custom BM: 50% JPM EMBI Global Diversified Index + 50% JPM GBI-EM Global Diversified Index
- Bloomberg US Aggregate Bond Index

At June 30, 2023, no fixed income manager was outside of their policy guidelines.

The following table shows the OPEB System's fixed income investments by type, fair value and the effective duration at June 30, 2023 (expressed in thousands):

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Corporate Bonds	\$ 10,525	0.89
Total Fixed Income	<u>\$ 10,525</u>	

In addition to the fixed income investments shown above, the following table depicts the investment type, fair value and effective duration for two commingled domestic equity fund investments and a private equity investment that primarily invest in fixed income securities at June 30, 2023 (expressed in thousands):

<u>Investment</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Effective Duration</u>
US Aggregate Bond Index NL	Commingled Funds - Domestic Equity	\$ 167,064	6.29
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$ 69,544	3.54
Sycamore Tree CLO Fund LP	Private Equity	\$ 12,300	Not available

(e). Credit Risk

Credit risk is the possibility of a loss due to the failure of a counterparty to repay a loan or meet another contractual obligation. The System may be exposed to credit risk with respect to its fixed income investments. The System manages its credit risk by setting credit rating criteria to govern the investment activities of its fixed income managers at the portfolio and security level. Ratings criteria may be expressed on a relative basis against predetermined benchmark index or on an absolute basis based on that manager's mandate. If a security is not rated by any rating agency, the internal rating assigned by the investment manager or an affiliate (internal rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System's overall asset allocation targets and related objectives.

The OPEB System generally manages exposure to credit risk by instructing fixed income managers to adhere to an overall target weighted average credit quality for their portfolios and by establishing limits on the percentage of the portfolios that are invested in non-investment grade securities.

The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2023 is as follows (expressed in thousands):

<u>Quality Rating (1)</u>	<u>Corporate Bonds</u>
Ba1	\$ 1,377
Ba2	1,840
Ba3	7,308
Fair Value	<u>\$ 10,525</u>

(1) Moody's Investors Service Ratings

In addition to the exposure to credit risk on corporate bonds shown above, the following table depicts credit ratings for two commingled domestic equity fund investments and a private equity investment that primarily invest in fixed income securities at June 30, 2023 (expressed in thousands):

<u>Investment</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Average Credit Quality</u>	<u>Credit Quality Breakdown</u>
US Aggregate Bond Index NL	Commingled Funds - Domestic Equity	\$167,064	AA2	Aaa-71.7%, Aa-2.9%, A-11.6%, Baa-12.5%, Not rated-1.3%
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$69,544	B2	BBB or higher - 0.4%, BB-46.0%, B-40.3%, CCC or lower-12.1%, Not rated-1.1%
Sycamore Tree CLO Fund LP	Private Equity	\$12,300	Not available	AAA-61.7%, AA-12.3%, A-5.9%, BBB(-)-5.9%, BB(-)-3.5%, Not rated-10.6%

Average Credit Quality for the US Aggregate Bond Index NL reflects market value weight of all the rated securities held by the portfolio (excluding unrated securities) using the middle rating provided by either S&P, Moody's and Fitch or lower if only two agency ratings are available. Information on the methodology for determining average credit quality for the other two funds listed was not available.

(f). Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the OPEB System investments in a single issuer. There is no single issuer exposure within the OPEB System portfolio that comprises more than 5% of the overall portfolio.

(g). Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the OPEB System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2023, all securities were registered in the name of the OPEB System (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, Bank of New York Mellon.

(h). Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. Portfolios are diversified to limit foreign currency and security risk. The System may enter into foreign currency exchange contracts to minimize the short-term impact of foreign currency fluctuations on foreign investments.

The System's exposure to foreign currency risk at June 30, 2023, is detailed in the following table:

Currency Code	Currency	Commingled Funds
AUD	Australian Dollar	\$ 4,860
ATS	Austrian Schilling	122
BEF	Belgian Franc	609
BRL	Brazilian Real	1,584
CAD	Canadian Dollar	7,781
CLP	Chilean Peso	154
CNY	Chinese Yuan	8,474
COP	Colombian Peso	29
CZK	Czech Republic Koruna	48
DKK	Danish Krone	2,024
NLG	Dutch Guilder	3,079
EGP	Egyptian Pound	23
FIM	Finnish Markka	579
FRF	French Franc	8,249
DEM	German Deutsche Mark	5,707
GBP	Great Britain Pound	9,766
GRD	Greek Drachmae	132
HKD	Hong Kong Dollar	1,657
HUF	Hungarian Forint	67
INR	Indian Rupee	4,143
IDR	Indonesia Rupiah	566
IEP	Irish Pound	539
ILS	Israeli Shekel	412
ITL	Italian Lira	1,682
JPY	Japanese Yen	14,835
KWD	Kuwaiti Dinar	235
MYR	Malaysian Ringgit	379
MXN	Mexican Peso	803
TWD	New Taiwan Dollar	4,484
NZD	New Zealand Dollar	135
NOK	Norwegian Krone	418
PEN	Peruvian Nouveau Sol	76
PHP	Philippine Peso	183
PLN	Polish Zloty	238
PTE	Portuguese Escudo	139
QAR	Qatari Real	255
SAR	Saudi Riyal	1,203
SGD	Singapore Dollar	927
ESP	Spanish Peseta	1,737
SEK	Swedish Krona	2,148
CHF	Swiss Franc	6,647
ZAR	South African Rand	913
KRW	South Korean Won	3,498
THB	Thailand Baht	548
TRY	Turkish Lira	157
AED	United Arab Emirates Dirham	369
	Total	\$ 102,613

(i). Derivatives and Other Similar Investments

Certain of the System investment managers are allowed to invest in derivative type transactions consistent with the terms and limitations governing their investment objective and related contract specifications. Derivatives and other similar investments are financial contracts whose value depends on one or more underlying assets, reference rates, or financial indices.

The System's derivative investments include futures contracts. The System enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

Futures contracts – The System uses futures to manage its exposure to the domestic and international equity, money market, and bond markets and the fluctuations in interest rates and currency values. Futures are also used to obtain target market exposures in a cost-effective manner and to narrow the gap between the System's actual cash exposures and the target policy exposures. Using futures contracts in this fashion is designed to reduce (or hedge) the risk of the actual plan portfolio deviating from the policy portfolio more efficiently than by using cash securities. The program is only used to manage intended exposures and asset allocation rebalancing.

Buying futures tends to increase the System's exposure to the underlying instrument. Selling futures tends to decrease the System's exposure to the underlying instrument or hedge other System investments. Losses may arise due to movements in the underlying or reference markets.

Additionally, the System is an investor in a private investment fund that writes collateralized put options on both U.S. indices, including the S&P 500® Index and exchange traded funds. The advisor attempts to generate returns through the receipt of option premiums from selling puts, as well as through investments in fixed income instruments, which collectively are intended to reduce volatility relative to what it would be if the fund held the underlying equity index on which the options are written.

Additional information regarding interest rate risks for these investments is included in *Interest Rate Risk*.

The System may sell a security in anticipation of a decline in the fair value of that security or to lessen the portfolio allocation of an asset class. Short sales may increase the risk of loss to the System when the price of a security underlying the short sale increases and the System is obligated to deliver the security in order to cover the position.

The following summarize the System's exposure to specific derivative investments (in thousands) at June 30, 2023:

Investment Derivative Instruments	Fair Value at June 30, 2022	Fair Value at June 30, 2023	Notional Amount
Fixed income futures - long	N/A	\$ 1	\$ 1,498
Fixed income futures - short	N/A	(154)	15,862
Equity index futures - long	N/A	9	(1,098)
Equity index futures - short	N/A	(79)	(9,319)
Total	\$ —	\$ (223)	

E. Private Purpose Trusts

The Tuition Savings Program had investments of approximately \$4.2 billion in a number of mutual funds and other investment vehicles as of June 30, 2023. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$674.2 million which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately \$3.7 million in the Fidelity Balanced Fund as of June 30, 2023. These investments are categorized as Level 1 of the fair value hierarchy.

The ABLE Consortium Trust investments consist of mutual funds and other investment vehicles as of June 30, 2023. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of a High Yield Savings Account and FDIC-Insured Checking Account which are not subject to the fair value hierarchy.

F. Custodial Funds

As of June 30, 2023, all of the bank balances of Custodial Funds were either covered by federal depository insurance or collateralized by securities held by an independent third party in the State's name.

Note 3. Receivables

Receivables at June 30, 2023 (expressed in thousands) consist of the following:

Primary Government	Taxes Receivable	Accounts Receivable	Notes and Loans Receivable	Gross Receivables	Less: Allowance for Uncollectibles	Total Receivable, Net	Due from Other Governments and Agencies
Governmental activities receivables	\$ 856,969	\$ 419,316	\$ 2,985	\$ 1,279,270	\$ (364,646)	\$ 914,624	\$ 492,075
Less current portion	837,314	279,461	2,025	1,118,800	(338,407)	780,393	472,116
Non-current portion	\$ 19,655	\$ 139,855	\$ 960	\$ 160,470	\$ (26,239)	\$ 134,231	\$ 19,959
Business-type activities receivables	\$ 73,747	\$ 55,279	\$ —	\$ 129,026	\$ (41,486)	\$ 87,540	\$ 1,486
Less current portion	73,747	55,279	—	129,026	(41,486)	87,540	1,486
Non-current portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Within the governmental activities, 70.9% of the net receivables is attributed to net taxes receivable (\$208 million is uncollectible) and 28.8% to net accounts receivables (\$155.8 million is uncollectible). In fiscal year 2023, a significant amount of the account receivables related to the opioid settlement, which totaled \$114.1 million and medicaid accruals, which totaled \$47.5 million. These amounts represent 43.3% and 18.0% of the net accounts receivable, respectively.

In January 2022, the State joined the national opioid settlement with three major opioid distributors, which will provide over \$90.0 million in funding for state and local efforts to address Rhode Island's opioid crisis. The Settlement Agreement states that all the funds will be directed to opioid abatement, including expanding access to opioid use disorder prevention, intervention, treatment, and recovery. Together with settlements secured by Attorney General Peter Neronha against opioid manufacturer Johnson & Johnson for \$21.0 million and consulting firm McKinsey & Co. for \$2.5 million, the State's opioid litigation recoveries total over \$114.0 million over the next 18 years.

The due from other governments and agencies include \$160.6 million in Medicaid accruals due from the federal government, which represents 32.6% of the total due from other governments.

Receivables related to the Employment Security Fund totaled \$77.4 million, which represent 88.4% of the total receivable net for business-type activities.

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2023 are the result of ongoing operations and are expected to be reimbursed within the subsequent fiscal year. They are summarized below (expressed in thousands):

	Interfund Receivable	Interfund Payable	Description
Governmental Funds			
Major Funds			
General	\$ 11,205	\$ —	Assessed Fringe Benefits overpayment refunds and RI Lottery residual net income transfer
Intermodal Surface Transportation	50	—	Transportation funding
RI Capital Plan	—	427	Project Funding
Total Major Funds	<u>11,255</u>	<u>427</u>	
Non-Major Funds			
RI Temporary Disability Insurance	864	—	Operating expenses
Historic Tax Credit Financing	297	—	Appropriations from other funds
Permanent School	—	30	Operating expenses
Bond Capital	—	1,013	Project funding
Total Non-Major Funds	<u>1,161</u>	<u>1,043</u>	
Total Governmental Funds	<u>12,416</u>	<u>1,470</u>	
Proprietary Funds			
Enterprise Funds			
RI Lottery	—	5,240	RI Lottery residual net income transfer to general fund
RI Convention Center	—	74	Project funding and operating assistance
Employment Security Trust	—	57	Benefit payments
Total Enterprise Funds	<u>—</u>	<u>5,371</u>	
Internal Service Funds	5,327	10,902	Settlement of services rendered
Total Primary Government	<u>\$ 17,743</u>	<u>\$ 17,743</u>	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2023 consists of the following (expressed in thousands):

Primary Government

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 400,695	\$ 19,338	\$ (381)	\$ 419,652
Works of art	5,358	285	—	5,643
Intangibles	186,230	2,283	—	188,513
Construction in progress	849,943	495,042	(231,424)	1,113,561
Total capital assets not being depreciated or amortized	1,442,226	516,948	(231,805)	1,727,369
Capital assets being depreciated or amortized:				
Land improvements	8,331	—	—	8,331
Buildings	882,128	5,222	(1,934)	885,416
Building improvements	565,263	16,785	—	582,048
Furniture and equipment	377,556	24,723	(10,863)	391,416
Intangibles*	344,315	—	(2,063)	342,252
Intangibles: right to use lease assets	93,927	1,800	(1,749)	93,978
Intangibles: subscription-based IT assets	—	16,020	—	16,020
Infrastructure	5,471,857	191,848	—	5,663,705
Total capital assets being depreciated or amortized	7,743,377	256,398	(16,609)	7,983,166
Less accumulated depreciation or amortization for:				
Land improvements	4,812	246	—	5,058
Buildings	391,916	16,806	(1,051)	407,671
Building improvements	256,822	18,965	—	275,787
Furniture and equipment	313,899	22,034	(10,723)	325,210
Intangibles*	186,010	33,049	(2,063)	216,996
Intangibles: right to use lease assets	16,401	16,595	(1,749)	31,247
Intangibles: subscription-based IT assets	—	6,014	—	6,014
Infrastructure	2,832,486	162,517	—	2,995,003
Total accumulated depreciation or amortization	4,002,346	276,226	(15,586)	4,262,986
Total capital assets being depreciated or amortized, net	3,741,031	(19,828)	(1,023)	3,720,180
Governmental activities capital assets, net **	\$ 5,183,257	\$ 497,120	\$ (232,828)	\$ 5,447,549

*Including information system development costs.

**Net governmental activities capital assets includes Internal Service Fund net capital assets totaling \$9.2 million at June 30, 2023.

The current period depreciation or amortization was charged to the governmental functions on the Statement of Activities as follows:

General government	\$ 29,971
Health and human services	36,680
Education	7,639
Public safety	24,489
Natural resources	8,775
Transportation	168,672
Total depreciation or amortization expense - governmental activities	\$ 276,226

Business-type Activities	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	839	8,668	(3,243)	6,264
Total capital assets not being depreciated	<u>47,647</u>	<u>8,668</u>	<u>(3,243)</u>	<u>53,072</u>
Capital assets being depreciated:				
Buildings	281,736	—	—	281,736
Machinery and equipment	50,948	3,437	(1,211)	53,174
Intangibles: right to use lease assets	1,401	—	—	1,401
Total capital assets being depreciated	<u>334,085</u>	<u>3,437</u>	<u>(1,211)</u>	<u>336,311</u>
Less accumulated depreciation for:				
Buildings	194,205	9,371	—	203,576
Machinery and equipment	40,216	4,020	(1,190)	43,046
Intangibles: right to use lease assets	39	365	—	404
Total accumulated depreciation	<u>234,460</u>	<u>13,756</u>	<u>(1,190)</u>	<u>247,026</u>
Total capital assets being depreciated (net)	<u>99,625</u>	<u>(10,319)</u>	<u>(21)</u>	<u>89,285</u>
Business-type activities capital assets (net)	<u>\$ 147,272</u>	<u>\$ (1,651)</u>	<u>\$ (3,264)</u>	<u>\$ 142,357</u>

*Certain beginning balances restated

Discretely Presented Component Units	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 139,361	\$ 195	\$ (129)	\$ 139,427
Construction in progress	288,903	132,548	(62,003)	359,448
Other	250	—	—	250
Total capital assets not being depreciated or amortized	<u>428,514</u>	<u>132,743</u>	<u>(62,132)</u>	<u>499,125</u>
Capital assets being depreciated or amortized:				
Buildings	2,865,005	49,028	(550)	2,913,483
Land improvements	338,427	4,172	—	342,599
Leasehold improvements	415	5	(323)	97
Machinery and equipment	553,313	64,547	(16,170)	601,690
Intangibles: right to use lease assets	33,032	12,005	—	45,037
Intangibles: subscription-based IT assets	14,167	5,249	—	19,416
Infrastructure	391,181	1,736	(301)	392,616
Total capital assets being depreciated or amortized	<u>4,195,540</u>	<u>136,742</u>	<u>(17,344)</u>	<u>4,314,938</u>
Less accumulated depreciation or amortization for:				
Buildings	1,330,025	86,308	—	1,416,333
Land improvements	216,552	13,460	—	230,012
Leasehold improvements	376	6	(323)	59
Machinery and equipment	420,884	30,134	(12,752)	438,266
Intangibles : right to use lease assets	1,333	1,234	—	2,567
Intangibles: subscription-based IT assets	—	6,835	—	6,835
Infrastructure	160,075	13,766	—	173,841
Total accumulated depreciation or amortization	<u>2,129,245</u>	<u>151,743</u>	<u>(13,075)</u>	<u>2,267,913</u>
Total capital assets being depreciated or amortized (net)	<u>2,066,295</u>	<u>(15,001)</u>	<u>(4,269)</u>	<u>2,047,025</u>
Total capital assets (net)	<u>\$ 2,494,809</u>	<u>\$ 117,742</u>	<u>\$ (66,401)</u>	<u>\$ 2,546,150</u>

*Certain beginning balances restated

Note 6. Notes Payable and Line of Credit Arrangements

Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2023 are as follows:

Component Units:

Direct Borrowings

Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024	\$ 168
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 14 years	1,393
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0% to 6.3% interest, payable through 2047	<u>126,658</u>
	128,219
Less: current portion	<u>104,898</u>
Non-current portion	<u>\$ 23,321</u>

Other

R.I. Housing and Mortgage Finance Corporation federal bank note, 2.2% to 4.3% interest, payable from 2056 through 2062.	<u>\$ 261,145</u>
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Direct borrowing – Line of credit arrangements

R.I. Housing and Mortgage Finance Corporation (RIHMFC) - As of June 30, 2023, RIHMFC may borrow up to a maximum of \$135.0 million under various revolving loan agreements expiring between August 2023 and November 2024. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit has a variable interest rate. As of June 30, 2023, the borrowings were \$47.0 million and the rate was 5.8%. The remaining line of credit arrangements have fixed rates which range from 5.2% to 6.2%. Outstanding borrowings under all agreements totaled \$102 million at June 30, 2023.

Note 7. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2023 are presented in the following table (expressed in thousand):

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
<i>Bonds Payable</i>						
General Obligation bonds (see section B)	\$ 1,346,535	\$ 265,990	\$ (146,035)	\$ 1,466,490	\$ 117,715	\$ 1,348,775
RICC Grant Anticipation Revenue bonds	495,785	—	(41,125)	454,660	43,180	411,480
RICC Rhode Island Motor Fuel Tax Revenue bonds	19,465	—	(4,390)	15,075	4,605	10,470
Tobacco Settlement asset-backed bonds	550,963	—	(28,090)	522,873	13,290	509,583
Accreted interest on TSFC bonds	151,862	15,725	—	167,587	—	167,587
RICC Historic Tax Credit bonds	71,655	—	(17,285)	54,370	17,765	36,605
Net unamortized premium/discount	188,153	19,980	(39,978)	168,155	—	168,155
Bonds payable (net)	<u>2,824,418</u>	<u>301,695</u>	<u>(276,903)</u>	<u>2,849,210</u>	<u>196,555</u>	<u>2,652,655</u>
Certificates of Participation (see section D)	103,295	—	(23,930)	79,365	21,070	58,295
Net unamortized premium/discount	6,828	—	(2,607)	4,221	—	4,221
Certificates of Participation (net)	<u>110,123</u>	<u>—</u>	<u>(26,537)</u>	<u>83,586</u>	<u>21,070</u>	<u>62,516</u>
Lease liability (see note 15)	87,428	2,791	(19,834)	70,385	16,689	53,696
SBITA liability (see note 15)	—	16,170	(7,681)	8,489	6,589	1,900
Net pension liability (see note 18)**	1,818,945	195,711	(19,796)	1,994,860	—	1,994,860
Net pension liability-special funding (see note 18)**	1,002,105	146,093	—	1,148,198	—	1,148,198
Net OPEB liability (see note 19 D)**	208,884	47,798	—	256,682	—	256,682
Compensated absences (see section H)**	98,005	8,607	(3,351)	103,261	79,790	23,471
Pollution remediation (see section G)	17,747	11,973	(16,422)	13,298	6,973	6,325
Other liabilities (see section K)	78,281	11,938	(3,540)	86,679	2,432	84,247
Total Governmental Long-term Liabilities	<u>\$ 6,245,936</u>	<u>\$ 742,776</u>	<u>\$ (374,064)</u>	<u>\$ 6,614,648</u>	<u>\$ 330,098</u>	<u>\$ 6,284,550</u>
Business-type Activities						
Revenue bonds (see section B)	\$ 180,975	\$ —	\$ (20,250)	\$ 160,725	\$ 20,525	\$ 140,200
Lease liability (see note 15)	1,362	—	(348)	1,014	329	685
Net pension liability**	16,558	2,131	—	18,689	—	18,689
Net OPEB liability**	2,145	433	—	2,578	—	2,578
Unearned revenue	6,243	13,500	(2,617)	17,126	4,257	12,869
Compensated absences (see section H)**	625	571	(540)	656	308	348
Total Business-type Long-term Liabilities	<u>\$ 207,908</u>	<u>\$ 16,635</u>	<u>\$ (23,755)</u>	<u>\$ 200,788</u>	<u>\$ 25,419</u>	<u>\$ 175,369</u>
Component Units						
Bonds payable (see section B)	\$ 2,679,847	\$ 417,405	\$ (257,417)	\$ 2,839,835	\$ 137,641	\$ 2,702,194
Bonds payable - direct placements	109,305	—	(13,228)	96,077	16,599	79,478
Net unamortized premium/discount	104,605	7,998	(13,835)	98,768	11,053	87,715
Refunding credits	(10,795)	(432)	3,022	(8,205)	(2,452)	(5,753)
Bonds payable (net)	<u>2,882,962</u>	<u>424,971</u>	<u>(281,458)</u>	<u>3,026,475</u>	<u>162,841</u>	<u>2,863,634</u>
Loans payable (see section C)	13,942	10,404	(2,111)	22,235	1,915	20,320
Lease liability	33,813	17,867	(6,484)	45,196	3,335	41,861
SBITA liability	11,392	6,522	(7,802)	10,112	5,433	4,679
Net pension liability**	219,827	56,917	(157)	276,587	—	276,587
Net OPEB liability**	111,938	15,802	(3,159)	124,581	—	124,581
Compensated absences (see section H)**	37,174	4,161	(2,852)	38,483	11,164	27,319
Due to primary government (see section J)	36,796	—	(4,539)	32,257	4,455	27,802
Unearned revenue	21,243	25,931	(3,735)	43,439	40,723	2,716
Due to component units	952	2	(568)	386	356	30
Other Long-term liabilities						
Arbitrage rebate (see section I)	1,690	190	(1,852)	28	—	28
Pollution remediation (see section G)	12,421	1,585	—	14,006	1,034	12,972
Other liabilities (see section K)	380,925	49,487	(12,468)	417,944	1,112	416,832
Total Component Units Long-term Liabilities	<u>\$ 3,765,075</u>	<u>\$ 613,839</u>	<u>\$ (327,185)</u>	<u>\$ 4,051,729</u>	<u>\$ 232,368</u>	<u>\$ 3,819,361</u>

**The net pension, net OPEB, and compensated absences liabilities of the governmental activities are liquidated principally in the General Fund, the Intermodal Surface Transportation Fund and individual institutions of higher education according to the applicable employing state agency.

B. Bonds Payable

At June 30, 2023, future debt service requirements were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government				Component Units			
	Governmental Activities		Business Type Activities		Other		Direct Placements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 196,555	\$ 101,787	\$ 20,525	\$ 7,008	\$ 137,641	\$ 98,466	\$ 16,599	\$ 2,750
2025	183,590	93,196	21,225	6,306	137,458	94,674	12,873	2,377
2026	191,995	84,817	21,975	5,560	125,442	83,067	5,603	2,106
2027	181,905	76,444	21,095	4,778	126,487	78,681	7,659	1,869
2028	170,370	68,628	5,960	3,970	80,402	60,894	8,021	1,599
2029- 2033	671,960	240,102	35,070	14,589	505,866	157,976	28,704	4,334
2034 - 2038	434,905	123,771	23,970	4,974	617,226	133,047	14,406	1,128
2039 - 2043	196,130	49,608	10,905	1,194	550,981	71,944	2,212	5
2044 - 2048	59,040	38,253	—	—	319,140	30,258	—	—
2049 - 2053	227,018	1,429,892	*	—	194,550	12,103	—	—
2054 - 2058	—	—	—	—	35,910	2,877	—	—
2059 - 2063	—	—	—	—	8,732	323	—	—
	<u>\$2,513,468</u>	<u>\$2,306,498</u>	<u>\$160,725</u>	<u>\$ 48,379</u>	<u>\$2,839,835</u>	<u>\$ 824,310</u>	<u>\$ 96,077</u>	<u>\$ 16,168</u>

* Accreted interest on capital appreciation bonds of the Tobacco Settlement Financing Corporation.

Primary Government - Governmental Activities

General obligation bonds of the State are serial bonds with interest payable semi-annually.

In October 2022, the State issued \$222.7 million of general obligation bonds with interest rates from 4.1% - 5.0%, maturing from 2023 through 2040. The total premium paid on these bonds was \$14.1 million. In accordance with certain bond statutes, net premiums of \$9.3 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and \$4.2 million was transferred to the Rhode Island Capital Plan Fund.

The State had entered into a Forward Delivery Bond Purchase Agreement with a financial institution in March 2021, granting the option to purchase the State's General Obligation Bonds, Consolidated Capital Development Loan of 2022, Refunding Series 1, in exchange for an upfront payment of \$5.9 million, which was held as a deposit liability until the purchase option was exercised. In July 2022, the State issued \$43.2 million of general obligation refunding bonds with interest rates from 4.0% - 5.0%, maturing from 2023 through 2032. The bonds were not issued at a premium or discount, however the \$5.9 million upfront payment was recognized as an Other Financing Source in fiscal year 2023.

This upfront payment represented the approximate present value savings of debt service had the State been able to execute a tax-exempt advance refunding. The proceeds of the CCDL 2022 Refunding Series 1 bonds were used to refund \$43.2 million of the State's General Obligation Bonds, Consolidated Capital Development Loan of 2012 Series B. The forward refunding resulted in a deferred loss (difference between the reacquisition price and the net carry amount of the old debt) of approximately \$4.0 million that was recorded as a deferred outflow of resources.

At June 30, 2023, general obligation bonds authorized by the voters and unissued amounted to approximately \$618.3 million. In accordance with the General Laws, unissued bonds are subject to extinguishment seven years after the debt authorization was approved, unless extended by the General Assembly. Additionally, the General Assembly, pursuant to General Law Chapter 35-18, authorized \$144.0 million for school construction in the Central Falls School District (a component unit) and \$10.5

million for the Providence River Dredge Project. In addition to the debt authorized by the voters for which the full faith and credit is pledged, the General Assembly has authorized the issuance of other debt that is subject to annual appropriation.

R.I. Commerce Corporation Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds - R.I. Commerce Corporation (RICC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty-four cents (\$.34) per gallon Motor Fuel Tax. The bonds provide the State matching funds for the Grant Anticipation Revenue Vehicle Bonds. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof.

Pledged revenues were sufficient to fund fiscal year 2023 debt service payments for Grant Anticipation and Motor Fuel Tax Revenue Bonds. These revenues have been pledged for the term of the Grant Anticipation and Motor Fuel Tax Revenue Bonds through fiscal year 2035.

Historic Tax Credit Bonds - In fiscal years 2015 and 2019 the R.I. Commerce Corporation (RICC), on behalf of the State, issued \$75.0 million and \$76.9 million, respectively, of revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation of the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee, subject to annual appropriation by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. The \$54.3 million balance of authorized but unissued Historic Tax Credit Bonds will not be required and therefore has been extinguished. As of June 30, 2023 there were \$54.4 million of revenue bonds outstanding.

Tobacco Settlement Asset-Back Bonds and Accreted Interest - On June 27, 2002, the Corporation issued \$685.4 million of Tobacco Settlement Asset-Backed Bonds (2002 Series). The bond proceeds were used to purchase the State's future rights in the TSRs under the MSA. The bonds accrued interest at rates ranging from 5.9% to 6.3% and matured in varying amounts through June 1, 2042. The bonds were subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. The 2002 Series bonds were fully redeemed on March 19, 2015.

On June 27, 2007, the Corporation issued \$197.0 million of additional Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State's future rights to residual TSRs, which were not purchased under the 2002 purchase agreement. The bonds are Capital Appreciation Bonds, on which no periodic interest payments are made, but which are issued at a deep discount from par and accreting to full value at maturity in the year 2052. At maturity, the bond redemption values represent accreted yields ranging from 6.0% to 6.8%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. A portion of the 2007 Series Bonds were redeemed in March 2015 and June 2017.

On March 19, 2015, the Corporation issued \$620.9 million of Tobacco Settlement Asset-Backed Bonds (Series A and B) that bear interest at annual rates ranging from 0.6% to 5.0% and mature in varying amounts through June 1, 2050. The bonds are subject to several early redemption provisions, in whole or in part, at the redemption price of 100% of the principal amount plus accrued interest, without premium. Term maturities represent the minimum amount of principal that the Corporation has to pay as of specific dates.

All of the bonds of the Corporation are asset-backed instruments that are secured solely by the TSRs.

The bonds are payable both as to principal and interest solely out of the assets of the Corporation pledged for such purpose, and neither the faith and credit nor the taxing power of the State of Rhode Island or any political subdivision thereof is pledged to the payment of the principal of or the interest on

the bonds. The bonds do not constitute indebtedness of or a general, legal, or “moral” obligation of the State or any political subdivision of the State.

During the years ended June 30, 2023, 2022, and 2021, the Corporation utilized \$15.5 million, \$17.9 million, and \$11.9 million, respectively, of excess collections to early redeem an equal amount of outstanding bonds, consistent with the “turbo redemption” requirements.

Primary Government - Business-Type Activities

R.I. Convention Center Authority

The R.I. Convention Center Authority (RICCA) is limited to the issuance of bonds or notes in an aggregate principal amount of \$305.0 million. At June 30, 2023, outstanding bond indebtedness totaled \$160.7 million.

During April 2021, RICCA issued its 2021 Series A Bonds in an aggregate amount of \$32.2 million for the purpose of refunding RICCA's outstanding 2015 Series A Bonds and to pay the costs of issuance. The 2021 Series A Bonds mature between 2021 and 2026. The net proceeds of \$32.0 million (after payment of \$157 thousand in issuance costs) were deposited in an irrevocable trust fund under an escrow agreement between the escrow agent and RICCA. The proceeds were used to acquire United States Treasury Securities - State and Local Government Series (SLGS). All investment income on and the maturing principal of the SLGS held in the escrow deposit fund are considered defeased. In May of 2021 and May 2022, \$10.3 million and \$10.8 million, respectively, of the defeased debt was redeemed. In May 2023, \$9.1 million of the defeased debt was redeemed. The Authority refunded the 2015 Series A Bonds to reduce debt service payments in 2021 and 2022 and to provide use restrictions of tax-exempt bonds.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of RICCA, at amounts ranging from 100% to 102% of the principal balance.

Outstanding indebtedness is collateralized by all rents receivable (if any) under a lease and agreement between RICCA and the State covering all property purchased by RICCA for the site, all other revenues and receipts from the project, a mortgage on constructed facilities, land financed by proceeds of the bonds, and amounts held in various accounts into which bond proceeds were deposited. In addition, outstanding indebtedness is insured under certain financial guaranty insurance policies.

Each of the bond resolutions contains certain restrictive covenants. During the year ended June 30, 2023, RICCA was unable to fund the Operating Reserve requirement of the restrictive covenants for the R.I. Convention Center and the AMP pursuant to the indentures.

RICCA and the R.I. Department of Administration have entered into agreements that provide for total appropriations from the RI Capital Plan (RICAP) for various purposes, including funding the Renewal and Replacement requirement of the restrictive covenant for the detailed information regarding these agreements refer to RICCA's financial statements for the fiscal year ended June 30, 2023.

Concurrent with the issuance of the RICCA's 2009 Series A Bonds, a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp. (AGM), formerly Financial Security Assurance, Inc. to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of approximately \$127.5 million. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the 2021 Series A and 2017 Series A are no longer outstanding. In March 2022, AGM was rated by Moody's as A1. In July 2023, AGM was rated by S&P as AA.

RICCA maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides RICCA with surety bond coverage to meet Debt Service Reserve Fund requirements for the R.I. Convention Center. The surety bond provides a maximum coverage of \$15.2 million. Coverage under the

surety bond expired on May 15, 2023. RICCA maintains additional agreements with AMBAC for the R.I. Convention Center under which AMBAC provides RICCA with separate surety bond coverages to meet Debt Service Reserve Fund and Operating Reserve Fund requirements, respectively. The surety bond relating to the Debt Service Reserve Fund requirements replaced mandated investments and provides a maximum coverage of approximately \$8.8 million. The surety bond relating to the Operating Reserve Fund requirements also replaced mandated investments and provides a maximum coverage of approximately \$3.9 million. Coverage under both surety bonds expires on May 15, 2027. The Debt Service and Operating Reserve Fund Facilities are required to have a credit rating in one of the three highest categories by Moody's and S&P. As of June 30, 2023, AMBAC's credit rating did not meet the aforementioned requirement.

Discretely Presented Component Units

University of Rhode Island, Rhode Island College and the Community College of Rhode Island

The University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI) have issued a number of series of revenue bonds to finance housing, student union (including bookstores) and dining facilities. Under terms of the trust indentures, certain net revenues from these operations must be transferred to the trustees for payment of interest, retirement of bonds, and maintenance of facilities. The bonds are payable in annual or semi-annual installments to various maturity dates. Revenue bonds also include amounts borrowed under loan and trust agreements between the R.I. Health and Educational Building Corporation (RIHEBC) and the Board of Education acting for URI, RIC, and CCRI. The agreements provide for RIHEBC's issuance of the bonds with a loan of the proceeds to the University and Colleges and the payment by the University and Colleges to RIHEBC of loan payments that are at least equal to debt service on the bonds. The bonds are secured by a pledge of revenues of the respective institutions. At June 30, 2023 revenue bonds outstanding were approximately as follows: URI - \$248.5 million, RIC - \$10.5 million, and CCRI - \$311,456.

R.I. Airport Corporation

Revenue bonds are issued by R.I. Commerce Corporation (RICC) on behalf of R.I. Airport Corporation (RIAC). The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds are secured by the net revenues derived from the operation of the airports. As required by the Master Indenture of Trust, RIAC must attain a debt service ratio of 1.25 and meet other nonfinancial covenants. As of June 30, 2023, RIAC was in compliance with all financial covenants.

Per its Master Indenture of Trust and Supplemental Indentures, RIAC has pledged net revenues derived from the operation by RIAC of the Airport and certain general aviation airports to repay approximately \$153.1 million in airport revenue and special facility bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture of Trust, including passenger facility charges, were approximately \$56.0 million for the year ended June 30, 2023. Principal and interest payments for the year ended June 30, 2023 were approximately \$22.5 million.

In June 2006, RIAC, RICC, and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42.0 million with the United States Department of Transportation under the Transportation Infrastructure Finance and Innovation Act of 1998 (TIFIA). The purpose of the Agreement was to reimburse RICC and RIDOT and to provide funding to RIAC for a portion of eligible project costs related to the InterLink Facility Project. RIAC was permitted under the Agreement to make requisition of funds for eligible project costs through fiscal year 2013. RIAC began making monthly payments of interest in fiscal year 2012, with interest at a rate of 5.3%. Payments are made on behalf of RICC (the borrower per the Agreement), and debt service payments commenced in fiscal year 2012 with a final maturity in fiscal year 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2023, RIAC had approximately \$38.5 million in borrowings under this agreement.

I-195 Redevelopment District Commission

In April 2013, R.I. Commerce Corporation (RICC) issued Economic Development Revenue Bonds 2013 Series A, in the aggregate principal amounts of \$37.4 million, for which the I-195 RDC is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (5.25688% at June 30, 2023) plus applicable margin, or 7.75%. Applicable margin is the rate that corresponds to the lesser of the two long-term bond ratings of the State from Moody's Investors Service (Moody's) and Standard & Poor's (S&P) in the following table:

State Bond Rating (S & P/Moody's):	<u>AA/Aa2 or Higher</u>	<u>AA-/Aa3</u>	<u>A+/A1</u>	<u>A/A2</u>	<u>A-/A3</u>
Applicable Margins, 2013 Series A	1.00%	1.17%	1.37%	1.57%	1.82%

At June 30, 2023, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2023, the 2013 Series A Bonds bore interest at 7.3%. The outstanding balance of 2013 Series A Bonds was \$30,055,000 as of June 30, 2023.

Proceeds from the 2013 Series A bonds were transferred by the I-195 Redevelopment District Commission (I-195 RDC) to the State. Simultaneously with the issuance of the 2013 Series A Bonds, the I-195 RDC, RICC, and Santander Bank (the "Bank") entered into a bond purchase agreement under the terms of which the 2013 Series A Bonds were purchased by the Bank. The Bank holds a mandatory tender option to sell the bonds to RICC on either April 1, 2023 or April 1, 2028. The tender option was not exercised on April 1, 2023.

Concurrent with the issuance of the 2013 Series A Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the Cap Agreement). Under the terms of the 2013 Series A Rate Cap Agreement, the State paid the Bank \$658,500. In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR, to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series A Bonds, through April 1, 2023 and was not renewed. The interest rate under the 2013 Series A Rate Cap Agreement is capped at 6.75%. At June 30, 2023, the fair value of the 2013 Series A Rate Cap Agreements was \$0.

Repayment of the 2013 Series A Bonds shall be solely from i) appropriated funds, if any, made available and appropriated by the General Assembly of the State for bond payments, but not for payment of administrative expenses and ii) pledged receipts, which are the net proceeds derived from the sale, lease, transfer, conveyance, or other disposition of any interest in all or any portion of the I-195 land owned by the I-195 RDC.

The I-195 RDC has pledged and granted to RICC a security interest, which has been assigned to the bond trustee, in all pledged receipts and all deposits in the bond, project, expense and credit facility funds established with the bond trustee. To the extent that the I-195 RDC has insufficient funds to meet its payment obligations under the bonds, it shall seek appropriations from the State; however, there are no assurances that the State will appropriate amounts to fund the I-195 RDC's payment obligations.

Other Component Units

Non-major component units have various bonds outstanding. These revenue bonds were generally issued to fulfill the component unit's corporate purpose. Additional information on each non-major component unit's debt obligations is available in their audited financial statements.

C. Loans Payable

Discretely Presented Component Units

This balance consists of loans payable by the University of Rhode Island and the Quonset Development Corporation of approximately \$149 thousand and \$22.1 million, respectively.

D. Certificates of Participation

Primary Government

The State has entered into Certificates of Participation (COPs) with financial institutions. These financing arrangements have been used by the State to acquire, construct or renovate facilities and acquire other capital assets. The State's COPs at June 30, 2023, consist of the future debt payments less any funds available in debt service reserve funds. Obligation of the State to make payments under these agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

At June 30, 2023, future debt service requirements for Certificates of Participation were as follows (expressed in thousands):

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 21,070	\$ 3,361
2025	17,450	2,439
2026	6,930	1,847
2027	6,520	1,507
2028	5,690	1,192
2029 - 2033	18,895	2,485
2034 - 2038	2,810	56
	<u>\$ 79,365</u>	<u>\$ 12,887</u>

Each COPs transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPs is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPs with depreciation expense on the government-wide financial statements and discloses the amounts in Note 5, Capital Assets. When issuances also fund component unit projects, the State records the full liability and recognizes the related receivable from the component unit for their portion of debt service in the government-wide financial statements.

Assets purchased with Certificates of Participation as of June 30, 2023 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583	\$ 79,363	\$ 136,220
Building Improvements	86,737	46,637	40,100
Computer Systems	55,193	32,374	22,819
Infrastructure	26,754	10,434	16,320
	<u>\$ 384,267</u>	<u>\$ 168,808</u>	<u>\$ 215,459</u>

E. Defeased Debt

The State and its component units have defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements.

At June 30, 2023, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 53,285
Component Units:	
R.I. Convention Center Authority	\$ 9,065
R.I Infrastructure Bank	\$ 89,230

F. Conduit Debt

To further economic development in the State, the R.I. Housing and Mortgage Finance Corporation (RIHMFC) issues bonds that provide financing for the acquisition, construction and rehabilitation for multifamily housing for low-income renters. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the developers on the underlying mortgage or promissory notes. In addition, no commitments beyond the collateral, the payments from the Developers and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Corporation for any of those bonds. At June 30, 2023, the bonds have an aggregate outstanding principal amount payable of \$128.1 million.

The R.I. Health and Educational Building Corporation (RIHEBC) has issued various series of revenue bonds, notes, and leases to finance capital expenditures for Rhode Island educational institutions, hospitals, and healthcare providers. The bonds, notes and leases are special obligations of the Corporation, payable from revenues derived solely from the institution for which the project was financed. The bonds, notes, and leases do not constitute a debt or pledge of the faith and credit of the corporation or the State, and accordingly are not reflected in the financial statements. The amount of conduit debt outstanding on June 30, 2023 was \$3.3 billion.

The R.I. Industrial Facilities Corporation (RIIFC) and the R.I. Commerce Corporation (RICC) issue revenue bonds, equipment acquisition notes, and construction loan notes to finance various capital expenditures for Rhode Island business entities. The bonds and notes issued by the corporations are not general obligations of the corporations and are payable solely from the revenues derived from the related projects. They neither constitute nor give rise to a pecuniary liability for the corporations nor do they represent a charge against their general credit. Under the terms of the various indentures and related loan and lease agreements, the business entities make loan and lease payments directly to the trustees of the related bond and note issues in amounts equal to interest and principal payments due on the respective issues. The payments are not shown as receipts and disbursements of the corporations, nor are the related assets and obligations included in the financial statements. The amount of conduit debt outstanding on June 30, 2023 was \$4.5 million for RIIFC and \$778.0 million for RICC.

The Rhode Island Infrastructure Bank (RIIB) has issued conduit bonds for the express purpose of providing capital financing for a specific third party. RIIB has no obligation for the conduit debt beyond resources provided by a loan with the third party on whose behalf the conduit bonds were issued. As of June 30, 2023, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of \$37.9 million.

G. Pollution Remediation Liabilities

GASB Statement No. 49 establishes guidance to estimate and report potential costs which may be incurred for pollution remediation liabilities. GASB Statement No. 49 requires the reporting entity to reasonably estimate and report a remediation liability when one of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the reporting entity is compelled to take action.
- The reporting entity is in violation of a pollution related permit or license.
- The reporting entity is named or has evidence it will be named as a responsible party by a regulator.
- The reporting entity is named or has evidence it will be named in a lawsuit to enforce a cleanup.
- The reporting entity commences or legally obligates itself to conduct remediation activities.

The State and certain component units have remediation activities underway in various stages of completion including: site investigation, planning and design, clean up and site monitoring. Several agencies within State government have as part of their mission the responsibility to investigate possible pollution sites and oversee the remediation of those sites. These agencies have the expertise to estimate the remediation obligations presented herein based on prior experience in identifying and funding similar remediation activities. The remediation liabilities reported have been calculated using the expected cash flow technique. Situations posing potential liabilities, for which a reasonable estimate could not be made, have not been included. Additionally, the State may have a pollution remediation obligation for certain sites for which investigations and studies, or related litigation, are still in progress and consequently, associated future costs cannot be estimated.

The remediation obligation estimates presented are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes in laws or regulations, and other factors that could result in revision to the estimates. Recoveries from responsible parties may reduce the State's obligation. As of June 30, 2023, no reasonable estimates of those recoveries can be made. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

H. Compensated Absences

State employees and those of certain component units are granted vacation and sick leave in varying amounts based upon years of service. Additionally, the State has deferred payment of certain compensation to employees. A liability has been calculated for all earned vacation credits, subject to certain limitations, and vested sick leave credits that are payable at retirement, subject to certain limitations. Payment is calculated at the employees' current rate of pay.

I. Arbitrage Rebate

A liability accrues for income on the investment of debt proceeds determined to be arbitrage earnings in accordance with federal regulations. These amounts are generally payable to the federal government five years after the issuance date of the bonds. As of June 30, 2023, the State carries \$1.4 million in arbitrage rebate.

J. Due to the Primary Government

This consists of the repayment of general obligation debt that was issued by the State on behalf of certain component units.

K. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

- Retainage related to infrastructure construction projects – these amounts are considered long-term liabilities since the related construction projects are not expected to be completed during the subsequent fiscal period.
- Asset Retirement Obligations – these amounts are considered long-term liabilities since the nuclear reactor that the liability relates to has an estimated useful life in excess of one year.

In addition, certain other long-term payables are included in this category. Historically, long-term liabilities, other than debt, will be paid through certain funds as follows:

- Compensated absences – Assessed Fringe Benefits Fund, an internal service fund and the respective fund to which the underlying employee's wages and benefits are charged.
- Asset Retirement Obligations – General and RI Capital Plan.
- Pollution remediation – General, RI Capital Plan, and Intermodal Surface Transportation Funds.
- Other long-term liabilities – General and Intermodal Surface Transportation Funds.

Component Units – the liabilities consist primarily of landfill closure and post-closure costs, grants refundable and escrow deposits.

Note 8. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a consumption of net assets by the State that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets by the State that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

The components of the deferred outflows of resources and deferred inflows of resources related to the primary government and its discretely presented component units as of June 30, 2023 are as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Total Primary Government	Component Units
Deferred outflows of resources:				
Deferred loss on refunding of debt	\$ 13,368	\$ 2,186	\$ 15,554	\$ 10,631
Deferred pension costs - ERS	418,047	3,340	421,387	18,482
Deferred pension costs - single employer plans and other	41,089	—	41,089	61,511
Deferred OPEB costs - multiple employer plans	51,541	1,038	52,579	24,683
Deferred OPEB costs - single employer plans	14,878	—	14,878	—
Asset Retirement Obligations	36,828	—	36,828	—
Derivatives	—	—	—	820
Total deferred outflows of resources	<u>\$ 575,751</u>	<u>\$ 6,564</u>	<u>\$ 582,315</u>	<u>\$ 116,127</u>
Deferred inflows of resources:				
Deferred gain on refunding of debt	\$ 23,737	\$ —	\$ 23,737	\$ 1,724
Deferred pension credit - ERS	114,358	657	115,015	20,951
Deferred pension credit - single employer plans and other	11,885	—	11,885	18,283
Deferred OPEB credit - multiple employer plans	97,576	1,089	98,665	58,239
Deferred OPEB credit - single employer plans	19,830	—	19,830	—
Leases	20,172	27,599	47,771	222,267
Total deferred inflows of resources	<u>\$ 287,558</u>	<u>\$ 29,345</u>	<u>\$ 316,903</u>	<u>\$ 321,464</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2023 are as follows (expressed in thousands):

	General Fund	IST Fund	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:				
Taxes	\$ 19,655	\$ —	\$ —	\$ 19,655
Other general revenue	5,700	—	—	5,700
Restricted revenue	108,717	—	—	108,717
Federal revenue	—	17,159	—	17,159
Leases	16,641	3,278	253	20,172
Total deferred inflows of resources	<u>\$ 150,713</u>	<u>\$ 20,437</u>	<u>\$ 253</u>	<u>\$ 171,403</u>

Note 9. Governmental Fund Balance, Budget Reserve and Cash Stabilization Account, and Net Position Restricted for Enabling Legislation

A. Governmental Funds Balances

Governmental fund balance categories are detailed below (expressed in thousands):

Governmental Funds - Fund Balance

	Major Funds				Total
	General Fund	IST Fund	Rhode Island Capital Plan	Other Funds	
Fund Balances:					
Non-spendable:					
Prepaid expenditures and permanent funds principle	\$ 194,629	\$ —	\$ —	\$ 174	\$ 194,803
Restricted for:					
Purposes specified by enabling legislation	435,780	—	—	—	435,780
RI Capital Plan	—	—	998,472	—	998,472
Debt Service	—	19,518	—	75,649	95,167
Capital Projects	—	—	—	295,724	295,724
Temporary Disability Insurance	—	—	—	186,408	186,408
Historic Tax Credit Redemption	—	—	—	96,819	96,819
Transportation-Infrastructure	—	181,229	—	—	181,229
Mission 360 Loan Program	—	1,696	—	—	1,696
Other	—	—	—	623	623
Committed to:					
Transportation-Maintenance	—	127,819	—	—	127,819
Other	20,381	—	—	202	20,583
Assigned to:					
Subsequent Years Expenditures	415,828	695	—	390	416,913
Unassigned:					
Budget Reserve and Cash Stabilization	271,117	—	—	—	271,117
Supplemental Budget Reserve	6,530	—	—	—	6,530
Other	(151,074)	—	—	—	(151,074)
Permanent Fund Principal	—	—	—	(76)	(76)
Totals	\$ 1,193,191	\$ 330,957	\$ 998,472	\$ 655,913	\$ 3,178,533

B. Budget Reserve and Cash Stabilization Account

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (the Reserve) within the State's General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For Fiscal Year 2023, 3.0% of total general revenues and opening surplus are transferred to the Reserve. The Reserve amounts in excess of 5.0% of total general revenues and opening surplus are transferred to the RI Capital Plan Fund to be used for capital projects.

According to the State Constitution and related enabling laws, the Reserve or any portion thereof, may be appropriated by a majority of each chamber of the General Assembly, in the event of an emergency involving the health, safety or welfare of the citizens or to fund any unanticipated general revenue deficit caused by a general revenue shortfall in any given year.

The Budget Reserve and Cash Stabilization Account is included within Unassigned Fund Balance within the General Fund but is not considered available for appropriation until specifically made available by the General Assembly. Amounts appropriated from the Budget Reserve and Cash Stabilization Account are available to support general revenue expenditure appropriations. At the close of fiscal year 2023, the Budget Reserve and Cash Stabilization Account had been fully restored.

The State has not adopted any minimum fund balance requirements for any funds beyond the State Budget Reserve and Cash Stabilization Account within the General Fund.

According to RIGL 35-3-20.2, at the close of fiscal year 2023, the Supplemental State Budget Reserve Account was created within the general fund to be administered by the State Controller. This Account should be used solely to provide sums as may be appropriated to fund any unanticipated general revenue deficit.

The supplemental State Budget Reserve Account should consist of: (1) Such sums as the state may from time to time directly transfer to the account as authorized in law; and (2) Any amounts transferred pursuant to 35-6-1(e).

(e) Upon issuance of the audited financial statement, the Controller shall transfer fifty percent (50%) of all general revenues received in the completed fiscal year net of transfer to the state budget reserve and cash stabilization account as required by § 35-3-20 in excess of those estimates adopted for that year as contained in the final enacted budget to the employees' retirement system of the State of Rhode Island as defined in § 36-8-2 and fifty percent (50%) to the Supplemental State Budget Reserve Account as defined in § 35-3-20.2.

C. Net Position Restricted for Enabling Legislation

The State's net position restricted by enabling legislation represents resources which a party external to a government such as citizens, public interest groups, or the judiciary can compel the government to use only for the purpose specified by the legislation. The government-wide Statement of Net Position reports \$1.9 billion of restricted net position, of which \$1.6 billion is restricted by enabling legislation. See Note 1, Section U for more information regarding the five categories of fund balance.

Note 10. Restatements – Net Position

Restatements of beginning net position (expressed in thousands) are in the following table:

	Discretely Presented Component Units
	<u> </u>
Previously reported at June 30, 2022:	
Net Position	\$ 3,563,764
Restatement due to:	
CFSD restatement Net position for receivable	<u>\$ (964)</u>
Restated Beginning balances at July 1, 2022:	
Net Position	<u><u>\$ 3,562,800</u></u>

The restatement of the CFSD beginning net position resulted from prior years receivables that were not reversed when funds were received.

Note 11. Taxes

Tax revenue reported on the Statement of Activities is reported net of the allowance for uncollectible amounts and net of estimated refunds. Tax revenue on the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds is reported net of estimated refunds, uncollectible amounts and the amount that will not be collected within one year (unavailable). The unavailable amount is reported as deferred inflows of resources. The detail of the general revenue taxes as stated on the Statement of Activities and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances is presented below (expressed in thousands):

	Governmental Funds	Statement of Activities
General Fund		
Personal Income	\$ 1,810,486	\$ 1,801,634
General Business Taxes:		
Business Corporations	272,216	278,561
Public Utilities Gross Earnings	97,410	97,410
Financial Institutions	31,654	31,654
Insurance Companies	154,638	154,638
Bank Deposits	4,624	4,623
Health Care Provider Assessment	39,851	39,851
Sub-total - General Business Taxes	<u>600,393</u>	<u>606,737</u>
Sales and Use Taxes:		
Sales and Use	1,564,774	1,562,583
Motor Vehicle	935	935
Cigarettes	133,560	133,560
Alcoholic Beverages	22,479	22,479
Sub-total - Sales and Use Taxes	<u>1,721,748</u>	<u>1,719,557</u>
Other Taxes:		
Inheritance and Gift	82,316	82,316
Racing and Athletics	583	583
Realty Transfer	16,511	16,512
Sub-total - Other Taxes	<u>99,410</u>	<u>99,411</u>
Total - General Fund	<u>4,232,037</u>	<u>4,227,339</u>
Intermodal Surface Transportation Fund		
Gasoline	158,273	158,273
RI Highway Maintenance	75,685	75,685
Other Governmental Funds	239,053	239,053
Total Taxes	<u>\$ 4,705,048</u>	<u>\$ 4,700,350</u>

Note 12. Tax Abatements

For financial reporting purposes (GASB Statement No. 77 - *Tax Abatements*), a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual entity. The one or more governments promise to forgo tax revenues to which they are otherwise entitled and the individual or entity promises to take a specific action that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The State of Rhode Island has eight programs in place to abate taxes. Of the eight programs, four are managed by the State and four are managed by the Rhode Island Commerce Corporation (RICC).

For certain economic development programs with tax abatement provisions, the General Assembly appropriated funds which were paid to the RICC to fund these programs. Upon notification by the Division of Taxation, the RICC transfers funds to reimburse the State for the amount of foregone tax revenue.

The State has issued Historic Tax Credit Preservation Bonds to fund historic tax preservation credits presented for redemption or as credits to taxes owed to the State. Approximately \$96.8 million is available in the Historic Tax Credit Fund at June 30, 2023.

The following is a summary of taxes abated during fiscal 2023 by tax type (expressed in thousands):

Tax Abatement Program	Personal Income	Business Corporation	Insurance Companies	Financial Institutions	Hotel Tax	Sales Tax	Total
Jobs Development Act	\$ —	\$ 3,122	\$ —	\$ 20,255	\$ —	\$ —	\$23,377
Motion Picture Production Tax Credits	2,120	5,669	2,778	\$ —	—	—	10,567
Qualified Jobs Incentive Tax Credit	541	388	—	—	—	—	929
Rebuild Rhode Island Tax Credit	1,965	100	7,037	—	—	—	9,102
Historic Preservation Tax Credits	3,119	—	—	—	—	—	3,119
Tax Credit for Contributions to Qualified Scholarship Organizations	1,316	—	175	—	—	—	1,491
Tax Increment Financing (PILOT)	—	—	—	—	210	1,341	1,551
Tax Increment Financing (Traditional)	—	—	—	—	154	1,482	1,636
Wavemaker Fellowship	26	—	—	—	—	—	26
Total	\$ 9,087	\$ 9,279	\$ 9,990	\$ 20,255	\$ 364	\$ 2,823	\$51,798

Other Commitments under Tax Abatement Agreements - Certain tax abatement programs include commitments by the State other than the reduction of taxes.

- The Wavemaker Fellowship programs include a provision that the entity or individual, as applicable, may redeem the tax credit for 100% of its value upon fulfilling its responsibilities under the agreement. Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2023, direct payments made to Wavemaker fellows totaled approximately \$371 thousand.
- Individual taxpayer information is protected by state and federal laws mandating its confidentiality and cannot be disclosed without specific statutory authority. To the extent GASB Statement No. 77 – *Tax Abatements* requires disclosure of such information, the State is legally prohibited from providing disclosures of individual taxpayer information.

The following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2023.

<u>Program Name:</u>	<u>Jobs Development Act</u>	<u>Motion Picture Production Tax Credits</u>
Program purpose:	To foster job creation for companies that create new employment in RI over a three-year period.	To encourage development in Rhode Island of a strong capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income
Authority under which abatements are entered into:	Jobs Development Act (RI Gen. Laws 42-64.5-1) and as amended by Rhode Island New Qualified Jobs Incentive Act 2015 (RIGL 44-48.3-12).	RIGL 44-31.2
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Subject to a finding of revenue neutrality based on an economic impact analysis conducted by RI Commerce Corporation (RICC); (2) must be approved by the RICC Board of Directors; (3) company must show that "but for" the incentives, the company is not likely to retain, expand or add employment in the State, and that the company has generated new tax revenue for the State that is at least equivalent to the value of this incentive; (4) the company must maintain a certain level of employment as stated in the agreement; (5) new employees must be paid at least 250% of the State minimum wage.	Primary production locations are to be within the State of Rhode Island, and the total production budget must be at least \$100,000; or, minimum production costs incurred and paid are at least \$10,000,000 within a 12 month period.
How taxes are reduced:	Reduction of tax rate.	As a credit to the amount of taxes owed.
How abatement is determined:	For example, corporate income tax may be reduced to as low as 3%. The reduction equals: 0.20% for every 10 new jobs created for companies having a baseline employment below 100; or 0.20% for every 50 new jobs created, for those companies having a baseline employment above 100. Rate reduction(s) discontinued effective July 1, 2015 except for any company that qualified prior to July 1, 2015 which may maintain its reduction so long as it carries out its obligations.	The amount of the credit shall be 30% of State certified production costs incurred that are directly attributable to activity within the State. Motion picture production tax credit certificates are issued to the motion picture production company, or to one or more transferees to be applied as a credit to taxes owed.
Recapture provisions:	N/A	N/A

<u>Program Name:</u>	<u>Qualified Jobs Incentive Tax Credit</u>	<u>Rebuild Rhode Island Tax Credit</u>
Program purpose:	Stimulate business expansion and attraction, create well-paying jobs for State residents, and generate revenues for necessary State and local governmental services.	Stimulate business development; retain and attract new business and industry to the State; create good-paying jobs for State residents; assist with commercial and industrial real estate development; and generate revenues for necessary State and local governmental services.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, or Sales and Use.
Authority under which abatements are entered into:	Rhode Island Qualified Jobs Incentive Act of 2015 (RIGL Title 44-48.3).	Rebuild Rhode Island Tax Credit Act (RIGL 42-64.20).
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Must create minimum number of new full-time jobs defined in the statute; (2) new full-time jobs must earn at least Rhode Island's median wage; (3) must certify and provide evidence that without the tax credit the new full time jobs would not occur within the State; (4) must be approved by the RICC Board of Directors; (5) must perform in accordance with an executed incentive agreement. applicants may be eligible for tax credits for up to 10 years and must commit to remain in the State for 20% longer than the total time tax credit is received.	(1) Applicant must provide equity of at least 20% of project costs; (2) must certify and provide evidence that the project has a financing gap and that the project is not likely to be accomplished by private enterprise without the tax credits; (3) project fulfills the State's policy and planning objectives and priorities including minimum project size, cost, and/or job creation thresholds; (4) must be approved by the RICC Board of Directors; (5) entity must perform in accordance with an executed incentive agreement.
How taxes are reduced:	As a credit to the amount of taxes owed.	As a credit to the amount of taxes owed.
How abatement is determined:	The annual benefit for each new full-time job created is the lesser of (1) 75% of the reasonable State income tax withholding generated; or (2) a cap of \$2,500 to \$7,500 defined in the incentive agreement and depending on median salary level, location, industry, whether the job is being relocated from out-of-state, number of new full-time jobs, and capital investment being made.	Total tax credit calculated as the lesser of the project financing gap or 30% of project costs* up to a maximum of \$15 million. tax credits are available for up to 5 years in increments ranging from 15% to 30% of total tax credit beginning in the year the project is placed in service. *Tax credits shall not exceed 20% provided, however, that the applicant shall be eligible for additional tax credits of not more than 10% of the project cost, if the project meets other specific, additional criteria as defined in the agreement.
Recapture provisions:	If the applicant ceases operations in the State or transfers more than 50% of the jobs for which a tax credit was granted under the Act to another state, the tax credit shall cease, and the applicant shall be liable to the State for, at a minimum, 20% of all tax benefits granted to the applicant.	Projects may be required to repay tax credits in the event the project achieves outside financial returns.

<u>Program Name:</u>	<u>Tax Increment Financing</u>	<u>Wavemaker Fellowship</u>
Program purpose:	Stimulate business development; retain and attract new business and industry to RI; create good-paying jobs for RI residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	Promote economic opportunity and bring more and higher-paying jobs to the State; offer educational opportunity and retraining to individuals impacted by job loss, workplace injury, disability or other hardship; keep young people in the State; encourage an entrepreneurial economy in the State.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, Hotel, or Sales and Use.	Personal Income
Authority under which abatements are entered into:	Rhode Island Tax Increment Financing Act of 2015 (RIGL 42-64.21).	Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26).
Criteria to be eligible to receive abatements and commitment of the taxpayer:	The project must: (1) be located in a qualifying TIF (priority area determined by RICC) Area; (2) have a financing gap; (3) be either a new facility (not a replacement or relocation of an existing facility in the State), an expansion of an existing facility that will increase the number of full-time employees in the State, or necessary to retain one or more At Risk Businesses; (4) be approved by the RICC Board of Directors; and (5) perform in accordance with an executed incentive agreement.	Applicants selected on a competitive basis by a fellowship committee on a name-blind and employer-blind basis. Selected applicants shall meet specific criteria for education, student loan debt, and full-time employment with a Rhode Island-based employer located in this State throughout the eligibility period, and employment in a field specified in the agreement.
How taxes are reduced:	Eligible taxes are reimbursed to the developer.	As a credit to the amount of taxes owed. Wavemaker fellows may also request payment for the value of the credit awarded.
How abatement is determined:	Up to 75% of the projected annual incremental revenues may be allocated under a TIF agreement. Total incentive may not exceed 30% of project costs or the amount needed to close the financing gap. RICC may exempt public infrastructure, a preexisting municipally-owned stadium of 10,000 seats or greater, or utilities from the 30% cap.	Awards are limited to \$1,000 for an associate's degree holder, \$4,000 for a bachelor's degree holder, and \$6,000 for a graduate or post-graduate degree holder, and may not exceed the education loan repayment expenses incurred by the selected taxpayer during each service period completed, for up to four (4) consecutive service periods provided that the taxpayer continues to meet the eligibility requirements throughout the eligibility period.
Recapture provisions:	Tax credits may be denied or revoked if applicant's certification or information is found to be willfully false; if the applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.	Tax credits may be denied or revoked if applicant's certification or information is found to be willfully false; if the applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.

<u>Program Name:</u>	<u>Tax Credit for Contributions to Qualified Scholarship Organizations</u>	<u>Historic Preservation Tax Credits</u>
Program purpose:	To enhance the educational opportunities available to all students in Rhode Island.	To create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures, as well as to generate the positive economic and employment activities that will result from such redevelopment and reuse.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits, Insurance Company, Personal Income Tax.	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO.
Authority under which abatements are entered into:	RIGL 44-62	RIGL 44-33.6
Criteria to be eligible to receive abatements and commitment of the taxpayer:	A business entity is approved by the Division of Taxation if the dollar amount of the tax credit is no greater than \$100,000 in any tax year and if the scholarship organization qualified under RIGL 44-62-2. Approvals are available on a first-come-first-served basis, with the total aggregate amount of all tax credits approved not to exceed \$1,500,000 in a fiscal year.	A certified historic structure is to be substantially rehabilitated.
How taxes are reduced:	The Division of Taxation issues a certificate for the amount of credit to be granted.	As a credit to the amount of taxes owed. Non-profit entities without tax liabilities may request payment for the value of the credit awarded.
How abatement is determined:	Unless a two-year contribution plan is in place, the credit is computed at 75% of the total voluntary contribution made. In general, if a two-year contribution plan is in place, the credit for each year shall be 90% of the total voluntary contribution made.	The Division of Taxation issues a certificate in the amount of the qualifying credit for which the rehabilitation qualifies, up to 20% of qualified rehabilitation expenditures, or 25% if a specified portion of the structure will be made available for a trade or business. The maximum credit allowed for any one project is \$5,000,000.
Recapture provisions:	If the amount of the second-year contribution is less than 80% of the first year contribution, then the credit for both the first and second year contributions shall equal 75% of each year's contribution. In such case, the tax administrator shall prepare the tax credit certificate for the second year at 75%. The difference in credit allowable for the first year (15% of the first year contribution) shall be recaptured by adding it to the taxpayer's tax in that year.	N/A

Note 13. Pledged Revenue

The State's debt supported by pledged revenue is as follows (expressed in thousands):

Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)

Revenue, cash basis:

TSFC settlement revenues (a)	\$ 48,279	
Investment income	1,670	
Total revenues	<u>49,949</u>	
General and administrative expenses, cash basis	83	
Net revenue available for debt service	<u>\$ 49,866</u>	

Required debt service payments	\$ 34,551	
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Coverage ratio before "turbo redemption" principal payments (b)		144.33 %
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Turbo redemptions - principal (c)	15,455	
Total annual debt service	<u>\$ 50,006</u>	

Coverage ratio after "turbo redemption" principal (d)		99.72 %
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Term of commitment - through June 2052

Revenue Bonds-GARVEE (Federal Highway)

Revenue - FHWA participation	\$ 65,799	
Less: operating expenses	—	
Net available revenue	<u>\$ 65,799</u>	

Debt service

Principal	\$ 41,125	
Interest	24,689	
Total debt service	<u>\$ 65,814</u>	

Coverage (b)		99.98 %
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Term of commitment - through June 2035

Revenue Bonds-Motor Fuel (Gas Tax)

Revenue - 2 cents per gallon of the gasoline tax	\$ 8,629	
Less: operating expenses	—	
Net available revenue	<u>\$ 8,629</u>	

Debt service

Principal	\$ 4,390	
Interest	973	
Total debt service	<u>\$ 5,363</u>	

Coverage (b)		160.90 %
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Term of commitment - through June 2027

- (a) Included for fiscal year 2023 are certain one-time revenue items totaling \$2,412,791, which is reflective of the NPM Adjustment.
- (b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.
- (c) "Turbo" redemptions whereby Corporation is required to apply collections that are in excess of current funding.
- (d) Coverage ratio equals net revenue available for debt service divided by total annual debt service.

Note 14. Transfers

Transfers for the fiscal year ended June 30, 2023 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Fund		
General		
Major Funds		
Intermodal Surface Transportation	\$ 58,727	Debt service and operating assistance
RI Capital Plan	200	Capital expenditures
Non-major Funds		
Historic Tax Credit Financing	3,119	Tax credits claimed
Bond Capital	13,942	Interest earnings transfer
Proprietary Funds		
Lottery	434,667	Net income transfer
Total General Fund	<u>510,655</u>	
Intermodal Surface Transportation		
General	2,635	FEMA revenue
RI Capital Plan	55,618	Infrastructure funding
Total Intermodal Surface Transportation	<u>58,253</u>	
RI Capital Plan		
General	427,882	Transfer of FY23 Appropriations and Statutory funding
Bond Capital	4,151	Transfer of excess bond premiums
Total RI Capital Plan	<u>432,033</u>	
Non-major Funds		
RI Public Rail Corp		
Intermodal Surface Transportation	3,224	Operating assistance
Historic Tax Credit Financing		
General	28,000	Transfer of FY23 Appropriations
Total Non-major Funds	<u>31,224</u>	
Total Governmental Funds	<u>\$ 1,032,165</u>	
Proprietary Funds		
RI Convention Center		
General	\$ 35,449	Debt service and operating assistance
RI Capital Plan	15,508	Capital improvements
Employment Security		
General	99,970	Unemployment benefits
Total Proprietary Funds	<u>150,927</u>	
Total Transfers Primary Government	<u>\$ 1,183,092</u>	

Note 15. Leases and Subscription-Based Information Technology Arrangements

A. Leases

Governmental Activities - Lessee

The State leases equipment and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2032 and provide for renewal options ranging from three months to ten years.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred.

At June 30, 2023, the State recorded \$110.3 million and \$46.7 million in right to use asset and accumulated amortization, respectively.

Business-Type Activities - Lessee

The business-type activities includes activities provided by the State at a cost. These include the operations of the Rhode Island Lottery (Lottery), Rhode Island Convention Center Authority (RICCA), and the Employment Security Trust Fund. There was no lease activity for the Employment Security Trust Fund in fiscal year 2023. The Lottery leases outdoor advertising structures for display of advertising copy at certain locations throughout the state of Rhode Island under a long-term, non-cancelable lease agreement. The lease commenced on June 17, 2022 and expires on June 30, 2026.

At June 30, 2023, the Lottery recorded a right to use asset in the amount of \$1.3 million and accumulated amortization in the amount of \$317 thousand. There was no variable lease payments related to this lease for fiscal year 2023.

The RICCA leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2027 and provide for renewal options ranging from one to two years. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. The variable payments are recognized as outflows of resources in the periods in which the obligation for the payment is incurred.

At June 30, 2023, the RICCA recorded \$132 thousand and \$87 thousand in right to use asset and accumulated amortization, respectively.

Total future minimum lease payments under lease agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2024	\$ 16,612	\$ 849	\$ 329	\$ 28	\$ 17,818
2025	15,124	673	339	17	16,153
2026	13,646	501	344	5	14,496
2027	7,127	361	2	—	7,490
2028	6,894	246	—	—	7,140
2029-2032	10,905	213	—	—	11,118
Total minimum lease payments	\$ 70,308	\$ 2,843	\$ 1,014	\$ 50	\$ 74,215

Right to use assets acquired through outstanding leases are shown below, by underlying asset class (expressed in thousands):

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Equipment	\$ 1,645	\$ 1,401	\$ 3,046
Buildings	93,661	—	93,661
Computer Systems	14,993	—	14,993
Less: accumulated amortization	(46,656)	(404)	(47,060)
	\$ 63,643	\$ 997	\$ 64,640

Certain leased assets identified above under Governmental Activities have been categorized as Furniture and Equipment in Note 5. Capital Assets, consistent with their previous treatment as capital leases, as they predate the implementation of GASB Statement No. 87 – Leases.

Governmental Activities - Lessor

The State, acting as lessor, leases land, cellular tower space, and commercial parcel lots under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2082 and provide for five years renewal options. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received.

During the year ended June 30, 2023, the State recognized \$1.4 million and \$466 thousand in lease revenue and lease interest revenue, respectively, pursuant to these contracts.

Business-Type Activities - Lessor

The Lottery, acting as lessor, leases office space under a long-term, non-cancelable lease agreement. During the year ended June 30, 2023, the Lottery recognized \$89 thousand in lease revenue, and \$72 thousand in lease interest revenue, pursuant to this agreement. There are no residual value guarantees, termination penalties, or variable payments in the lease agreement.

The RICCA acting as lessor, leases its arena, suites, and parking facilities under long-term, non-cancelable lease agreements. During the year ended June 30, 2023, the Authority recognized \$3.0 million and \$373 thousand in lease revenue and interest revenue, respectively, pursuant to these contracts. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable.

Total future minimum lease payments to be received under lease agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2024	\$ 790	\$ 447	\$ 2,781	\$ 430	\$ 4,448
2025	824	430	2,690	389	4,333
2026	860	412	1,617	358	3,247
2027	894	394	1,652	334	3,274
2028	929	375	1,645	309	3,258
2029-2033	4,933	1,568	6,633	1,379	14,513
2034-2038	3,461	1,077	4,119	741	9,398
2039-2043	2,293	766	4,446	414	7,919
2044-2048	2,525	478	2,230	82	5,315
2049-2053	2,169	170	—	—	2,339
2054-2058	295	33	—	—	328
2059 and thereafter	90	7	—	—	97
Total minimum lease payments	\$ 20,063	\$ 6,157	\$ 27,813	\$ 4,436	\$ 58,469

Discretely Presented Component Units

Certain component units, most notably the RI Airport Corporation and Quonset Development Corporation, maintain various leasing arrangements as both the lessee and the lessor. Lease activity for component units is presented separately from the primary government in the financial statements of the discretely presented component units. Further details regarding component unit lease activities can be found in the separately issued financial statements of the respective component units.

B. Subscription-Based IT Arrangements (SBITAs)

Governmental Activities

The State adopted the requirements of the GASB 96 standard effective July 1, 2022 and has applied the provisions of the standard to the beginning of the period of adoption.

The State has entered into certain SBITAs for various terms under long-term, non-cancelable agreements. The SBITAs expire at various dates through fiscal year 2026 and provide for renewal options of one year.

At June 30, 2023, the State recorded \$16.0 million and \$6.0 million in right to use subscription asset and accumulated amortization, respectively.

Total future minimum payments under SBITA agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		
	Principal	Interest	Total
2024	\$ 6,532	\$ 108	\$ 6,640
2025	1,194	21	1,215
2026	706	10	716
Total minimum SBITA payments	<u>\$ 8,432</u>	<u>\$ 139</u>	<u>\$ 8,571</u>

At June 30, 2023, the State had commitments totaling \$7.8 million under SBITAs that have not commenced as of the end of the fiscal year.

Business-Type Activities

SBITA arrangements were determined not to be applicable to the Lottery and the Employment Security Trust Fund current agreements. Similarly, the RICCA adopted the requirements of the guidance effective July 1, 2022, applied the provisions of this standard to the beginning of the period of adoption, and determined that the impact of implementing GASB Statement No. 96 was not material to the Authority's financial statements.

Discretely Presented Component Units

Certain component units, most notably the University of Rhode Island, maintain various subscription-based arrangements. This information is presented separately from the primary government in the financial statements of the discretely presented component units. Refer to the separately issued financial statements of the respective component units for further details.

Note 16. Commitments

Primary Government

The primary government is committed at June 30, 2023 under various contractual obligations for transportation infrastructure improvements, construction and renovation of buildings, software development and implementation, and other capital projects. A substantial portion of the cost of these projects will be reimbursed by federal grants, with the remainder principally financed with debt proceeds and Rhode Island Capital Plan Funds. There was a general revenue appropriation of \$50 million for the Enterprise Resource Planning software implementation.

At June 30, 2023, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$850 million, and contract commitments for the design, construction and renovation of buildings of approximately \$30 million. At June 30, 2023 the primary government had software development and implementation contract commitments of approximately \$88 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2023. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

RI Public Rail Corporation Letter of Credit

The RI Public Rail Corporation (RIPRC), a special revenue fund, has obtained a letter of credit in the amount of \$7.5 million in favor of The National Railroad Passenger Corporation, dba AMTRAK to secure RIPRC performance of its obligations arising from any South County Rail Service agreements and bridges over AMTRAK's Northeast Corridor. RIPRC has been designated as the entity responsible for indemnifying AMTRAK and Massachusetts Bay Transportation Authority (MBTA), and securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the

State, the MBTA, and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service and Pawtucket/Central Falls Commuter rail station with policy limits of \$295 million, per federal law, subject to a self-insured retention of \$7.5 million.

United States Department of Justice Consent Decree

The State of Rhode Island entered into a consent decree (Consent Decree) on April 9, 2014 with the United States Department of Justice (USDOJ) relating to the statewide day and employment activity service system for individuals with intellectual and developmental disabilities to remedy any and all violations of the integration mandate of Title II of the Americans with Disabilities Act (ADA) and Olmstead Decision (Olmstead v. L.C.), that were identified as a result of the federal calendar year 2013 investigation of the State's day activity service system.

The Consent Decree is intended to ensure that the State will timely meet the requirements of the integration mandate of the ADA and the Olmstead decision as it pertains to the statewide day activity service system; which require that the State day activity services, including employment and day services, for individuals with intellectual and developmental disabilities be provided in the most integrated setting appropriate to meet their needs. The Consent Decree anticipated that Rhode Island would have been in compliance with the consent decree provisions by the end of state fiscal year 2024. On October 2, 2023, the State entered into an Addendum to the Consent Decree, as ordered by the Federal Court, to be completed by June 30, 2026. The Addendum identifies specific action items the State will need to complete to meet the terms of the Consent Decree.

As the State continues to comply with the terms of the Consent Decree, recent court orders will require a significant future State investment to the operations and underlying infrastructure that support the service system for individuals with intellectual and developmental disabilities. Specifically, the court order requires the State develop and adopt a three-year budget strategy to, among other things, fund increases to wages for direct support professionals, increase funding for transportation and technology, and address the costs of transitioning the supports to an individualized community-based model. These supports are largely met through service providers funded by the State. The amount of additional investment, while not currently determined and subject to budgetary appropriation, is expected to be significant and expended through 2026.

During October 2021, the court approved (and ordered) terms agreed to by the State and USDOJ. The court ordered terms would increase the State's Medicaid reimbursable rate to allow for a significant increase to the starting wage for direct support professionals through fiscal year 2024. This increase is estimated at a total cost of \$34.7 million, with the general revenue share approximating \$15.5 million. Additionally, the State established a \$12 million programmatic Transformation fund, which shall not supplant or replace existing funding for intellectual and development disability supports and services and must be used solely for integrated day activities and supported employment services as defined in the Consent Decree. It is likely that the Transformation fund will be supported with State general revenues. The terms committed the State to a \$2 million fund for technology acquisition for individuals receiving intellectual and development disability supports and services.

United States Environmental Protection Agency Consent Decree

Rhode Island Department of Transportation (RIDOT) entered into a Consent Decree with the EPA in 2015 concerning violations of the Clean Water Act by failing to comply with the conditions in the General Permit – Rhode Island Pollutant Discharge Elimination System Storm Water Discharge from Small Municipal Separate Storm Sewer Systems. The Consent Decree requires RIDOT to implement remedial actions necessary in order to address discharges to impaired waters, illicit discharge detection and elimination, street sweeping pollution prevention and catch basin and other drainage system component inspection and maintenance. The State has committed to significant annual investments to implement the remedial actions. The Consent Decree also incorporates stipulated penalties for failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree.

Department of Children, Youth and Families Foster Care Program Settlement Agreement

Children's Rights of New York (Children's Rights) brought suit against the State in 2007 alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. A judgment was entered in favor of the State in the United States District Court for the District of Rhode Island on April 30, 2014. Children's Rights appealed to the United States Court of Appeals for the First Circuit, which reversed the judgment and remanded the case to the District Court for additional discovery and further litigation.

A settlement agreement was approved by the District Court after a fairness hearing in May 2018. The State began to implement the requirements of the Settlement Agreement. To date, the State has successfully achieved fourteen of the benchmarks in the Settlement Agreement and has successfully exited out of seven sections to the agreement. In accord with the terms of the Settlement Agreement, the State has contracted with a provider to conduct a workload study. The purpose of the workload study is to assess what, if any, additional staffing resources are necessary for the State to achieve compliance on the sections of the Settlement Agreement related to child welfare practice. A determination on additional staffing resources needs will be made after the agency receive the results of the workload study.

While the parties have entered into a settlement agreement, the State may face continuing exposure for damages and additional attorney's fees arising out of a challenge to the State's completion of agreed benchmarks and entitlement to exit the agreement on several parameters.

Performance-based Agreements

Rhode Island Commerce Corporation (RICC) has issued economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The State has commitments relating to this debt through fiscal year 2027. In addition, RICC has committed to funding various economic development initiatives that are further described in Note 12, Tax Abatements.

Asset Retirement Obligations

The Rhode Island Nuclear Science Center (RINSC) located on the University of Rhode Island's Bay Campus houses a nuclear reactor. The process by which nuclear reactors are retired from service and terminate their operating licenses granted by the U.S. Nuclear Regulatory Commission (USNRC) is referred to as decommissioning. The USNRC regulates the decommissioning of nuclear power plants and has established requirements that must be adhered to in the process.

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* a liability for the estimated cost of decommissioning the nuclear reactor and an offsetting deferred outflow of resources, each totaling \$32.6 million was recorded as of July 1, 2018. Since initial recording, an additional \$8.9 million has been recorded as of June 30, 2023. The liability was measured using the estimated current value of outlays expected to be incurred for required decommissioning and post-decommissioning costs. The liability estimate calculation assumed a post-decommissioning monitoring period of 20 years and a contingency factor calculated using weighted average probability factors of 25%, 32% and 60%.

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* all relevant factors are reevaluated annually to determine whether the effect of one or more of those factors is expected to significantly increase or decrease the expected outlays associated with the liability. Based on the results of each reevaluation, the liability is remeasured if required.

The estimated remaining useful life of the nuclear reactor is 36 years as of June 30, 2023. During fiscal 2023 amortization expense of \$1.0 million related to the deferred outflow of assets was charged to

education function on the Statement of Activities. The total deferred outflows remaining to be amortized at June 30, 2023 was \$36.8 million.

State Takeover of Providence Public School District

The State, acting through the Council on Elementary and Secondary Education and the Rhode Island Department of Education (RIDE), oversees the performance of schools and school districts that receive state education aid. This oversight role includes adopting statewide standards for student performance and annually assessing the performance of individual schools and school districts against such statewide standards. State intervention initially consists of support and technical assistance.

In connection with its oversight role, RIDE identified the Providence Public School District (PPSD) as consistently among the lowest performing districts in the State, based on objective criteria such as academic proficiency, absenteeism, and graduation rates. Pursuant to the Crowley Act, the State, in collaboration with PPSD, attempted to improve the PPSD through operational, policy, and financial support, all of which were unsuccessful.

During May 2019, following the release of standardized test scores showing low levels of English and Math proficiency among PPSD students, RIDE engaged the Institute for Education Policy at Johns Hopkins University (the Institute) to conduct a review of the PPSD to identify the challenges impeding reform efforts. The Institute's review included a study of academic outcomes, observation of classroom instruction and interviews with students, teacher, administrators, and community members. After completing its review, the Institute released a report during June 2019 (the Hopkins Report), which identified systematic deficiencies in the performance of the PPSD, including with respect to governance structure, management, health and safety, facilities, curriculum, and academic instruction. The Hopkins report concluded that such deficiencies were the cause of widespread unsatisfactory academic outcomes for PPSD students and demoralized teachers, staff, administrators, and parents.

Pursuant to a decision and order of the Commissioner of Education dated October 15, 2019, the State assumed governance and management responsibility for the PPSD effective November 1, 2019. The State appointed a turnaround superintendent to manage PPSD operations and develop and implement a long-term improvement plan for at least the next five years, effective February 2, 2020.

More than three years into the State intervention, the Commission of Education and the new superintendent have implemented numerous changes including unifying Math and English Language arts curriculum options, increasing professional development for teachers and improving support for multilingual learners (the majority of the PPSD students).

In connection with its takeover of the PPSD, it is conceivable that, under certain circumstances, the State could be held responsible for budget deficits and other costs relative to the PPSD, subject to the State appropriations and budget process. Whether, and to what extent, the State could be held responsible for such budget deficits and other costs is unknown at this time.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider – International Game Technology (IGT)

Effective February 17, 2023, the Lottery entered into a contract amendment with IGT, extending the term of the Master Contract through June 30, 2043. In consideration for being the exclusive gaming system provider, exclusive of the online sports betting contract, IGT will pay to the Lottery \$27 million in two annual installments of \$13.5 million by June 30, 2023 and June 30, 2024. In June 2023, the Lottery received the first installment of \$13.5 million, which will be recognized as contract revenue over the term of the extended contract.

The contract mandates commission percentages ranging between 4% and 5% of lottery ticket sales and 1% and 2.5% of video lottery net terminal income, depending on the amount of sales in each category.

Video Lottery Terminal Provider - International Game Technology (IGT)

IGT is also a provider of video lottery terminals and receives compensation equal to 7% of net terminal income. The Master Contract (as amended) also includes provisions related to premium IGT video lottery terminals and responsibility for related IGT license fees, as well as, concurrence on agreement on the promotional points program with the casinos and the Lottery.

Pursuant to the Crisafulli Act, IGT, on January 1, 2023 executed an Assignment and Assumption Agreement to transfer its Video Lottery Terminal Technology Provider License Agreement to the VLT Joint Venture. The VLT Joint Venture is effective January 1, 2023 through June 30, 2043. The VLT Joint Venture is owned by IGT and or Affiliates of IGT and Bally's or Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The VLT Joint Venture is the exclusive Technology Provider of VLTs, and is regulated by the Lottery as a Technology Provider.

Sportsbook - International Game Technology (IGT)

The Lottery also executed a Sports Betting Agreement with IGT to provide, along with its subcontractor, American Wagering, Inc., D/B/A William Hill US (William Hill), a proprietary sports betting solution for all sports betting at the Twin River Casino Hotel and the Tiverton Casino Hotel facilities. The initial term of the software license is five years from launch date (November 26, 2018), and upon mutual agreement of the parties, there are two successive five-year renewal options. In exchange, IGT has allocated its revenue share in accordance with RI General Laws 42-61.2-7. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State's share of said loss interest free until a subsequent invoicing period is sufficient to cover said prior period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement authorizing IGT to supply the equipment, software, and services for online sports wagering using mobile devices. This is in accordance with authorized sports wagering legislation enacted in June 2019. Effective April 30, 2021 the Lottery is responsible for payment of two-thirds (2/3) of all transaction processing fees.

In April 2023, the Lottery executed the second amendment to the Sports Betting Agreement, changing the renewal options to three successive periods: a three-year extension period, a two-year extension period, and a five-year extension period. Via this second amendment, the agreement was extended through November 25, 2026. This agreement further required IGT to enhance the sports betting platform; namely, reviewing quarterly competitor websites, platform refreshments, increased bank functionality, kiosks, required service organizational control reports, and payment of thirty-two percent of service provider fees. The agreement also allows for certain third-party integrations into the sports betting platform, including live scoreboards, live feeds, and league and team logos, upon mutual agreement, with the costs for implementation shared between the Lottery and IGT. The second amendment also required IGT to pay thirty-two percent of provider service fees (specifically, debit fees, ACH transfer fees, and other payment processing fees) associated with online sports betting.

Licensed Gaming Facilities (Bally's Twin River Casino and Bally's Tiverton Casino and Hotel)

Each licensed facility operates under a Master Contract with the Lottery. Effective February 17, 2023, the Lottery entered into contract amendments with Bally's Affiliate UTGR, Inc. and Bally's Affiliate Twin River-Tiverton, LLC extending the respective terms through June 30, 2043. The contracts entitle the owners to compensation ranging from 26.0% to 28.9% of video lottery net terminal income at the respective facility.

Effective July 1, 2021 through December 31, 2022, UTGR, Inc. became a technology provider of video lottery terminals and receives a compensation equal to 7% of the net terminal income in accordance with the provisions of R.I. Gen. Laws 42-61.207, as may be amended from time to time. Effective January 1, 2023, Bally's or Affiliates of Bally's will be part of a VLT Joint Venture with IGT to be the exclusive technology provider of video lottery terminals through June 30, 2043.

A mandated \$100 million investment by Bally's Corporation to expand the Lincoln casino, including a 40,000 square-foot addition plus a 10,000 square-foot spa adjacent to its current hotel location. This expansion was completed in April 2023.

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal year 2023, allowable promotional points are 20.0% of prior year net terminal income plus \$1.5 million. In fiscal year 2023, the combined promotional points authorized and issued were approximately \$97.7 million to facility patrons.

The Lottery is required to reimburse the Twin River casinos for allowable marketing expenses incurred at the same percentage as the Lottery's share of net terminal income for the fiscal year 2023 (60.7% for Bally's Twin River Lincoln Casino Resort and 60.0% for Bally's Tiverton Casino & Hotel). For fiscal year 2023, the Lottery accrued \$3.6 million and \$506.0 thousand in reimbursable marketing expenses for Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel, respectively.

Table games are operated at the Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Commissions for both casino facilities and the respective host community were 83.5% and 1%. In June 2022, legislation enacted required a guaranteed minimum \$3 million payment to be made to the Towns of Lincoln and Tiverton, RI from net table games revenue and video lottery net terminal income, with any shortfall coming from the State's share of table games net revenue and video lottery net terminal income. In fiscal year 2023, there was a shortfall to the Town of Tiverton, therefore the State was required to make a payment of \$923 thousand to bring the minimum required payment up to \$3.0 million.

The Lottery also entered into a Sports Wagering Hosting Agreement with Twin River to host in-person and online sports wagering. The agreement entitles the owners to compensation of 17.0% of sports wagering revenue generated at the facilities. The agreement can be extended for two five-year periods so long as there is a master video lottery terminal contract between the relevant parties. The first amendment to the sports wagering hosting agreement allowed Twin River to host, manage and enable players to participate in online sports wagering including validation and registration of players. Effective July 1, 2021, the annual flat commissions paid to the Towns of Lincoln and Tiverton increased to \$200,000/per town.

In June 2023, legislation was enacted for the Lottery to implement, operate, conduct, and control iGaming at Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Legislation authorized the Lottery to enter into a contract with the Affiliates of Bally's to be the exclusive iGaming vendor. Under the terms of this legislation the Lottery's maximum obligation of payment service transactions fees shall not exceed thirty-three percent. This legislation also obligates the Affiliates of Bally's to regularly update online slot games, and requires the Affiliates of Bally's to enter into an assignment and assumption agreement between the Affiliates of Bally's and the iGaming Joint Venture. The iGaming Joint Venture will be the exclusive iGaming game vendor providing online slot games and online table games to the Lottery. The assumption of the iGaming Joint Venture obligations is subject to the review and approval of the Lottery.

The legislation further requires that the Lottery enter into a contract with the Affiliates of Bally's to be the exclusive iGaming platform vendor. This legislation obligates the Affiliates of Bally's to: regularly update and replace the server-based system for iGaming on schedules agreed by the Lottery, to fund the Lottery's responsible gambling programs; to host server-based gaming systems in connection with online sports wagering, pay for the costs, including, but not limited to professional and project management fees incurred by the Lottery in connection with implementation; provide financial protection to the State related to the impact on traditional lottery products, whereby Bally's would make an annual payment to the Lottery in an amount equal to one hundred percent of the first one million dollar shortfall, and fifty-percent of any shortfall between one and two million. iGaming is scheduled to commence on March 1, 2024. The contracts are under negotiation.

Discretely Presented Component Units

Rhode Island Resource Recovery Corporation

Landfill closure and post-closure:

The Environmental Protection Agency (EPA) established closure and post-closure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. The landfill operated by the RI Resource Recovery Corporation (RIRRC) has been segregated into six distinct phases. Phases I, II, III and IV were closed by RIRRC during prior years. In 2005, the Corporation began operations in Phase V, which is near capacity and has temporarily stopped accepting waste. During December 2015, RIRRC began accepting waste in Phase VI.

A liability for closure and post-closure care of \$122.6 million as of June 30, 2023 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2023
Phase I	\$ 646
Phase II and III	17,598
Phase IV	16,393
Phase V	46,259
Phase VI	41,217
Other	518
	<u>\$ 122,631</u>

As of June 30, 2023, the remaining total estimated current cost to be recognized in the future as landfill closure and post-closure care expense, the estimated percent of landfill capacity used and the estimated remaining years for accepting waste are as follows:

	Estimated remaining costs to be recognized	Estimated Capacity Used	Estimated remaining years for accepting waste
Phase V	\$ 4,338	91.4 %	1 year 1 month
Phase VI	\$ 79,771	34.1 %	20 years 4 months

As of June 30, 2023 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$5.8 million increase of the corresponding liability from \$130.8 million at June 30, 2022 to \$136.6 million at June 30, 2023.

Amounts provided for closure and post-closure care are based on current costs. These costs may be adjusted each year due to changes in the closure and post-closure care plan, inflation or deflation, technology, or applicable laws or regulations. It is reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in RIRRC's restricted assets in the statement of net position at June 30, 2023 is \$83.1 million placed in trust to meet the financial requirements of closure and post-closure care related to Phases II, III, IV, V and VI. RIRRC plans to make additional trust fund contributions each year to enable it to satisfy these and future costs.

Pollution remediation obligations:

Amounts provided for pollution remediation obligations are based on current costs. These costs may be adjusted each year due to changes in the remediation plan, inflation or deflation, technology, or applicable laws or regulations. It is at least reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Changes in the pollution remediation obligation for the year ended June 30, 2023 is as follows:

Balance, June 30, 2022	Additions	Reductions	Balance, June 30, 2023	Current Portion
\$ 12,421	\$ 1,585	\$ —	\$ 14,006	\$ 1,034

In prior years, the EPA issued administrative orders requiring RIRRC to conduct environmental studies of the Central Landfill and undertake various plans of action. Additionally, in 1986, the Central Landfill was named to the EPA's Superfund National Priorities List.

During 1996, RIRRC entered into a Consent Decree with the EPA concerning remedial actions taken by RIRRC for groundwater contamination. The Consent Decree, which was approved by the U.S. District Court on October 2, 1996, required the establishment of a trust fund in the amount of \$27.0 million for remedial purposes. The balance of this trust fund totaled \$46.6 million as of June 30, 2023.

In 2004, RIRRC began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. RIRRC has recorded a liability for future remediation costs of approximately \$14.0 million as of June 30, 2023.

Rhode Island Public Transit Authority

The RI Public Transit Authority (RIPTA) is committed under various contracts in the amount of \$20.0 million at June 30, 2023.

Rhode Island Turnpike and Bridge Authority

The RI Turnpike and Bridge Authority (RITBA) is committed under various construction and repairs contracts in the amount of \$4.3 million at June 30, 2023.

Rhode Island Convention Center Authority

The RI Convention Center Authority (RICCA) is committed under various construction project contracts in the amount of \$12.3 million at June 30, 2023.

Rhode Island Airport Corporation

The RI Airport Corporation (RIAC) has active construction projects expected to be funded from available resources and future operations that relate to certain airport improvements. As of June 30, 2023, RIAC's commitments with contractors were approximately \$14.5 million.

I-195 Redevelopment District

The I-195 Redevelopment District (I-195) is committed under project development initiatives contracts in the amount of \$2.6 million at June 30, 2023.

Other Component Units

Other component units have various commitments arising from the normal course of their operations. Overall, these commitments are not significant to the State's financial statements.

Note 17. Contingencies

COVID-19 Global Pandemic

The COVID-19 pandemic and subsequent recovery continues to have an impact on state operations. Additional costs have been incurred to respond to the recovery efforts. In addition, the pandemic has had a negative impact on state employment levels. While the state has seen job growth since the end of the pandemic recession, Rhode Island-based jobs (as measured by the survey of business establishments conducted by the Department of Labor and Training) have not recovered to their pre-pandemic peak.

The State continues to utilize federal recovery pandemic funding to manage costs associated with the pandemic recovery efforts and to address a variety of economic and social problems exacerbated by the long duration of the public health emergency. Under the federal government's expanded Stafford Act authority, qualified pandemic related expenses incurred by the State during fiscal year 2023 continue to be submitted to the Federal Emergency Management Agency (FEMA) for reimbursement expected to be received during fiscal year 2024.

The State is also leveraging its \$1.1 billion allocation of Coronavirus State and Local Fiscal Recovery Funds (SFRF) through the American Rescue Plan Act of 2021 (ARPA) allocation to support short-term recovery and make long term investments in State programs. The General Assembly appropriated SFRF funding to address the most pressing needs from the pandemic. These included support for small businesses and impacted industries, retention incentives for workers in sectors directly impacted by the pandemic, additional affordable housing units, and better access to medical services for children and families.

The FY 2023 Revised Budget and the FY 2024 Enacted Budget appropriated the remainder of the State's SFRF allocation to support expanding affordable and workforce housing, bolster growing sectors of the economy, invest in workforce development and strengthen the health care system in the event of surges in COVID-19 cases or the emergence of new variants. The State allocated approximately \$41.8 million in SFRF to support any additional capacity necessary to respond to the pandemic. In addition to identifying projects that address pressing needs, Rhode Island prioritized projects that minimize ongoing financial obligations, generate out-year savings and efficiencies, result in lasting benefits, and leverage existing administrative infrastructure, with simple and effective program design. These funds will continue to be expended into fiscal year 2027.

Emergency Rental Assistance (ERA) funding totaling \$352.0 million was also awarded to the State. The FY 2024 Enacted Budget included \$28.0 million in Emergency Rental Assistance (ERA) funding to provide rental and utility relief, housing stability, and legal services to eligible Rhode Islanders.

We expect some pandemic related costs to continue into 2024. The extent of expenditures required to continue to address pandemic related costs and the related recovery of federal government assistance continues to evolve.

Primary Government - Litigation Contingencies

The State, individually or through its departments, agencies and employees, is a named party in various suits presently pending in Rhode Island state and federal courts. The State is vigorously defending any liability in all pending litigation; however, the cases are subject to a trial by jury or judge, who serves as the final trier of facts and awards. It would not appear that any litigation pending or threaten is likely to result, either individually or in the aggregate, in final judgments against the State that would materially affect its financial condition. Notwithstanding such as assessment, the following significant cases should be noted:

Challenge to Tolls

The RhodeWorks tolling program to fund bridge maintenance and repair was challenged by the trucking industry in *American Trucking Associations, Inc. et al. v. Alviti et al.*, initially filed on July 10, 2018 in the federal district court in Rhode Island. Plaintiffs, a national trade association for the interstate trucking industry and several trucking companies, named as defendant the director of RIDOT, acting for the State in his official capacity. RITBA was later permitted by the court to intervene as a defendant due to its role as the agency responsible for collecting the challenged tolls on the State's behalf.

On September 21, 2022, following a bench trial, the district court issued a decision holding that RhodeWorks truck tolling violates the dormant Commerce Clause of the United States Constitution because it unfairly apportions the State's tolling burden to large commercial trucks and has a discriminatory purpose and effect with regard to interstate commerce. See *American Trucking Associations, Inc. et al. v. Alviti et al.*, 1:18-cv-00378-WES-PAS (D.R.I. Sep. 21, 2022). Accordingly, the court permanently enjoined the State from collecting RhodeWorks tolls, which RIDOT estimated would have annually generated approximately \$40-50 million in revenue dedicated to bridge maintenance and repair. RIDOT suspended toll collections at all twelve active locations on September 21, 2022, following the ruling. Plaintiffs did not seek damages or restitution for tolls previously paid, but are seeking attorney's fees, which are likely to exceed several million dollars, and which will be considered by the court at a date subsequent to its decision. It is possible that the decision in this case could encourage future litigation against the State, which potential litigation may include claims seeking the payment of damages or restitution for prior tolls charged.

Litigation

The Narragansett Indian Tribe filed a complaint in the U.S. District Court for the District of Columbia against the State (including RIDOT and an individual State employee), seeking \$30.0 million in damages related to the I-95 Viaduct construction project in Providence, Rhode Island, which plaintiff claims adversely effects culturally significant land. A similar lawsuit was dismissed without prejudice and a new lawsuit was recently re-filed.

Tobacco Settlement Financing Corporation - Master Settlement Agreement

In 1998, Rhode Island, along with other states, the District of Columbia and 5 territories, entered into the Master Settlement Agreement (MSA) with major tobacco manufacturers (the Participating Tobacco Manufacturers, or "PMs") to provide restitution for damages arising from the use of tobacco products. The terms of the MSA include annual payments to all states and territories in perpetuity. The State assigned all revenues from the MSA to the Tobacco Settlement Financing Corporation (TSFC) which in turn used those committed revenues to secure its bonds. The bonds are payable both as to principal and interest solely out of the assets of TSFC and do not constitute an indebtedness of or a general, legal or "moral" obligation of the State or any political subdivision of the State.

The annual payments are subject to numerous adjustments including the Non-Participating Manufacturer (NPM) adjustment which reduces the amount of the annual payment and is applicable to each State found by an arbitration panel not to have diligently enforced the qualifying statute. States found not diligent share the cost of the annual NPM adjustment which is applied against the next annual MSA payment. It is unknown how much of Rhode Island's MSA revenues would be at risk in a given year due to this adjustment, however, no State can lose more than its entire annual payment.

As of September 2020 NPM adjustments have been settled through 2022. Future NPM adjustment claims remain possible for calendar year 2023 and all future years. This could result in the TSFC receiving less revenue than assumed in out-year projections, potentially impacting its ability to service its debt obligations. Should the PMs be determined with finality to be entitled to a full NPM adjustment in a future year, this could have a material adverse effect on the amounts of tobacco settlement revenues available to the TSFC. Additionally, any failure on the part of the PMs to perform their obligations under the MSA and/or related agreements could have a material adverse effect on receipt of future tobacco settlement

revenues. A reduction in the amount of tobacco settlement revenues received could affect the TSFC's ability to make turbo redemptions and other debt service payments on its debt obligations.

Future payments may be impacted by a number of factors including, but not limited to, future or potential litigation against the tobacco industry, changes in the financial condition of the tobacco companies and sales of tobacco products. For additional information about these matters, please refer to the separately issued TSFC financial statements for the year ended June 30, 2023.

Rhode Island Lottery

The Lottery's master contracts with its video lottery facilities contain revenue protection provisions in the event that existing video lottery facilities incur revenue losses caused by new gaming ventures within the State.

The facilities face increasing competition from surrounding casinos in Connecticut and Massachusetts. In May 2021, Connecticut legalized sports wagering and online gambling, greatly expanding gambling to mobile devices. The law also authorizes the Connecticut Lottery Corporation to operate 15 sports betting locations across the state. Connecticut sports betting opened its first retail sportsbook in September 2021, followed by online sports betting sites and betting apps in October 2021. In August 2023, a new 50,000-square foot casino was added to the existing tribal casino in Ledyard, CT. In August 2022, the Massachusetts Sports Wagering Act was signed into law, retail sports betting launched on January 31, 2023, and mobile and online sports wagering followed on March 10, 2023, with eight apps online. Massachusetts lawmakers have considered additional slot machines and adding table games at Plainridge Park Casino, in Plainville, MA, to date this has not occurred. Discussions continue for a tribal casino in Taunton, MA. The Lottery and the State continually monitor the risk to gaming operations and assess and expand important revenue generating marketing and promotional programs to best enable competitive positions.

The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in Rhode Island Superior Court on or about September 28, 2011, challenging, inter alia, the constitutionality of the Rhode Island Casino Gaming Act ("Act") on the grounds that it would not be "state-operated" and the Act "delegates unconstitutional authority to a private corporation". On or about June 29, 2012, the Rhode Island Superior Court found that the Narragansett Indian Tribe had not sustained their burden of proof beyond a reasonable doubt that the Act is facially unconstitutional. The Narragansett Indian Tribe filed a notice of appeal of that decision with the Rhode Island Supreme Court. On or about March 4, 2015, the Rhode Island Supreme Court issued a decision upholding the Superior Court's decision.

The remaining issue in the case relating to whether the State "operates" the gaming facilities remains pending in the Superior Court.

A plaintiff filed suit against the Lottery and Department of Revenue challenging the constitutionality of sports betting in Rhode Island. The complaint asserts that the conduct of State- operated sports betting in Tiverton and Lincoln violates the express constitutional requirement of voter approval and must be declared unconstitutional and enjoined until and unless the voters of Rhode Island approve sports gambling at duly authorized statewide and local elections. The complaint was dismissed once by the Rhode Island Superior Court due to a lack of standing by the Plaintiff, but subsequently the Court permitted the Plaintiff to refile an amended complaint. The parties then filed summary judgement motions. On June 1, 2020, the Rhode Island Superior Court issued a decision where it found that the legislation enabling sports betting did not impermissibly expand the location of gambling and that the acts are constitutional. The case has been appealed to the Rhode Island Supreme Court.

In the event of default on an insurance annuity contract for a Rhode Island winner of the Lucky for Life® jackpot prize award, the Lottery may be contingently liable for any remaining prize amounts due the winner.

Federal Assistance

The State receives significant amounts of federal financial assistance under grant agreements or joint state/federally financed programs which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. The Single Audit for the State of Rhode Island is submitted to the Federal Single Audit Clearinghouse annually by the State. The Single Audit reports instances of federal non-compliance, questioned costs, and other matters to federal grantor agencies regarding the State's administration of federal programs. These matters could result in federal disallowance and/or sanction upon review by the respective federal agencies. The fiscal year 2023 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

Adjustments have been made to the financial statements when costs have been specifically disallowed by the federal government or sanctions have been imposed upon the State and the issue is not being appealed or the right of appeal has been exhausted.

Eleanor Slater Hospital (ESH) Medicaid Claiming – ESH's continued compliance with the federal IMD regulations is not assured as it is subject to continued measurement and contingent upon the mix of patients (medical and psychiatric) at the prescribed measurement intervals. ESH was not in compliance for the months of December 2021 through October 2022. The opening of a stand-alone psychiatric facility on October 25, 2022 addressed the IMD status issues. ESH requested and received approval from the Center for Medicare and Medicaid Services (CMS) to retroactively bill for fiscal year 2022. ESH has resolved dual eligible billing by implementing a new billing process that would exhaust all Medicare available days for those patients that meet Hospital level of care. Once Medicare days have been exhausted the claim would then turn over to bill Medicaid for appropriate Hospital admissions. Additionally, during May 2023 the vendor who provides Medicaid management services on behalf of the State received a Civil Investigative Demand (CID) from the Department of Justice (DOJ) regarding billing issues from January 1, 2013 to present. A response has not yet been submitted to DOJ and it is anticipated there will be additional questioned costs identified.

Medicaid Managed Care Contracts – The State contracts with three Managed Care Organizations (MCOs) to provide capitated healthcare coverage for individuals eligible for Medical Assistance. Premiums paid for this health coverage approximate \$2 billion annually. Contracts with the MCOs include a variety of settlement provisions that often do not finalize until 16 months after year-end once all claims for the coverage period have processed. Expected final settlements are reflected in the State's financial statements, however, a variety of factors could result in additional amounts being owed to or from the Medicaid Program upon settlement completion.

Unemployment Insurance Benefit Fraud – Rhode Island, as well as a number of other states, experienced a significant increase in fraudulent claims for pandemic relief unemployment benefits beginning in March 2020 through the end of those relief programs in September 2021. The State implemented multiple objectives to attempt to prevent and detect fraudulent claims; however, the State Department of Labor and Training has estimated that up to \$531.0 million of fraudulent claims were paid during fiscal years 2020, 2021 and 2022: \$121.0 million of fraudulent benefits have been confirmed and \$410.0 million in suspected fraud claims were paid out. It must be noted that suspected fraud claims are not confirmed and as such the total changes when claims are proven to be either valid or fraudulent. Recoveries or collections of these fraudulent benefits, if any, will be refunded to the federal government or the Unemployment Insurance Trust Fund. The State Department of Labor and Training continues to more accurately quantify the total number of benefits considered fraudulent.

The State is pursuing a claim against its insurance provider for reimbursement for the unemployment insurance claims paid which have been deemed fraudulent (policy limits total \$40.0 million). This claim was rejected by the insurance provider and the State is currently engaged in a lawsuit against the insurer over this denial. Management cannot estimate the completion of or likelihood of favorable judgement of this lawsuit at this time and consequently no estimated recovery from the insurer is reflected on the financial statements of the Employment Security Fund at June 30, 2023.

Challenges to Pension Reforms

The 2009, 2010 and 2011 legislative pension reforms resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. Of these lawsuits, two remain pending as described below.

In September 2014, a case challenging the RI Retirement Security Act (RIRSA) was commenced by the Rhode Island State Troopers Association and three of its members against the Employees Retirement System of Rhode Island, the Governor, the Treasurer and the Director of the Department of Administration. The defendants filed a motion to dismiss, which was decided on January 10, 2022 with six claims remaining. The defendants have moved for summary judgement on the remaining six counts and briefing of that motion is underway.

In 2020, a case was brought by numerous plaintiffs who had brought a prior pension lawsuit case, which resulted in the passage of RIRSA and settlement. The case was brought in the United States District Court for the District of Rhode Island. The State and ERSRI filed a motion to dismiss on the grounds that the 2020 lawsuit sought to relitigate issues that had already been decided in the prior lawsuit. The District Court agreed and granted the Motion to Dismiss. The Plaintiffs appealed this decision in August 2022. The court heard the petition on January 6, 2023 and denied the petition.

Component Units - Other

Rhode Island Industrial-Recreational Building Authority

The RI Industrial-Recreational Building Authority (RIIRBA) is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60 million of outstanding principal balances under such insured mortgages and security agreements.

Losses, if any, are first payable from RIIRBA's available resources. RIIRBA must then request appropriations of the General Assembly for any losses in excess of insured amounts. RIIRBA's insurance guarantee is backed by the full faith and credit of the State.

At June 30, 2023, RIIRBA has insured contractual principal and interest payments required under first mortgages and first security agreements principally for land and buildings of manufacturing and distribution entities located throughout Rhode Island. Principal balances outstanding under first mortgages and first security agreements insured by RIIRBA at June 30, 2023 are \$11.3 million.

Rhode Island Housing and Mortgage Finance Corporation

The Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) is party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose RIHMFC to credit risk in excess of the amounts recognized in the accompanying statement of net position. RIHMFC's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. Total credit exposure as a result of loan commitments at June 30, 2023 is \$187.4 million.

University of Rhode Island

Environmental Remediation - Hazardous waste found at a former drum storage site on property owned by the University of Rhode Island (URI) polluted the ground and water in the area. The University entered into a "Consent Decree" agreement with the United States District Court on behalf of the U.S. Environmental Protection Agency, the U.S. Justice Department, and the Rhode Island Department of Environmental Management on July 2, 2008 with regards to the West Kingston Town Dump/URI Disposal

Area Superfund Site (the "Site"). A cap was placed to cover the Site and parties are now monitoring the ground water over an extended period of time through a system of monitoring wells. The University shares fiscal responsibility with the towns of South Kingstown and Narragansett. The University has accrued a liability of \$803,319 relating to the remediation project, operation and maintenance costs, and site reviews. The related cost for the year ended June 30, 2023 were \$74,400.

Two purported class action lawsuits were filed against the University in 2020 alleging that the University breached its contracts with its students after the 2020 spring semester transitioned to distance learning. Management vigorously disputes the plaintiffs' claims, but cannot provide a reasonable estimate of the total costs to the University associated with the two now-consolidated suits at this time.

Other Component Units

Other component units have various contingent liabilities that have arisen in the normal course of their operations. These contingencies are not significant to the State's financial statements.

Note 18. Employer Pension Plans

A. Summary of Employer Plans

The State provides pension benefits for its employees through multiple retirement benefit plans as outlined below (expressed in thousands):

	Plan	Plan Type	Covered employees	FY 2023 pension expense (credit)	Net pension liability (asset) at June 30, 2022 measurement date
A	Employees' Retirement System (ERS)	Cost-sharing multiple-employer defined benefit plan – advance funded through a trust	State employees excluding state police and judges:		
			Governmental activities	\$118,354	\$1,783,390
			Business-type activities	\$1,929	\$18,689
			Special funding – teachers - state share (see Note Section 18-E)	\$78,448	\$1,148,198
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$3,400	\$20,148
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	(\$99)	(\$1,038)
D	RI Judicial Retirement Fund Trust (RIJRFT)	Single-employer defined benefit plan – advance funded through a trust	Covers 7 judges appointed prior to January 1, 1990	(\$3,869)	\$17,902
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	\$5,903	\$136,868
F	Judicial Non-Contributory Retirement Plan (JNCRP)	Single employer defined benefit – non-trusteed – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	(\$3,653)	\$36,552
	Totals			\$200,413	\$3,160,709
G	LIUNA – union plan for members of the LIUNA bargaining units	Cost-sharing multiple employer defined benefit plan – “Taft-Hartley” non-governmental plan	Members of the LIUNA bargaining unit.	Not applicable (see note below)	Not applicable (see note below)
H	ERS – Defined Contribution Plan	Multiple-employer defined contribution plan	State employees subject to the “hybrid” defined benefit/defined contribution plan provisions	\$6,200	Not applicable
I	FICA Alternative Retirement Income Security Program	Single-employer defined contribution plan	State employees not eligible to participate in the State's other defined benefit plans	Not applicable	Not applicable

Employer pension expense and related liabilities and deferred inflows of resources/deferred outflows of resources for defined benefit plans A-E as identified above are recognized in the financial statements based on the provisions of GASB Statement No. 68.

Employer pension expense and related liabilities and deferred inflows/outflows for defined benefit plan F as identified above are recognized in the financial statements consistent with the provisions of GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and 68*. The State provides these benefits on a pay-as-you-go basis rather than through an advance funding arrangement and a qualifying trust.

The LIUNA sponsored, cost-sharing, multiple-employer pension plan (plan G) is not a state or local government pension plan. As there is no required employer contribution for covered employees, no employer pension expense is reflected in these financial statements. Consistent with the requirements of GASB Statement No. 78, there is no recognition of an employer proportionate net pension liability, if any.

Pension expense recognized for the defined contribution plans (H and I) is recognized based on actual employer contributions required and made during the fiscal year consistent with the requirements of GASB Statement No. 68 regarding defined contribution plans. There is no required employer contribution to the FICA Alternative Retirement Income Security Program.

Plan membership, based on the June 30, 2021 actuarial valuations (with the exception of JNCRP which has a June 30, 2022 valuation date), is summarized in the table below:

	Retirees and beneficiaries	Terminated plan members entitled to but not yet receiving benefits	Active Vested	Active Non-vested	Total by Plan
ERS-State Employees	11,373	4,154	7,726	3,077	26,330
JRBT	31	1	18	38	88
RIJRFT	2	—	5	—	7
SPRBT	88	56	61	181	386
SPRFT	243	—	—	—	243
JNCRP	42	—	—	—	42

B. Defined Benefit Plan Descriptions – Advance Funded Plans

EMPLOYEES' RETIREMENT SYSTEM (ERS) - The ERS was established and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of Title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of Title 16 of the Rhode Island General Laws.

Plan members - The plan covers most State employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). The plan also covers teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Membership in the plan is mandatory for all covered state employees and teachers. Elected officials may become members on an optional basis and legislators may participate if elected to office prior to January 1, 1995.

Certain employees of the Rhode Island Airport Corporation (hired before July 1, 1993), the Rhode Island Commerce Corporation (active contributing members and employees of the Department of Economic Development before October 31, 1995 who elected to continue membership) and the Narragansett Bay Water Quality District Commission (members of a collective bargaining unit) are also covered and have the same benefits as State employees.

Plan vesting provisions – after five years of service.

Retirement eligibility and plan benefits – are summarized in the following table:

Schedule	Schedule Criteria	Retirement eligibility	Benefit accrual rates	Maximum benefit
(A)	Completed 10 years of service on or before July 1, 2005 and eligible to retire as of September 30, 2009	Age 60 with 10 years of service or after 28 years of service at any age	Effective until June 30, 2012: 1.7% for each of first ten years 1.9% for each of next ten years 3.0% for each of next fourteen years 2% for the 35 th year Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015: for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (3 consecutive highest years)
(AB)	Completed 10 years of service on or before July 1, 2005 but ineligible to retire as of September 30, 2009	Minimum retirement age of 62 and ten years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Effective until June 30, 2012: Same accrual rates as (A) above to September 30, 2009 and then Schedule B rates (below) thereafter Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015, for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (5 consecutive highest years)
(B)	Less than 10 years of service before July 1, 2005 and eligible to retire as of September 30, 2009	Age 65 with 10 years of service or after 29 years of service and age 59	Effective until June 30, 2012: 1.6% for each of first ten years 1.8% for each of next ten years 2.0% for each of next five years 2.25% for each of next five years 2.5% for each of next seven years 2.25% for the 38 th year Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years)
(B1)	Less than 10 years of service before July 1, 2005 and ineligible to retire as of September 30, 2009	Age 65 with ten years of service, or age 62 with at least 29 years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Same as Schedule B	75% of final average earnings (5 consecutive highest years)
(B2)	Less than 5 years of service as of July 1, 2012	Social Security Retirement Age and 5 years of contributory service	1.6% for each of first ten years Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years)

Effective July 1, 2015 general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 11% and participate solely in the defined benefit plan. Members receive a benefit accrual of 2% per year based on the three or five year average compensation.

Effective July 1, 2015 employees are eligible to retire upon attainment of: age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service or age 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

State correctional officers may retire at age 50 with 20 years of service. However, if not eligible to retire as of September 30, 2009, the minimum retirement age was modified to 55 with 25 years of service credit

for correctional officers and registered nurses at the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

The plan provides for survivor's benefits for service-connected death and certain lump sum death benefits.

Joint and survivor options are available to members. For members with 10 years of service as of July 1, 2005, the Service Retirement Allowance (SRA) Plus option provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefits payable at age sixty-two (62).

Vested members that have 10 or more years of contributing service credit on June 30, 2012, may choose to retire at a retirement eligibility date that was calculated as of September 30, 2009, if the member continues to work and make retirement contributions until that date. If the member chooses this option, their retirement benefits will be calculated using the benefit that they have accrued as of June 30, 2012 - members will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

State employees and public school teachers may retire with a reduced pension benefit if they have 20 years of service credit and they are within five years of their retirement date as prescribed in the Rhode Island Retirement Security Act (RIRSA). The actuarially reduced benefit will be calculated based on how close the member is to their RIRSA eligibility date.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the Consumer Price Index for all Urban Consumers (CPI-U) from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$28,878 (indexed as of January 1, 2023) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015, the current indexed amount of \$28,878 is replaced with \$34,653 (indexed as of January 1, 2023) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$28,878).

Disability retirement provisions - The plan also provides non-service connected disability benefits after five years of service and service-connected disability pensions with no minimum service requirement. Effective for applications filed after September 30, 2009, accidental disability will be available at 66 2/3% for members who are permanently and totally disabled as determined by the Retirement Board. If the disability is determined to be partial and the member is able to work in other jobs, the benefit will be limited to 50%. Disability benefits are subject to annual review by the Retirement Board.

Other plan provisions - Service credit purchases, excluding contribution refund paybacks and military service, requested after June 16, 2009 are calculated at full actuarial cost.

JUDICIAL RETIREMENT BENEFITS TRUST (JRBT) - The Judicial Retirement Benefits Trust was established under Rhode Island General Laws 8-8.2-7; 8-3-16; 8-8-10.1; 28-30-18.1; and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to Justices of the Traffic Tribunal, Supreme, Superior, Family, District and Workers Compensation courts.

Plan members – The plan covers all Judges appointed after December 31, 1989.

Retirement eligibility and plan benefits – are summarized in the following table:

	Retirement benefit
Judges appointed after December 31, 1989 but before July 2, 1997	75% of the final salary at the time of retirement after 20 years of service, or 10 years of service and attainment of age 65. Judges retiring after 20 years of service after age 65 or 15 years of service after age 70 receive full retirement benefits, which is the final salary at time of retirement.
Judges appointed after July 2, 1997 but before January 1, 2009	Same as above except, salary is the average highest three (3) consecutive years of compensation rather than final salary.
Judges appointed after January 1, 2009 but before July 1, 2009	Judges with 20 years of service after age 65 or judges with 15 years of service after age 70 will receive 90% of the average of the highest three consecutive years of compensation. Judges appointed on or after January 1, 2009 with 10 years of service and age 65 or 20 years of service at any age are entitled to a reduced benefit of 70% of the average highest three consecutive years of compensation. Judges designating a survivor benefit with 20 years of service and age 65 or 15 years of service and age 70 receive a reduced benefit equal to 80% of the average highest three consecutive years of compensation. Judges designating a survivor benefit with 10 years of service after age 65 or 20 years of service at any age receive a reduced benefit equal to 60% of the average highest three consecutive years of compensation.
Judges appointed after July 1, 2009	Judges with 20 years of service after age 65 or with 15 years of service after age 70 will receive 80% of the average of the highest five consecutive years of compensation. Judges with 10 years of service and age 65 or 20 years of service at any age are entitled to a reduced benefit of 65% of the average highest five consecutive years of compensation. Judges designating a survivor benefit with 20 years of service and age 65 or 15 years of service and age 70 receive a reduced benefit equal to 70% of the average highest five consecutive years of compensation. Judges designating a survivor benefit with 10 years of service after age 65 or 20 years of service at any age receive a reduced benefit equal to 55% of the average highest five consecutive years of compensation.

Certain survivor benefits are also provided to judges who are plan members, which is 50% of the benefit amount payable to the judicial member.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$28,878 (indexed as of January 1, 2023) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015, the current indexed amount of \$28,878 is replaced with \$34,653 (indexed as of January 1, 2023) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$28,878).

STATE OF RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST (RIJRFT) - Effective July 1, 2012, and pursuant to Rhode Island General Law section 8-3-16, the retirement board established a trust to collect proceeds for the purpose of paying retirement benefits to participating judges or their beneficiaries.

Plan members – The plan covers seven (7) judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 that do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for fifty-one (51) retired judges and surviving beneficiaries who were not members of either judicial plan. The employee contribution rate is 12% of salary (except for members of the Supreme Court who contribute 8.75%).

Retirement eligibility and plan benefits – The plan generally provides retirement benefits for members who have served as a justice of the Supreme Court, the Superior Court, the Family Court or the District Court, for 20 years (or a combination of service in various courts) and have reached the age of 65 years, or have served 15 years, and reached the age of 70 years. These members may retire from regular service and receive a benefit equal to the annual salary the member was receiving at the time of their retirement. Members of the Traffic Tribunal who served as a justice for 20 years, or have served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. However, any Traffic Tribunal judge who has served 20 years and has reached age 65 years, or has served for 15 years and has reached age 70 years may retire from active service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$28,878 (indexed as of January 1, 2023) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$28,878 is replaced with \$34,653 (indexed as of January 1, 2023) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$28,878).

STATE POLICE RETIREMENT BENEFITS TRUST (SPRBT) - The State Police Retirement Benefits Trust was established under Rhode Island General Law Section 42-28-22.1 and was placed under the management of the Retirement Board for the purpose of providing retirement allowances to State Police.

Plan members – The plan covers all State Police and Superintendents hired after July 1, 1987.

Retirement eligibility and plan benefits – Prior to June 30, 2012 the plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, plus 3.0% of final salary times service in excess of 20 years through 25 years to a maximum of 65% of final salary. Such benefits are available to members after 20 years of service regardless of age. The Superintendent of the State Police will receive 50% of his/her final salary and may retire after attainment of age 60 and 10 years of service.

The General Laws were amended such that any member of the State Police, other than the Superintendent, who is hired on or after July 1, 2007 and who has served for twenty-five (25) years shall be entitled to a retirement allowance of 50% of the final salary. In addition, any member may serve up to a maximum of 30 years and shall be allowed an additional amount equal to 3.0% for each completed year served after 25 years to a maximum retirement allowance not to exceed 65% of the final salary.

Benefits are based on the final base salary earned at retirement including longevity increment, holiday pay, clothing allowance and up to 400 overtime hours.

Effective July 1, 2012 State Police officers are eligible to retire once they have accrued a retirement benefit equal to 50% of their whole salary, with mandatory retirement once they have accrued a retirement benefit equal to 65% of their whole salary. State Police officers will earn a 2% accrual rate for each year of contributing service. Benefits will be calculated on the average of the highest five consecutive years of salary, including up to 400 hours of mandatory overtime service. Benefits accrued as of June 30, 2012 will be protected under the Rhode Island Retirement Security Act.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$28,878 (indexed as of January 1, 2023) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$28,878 is replaced with \$34,653 (indexed as of January 1, 2023) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds 80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$28,878).

Disability retirement provisions - The plan provides non-service connected disability benefits after 10 years of service and service-connected disability pensions with no minimum service requirement.

STATE POLICE RETIREMENT FUND TRUST (SPRFT) - Effective July 1, 2016 and pursuant to Rhode Island General Law section 42-28-22.1, the retirement board established a trust to collect proceeds for the purpose of paying retirement benefits to participating members of the state police initially hired on or before July 1, 1987, or their beneficiaries.

Plan members - the plan covers members of the state police hired on or before July 1, 1987. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis.

Retirement eligibility and plan benefits - The plan generally provides retirement benefits equal to 50% of final salary after 20 years of service, members that retired after July 1, 1972 could earn an additional 3.0% of final salary times service in excess of 20 years through 25 years to a maximum of 65% of final salary. Such benefits are available to members after 20 years of service regardless of age.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first \$28,878 (indexed as of January 1, 2023) of retirement allowance multiplied by the percentage resulting from the COLA calculation as outlined in the preceding paragraph. The retirement amount subject to the COLA calculation is indexed annually in the same percentage as the COLA determination and is run annually regardless of the collective funding status.

For members and/or beneficiaries of members who retired on or before June 30, 2015 the current indexed amount of \$28,878 is replaced with \$34,653 (indexed as of January 1, 2023) until the funded ratio of the ERS, SPRBT and JRBT, calculated by the system's actuary on an aggregate basis, exceeds

80%. At such time, the benefit adjustments will then be provided on the lower amount (currently indexed at \$28,878).

C. Defined Benefit Advance Funded Plans - Summary of Significant Accounting Policies

The Fiduciary Net Position presented for defined benefit plans which are advance funded and accounted for in a trust has been determined on a basis consistent with that used by the respective plans in preparing their financial statements. ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at <http://www.ersri.org>. The plans' basis of accounting and accounting policies, including those related to benefit payments and valuation of plan investments is summarized below.

Basis of Accounting

The financial statements of the ERS are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the wages, subject to required contributions, are earned for the performance of duties for covered employment. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Disclosures regarding methods used to value investments and investment expenses are included in Note 2C, Pension Trusts.

D. Defined Benefit Plan – Non-Contributory (pay-as-you-go) Pension Plan

In addition to the defined benefit plans administered by the ERS, the State also administers one other pay as you go single employer defined benefit pension plan that is closed to new members. The Judicial Non-Contributory Retirement Plan (JNCRP) provides retirement benefits to judges appointed before January 1, 1990 and who retired before July 1, 2012. This plan was created by statute and has historically been funded by the State on a pay-as-you-go basis. Accordingly, no assets have been accumulated to pay benefits under this plan.

Pension benefits paid under the JNCRP are generally determined based on years of service at retirement and are payable to the retiree or their beneficiary. JNCRP members, in general, are eligible for full retirement benefits equal to their final annual compensation at age 65, if the member has served for 20 years, or at age 70 with 15 years of service. The plan has provisions that allow for survivor benefits; the surviving spouse to continue to receive a portion of the participant's benefit.

E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute 40% of the cost of providing retirement benefits for teachers covered by the Employees' Retirement System. Under GASB Statement No. 68, for teachers, the State is considered to be a non-employer contributing entity under a special funding situation. The total net pension liability for teachers covered by the Employees' Retirement System measured as of June 30, 2022 is approximately \$2.7 billion and the State's share of the net pension liability is approximately \$1.1 billion. The State's share of the net pension liability for teachers has been allocated based upon the statutory contribution percentage and is reflected in the Statement of Net Position as of June 30, 2023 as Net Pension Liability-Special Funding Situation. The State's proportion for the special funding situation for the teachers covered in the ERS Plan was 42.51%, a decrease of 0.07% since the prior reporting period. Benefit provisions, contribution requirements, and other information related to the measurement and proportionate share of the net pension liability under a special funding situation for teachers are described in other sections of this Note relating to the ERS plan.

F. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws. With the exception of the RIJRFT employers are required by statute to make annual actuarial determined contributions to the respective defined benefit plans.

Actuarial determined contributions are calculated as of June 30, two years prior to the commencement of the fiscal year in which the contributions are reported. The actuarial determined contribution rates (or amounts if not expressed as a rate) for fiscal year 2023 were determined based on valuations performed as of June 30, 2021 for all plans, with the exception of RIJRFT which was determined based on a valuation performed as of June 30, 2022.

The Rhode Island Judicial Retirement Fund Trust is not currently advance funded. Employees make contributions to the plan; however the State is not making full actuarial determined contributions. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization over 17 years from June 30, 2013.

The Rhode Island State Police Retirement Fund Trust is a closed group of individuals and the annual contributions into the Trust have been calculated on a level-dollar amortization over 20 years from June 30, 2020. The actuarial accrued liability will be fully amortized by year 2040.

The Judicial Non-Contributory Retirement Plan (JNCRP) is financed on a pay-as-you-go basis. Upon Statutory creation of the RISPRFT in fiscal year 2017, an annual contribution amount totaling \$16.4 million was actuarial determined. This amount has been contributed annually since 2017.

A summary of the contribution rates by both the participating employers and members and the State's annual pension plan contributions (expressed in thousands) for the fiscal year ended June 30, 2023 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP**
Contribution rate:						
State	28.01%	24.16%	\$1,232	20.87%	\$16,387	—
Plan members	3.75% and 11.00%	8.75% and 12.00%	8.75% and 12.00%	8.75%	—	—
State contribution for teachers	11.12%	—	—	—	—	—
Contributions made for state employees	\$208,565	\$2,843	\$490	\$6,209	\$16,387	\$3,676
Contribution made for teachers	\$122,455	—	—	—	—	—

*Actuarially determined contribution not expressed as a rate

**JNCRP is a pay-as-you-go plan.

ERS Plan Supplemental Contributions - The General Laws (Section 36-10-2(a) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarial determined state contribution rate for state employees and teachers is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to 20% of the rate reduction to be applied to the actuarial accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill and shall be paid by the general treasurer into the retirement system. The retirement system actuary shall not adjust the computation of the annual required contribution for the year in which supplemental contributions are received; such contributions once made may be treated as reducing the actuarial liability remaining for amortization in the following actuarial valuation to be performed. For fiscal year 2023, no supplemental contribution was required in accordance with this provision of the General Laws.

The Retirement Security Act provides for additional contributions to the System based on 5.5% of the value of contracts where the services performed by the contractor were previously performed by state employees. A supplemental contribution of \$34,612 was paid to the System pursuant to Section 42-149-3.1 of the General Laws.

Employer contributions to the defined contribution plan are also prescribed by statute. In addition, plan member contributions for both the defined benefit and defined contribution plans are set by statute. Member and employer contribution rates can be changed by the General Assembly.

ERS Plan Special funding situation for local teachers - The actual proportionate share of employer contributions required by the State varies slightly from 40% due to differences in the amortization period for the unfunded liability between the State and teacher units which is reflected in the actuarial determined contribution for the State share and the local teacher share. This results in the actual dollar amount of State contributions to be proportionately larger than the stated statutory amount of 40%.

G. Net Pension Liability

The net pension liability of the State and other participating employers in the Employees' Retirement System, a multiple-employer cost-sharing plan, has been apportioned based on the percentage share of total contributions made by each employer in fiscal year 2022. The State's proportion for the ERS Plan for State employees was 90.40%, an increase of 0.18% since the prior reporting period. At June 30, 2022 measurement date, the Lottery's proportion was 0.95%, an increase of 0.02% since the prior reporting period.

Following is a summary of the net pension liability of the State and other employers participating in the Employees' Retirement System as well as the State's liability related to the five single employer defined benefit plans it sponsors, all measured as of June 30, 2022 (expressed in thousands and excluding amounts related to teachers under the special funding arrangement discussed above):

Total Net Pension Liability - Employees' Retirement System (ERS) - State Employees	\$	1,972,815
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery (Business-Type Activities)		(18,689)
Discretely Presented Component Units		
University of Rhode Island	95,758	
Rhode Island College	31,079	
Community College of RI	26,669	
RI Division of Higher Education Assistance	252	
RI Commerce Corporation	129	
RI Airport Corporation	1,189	
		(155,076)
Related organization - Narragansett Bay Commission		(15,660)
ERS - Net Pension Liability	\$	1,783,390
Net Pension Liability - Single Employer Defined Benefit Pension Plans		
RIJRFT	\$	17,902
SPRBT		20,148
SPRFT		136,868
JNCRP		36,552
Total Net Pension Liability - All Plans (Governmental Activities)	\$	1,994,860
Net Pension Asset - Single Employer Defined Benefit Pension Plans		
JRBT	\$	(1,038)
Total Net Pension Asset - Single Employer Defined Benefit Pension Plans	\$	(1,038)

Further details regarding the State's total pension liability (asset) and net pension liability for the single employer trustee defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2022 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 96,803	\$ 19,329	\$ 210,671	\$ 160,763
Plan fiduciary net position	97,841	1,427	190,523	23,895
Net pension liability (asset)	\$ (1,038)	\$ 17,902	\$ 20,148	\$ 136,868
Plan fiduciary net position as a percentage of total pension liability	101.1 %	7.4 %	90.4 %	14.9 %

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2021 and rolled forward to the June 30, 2022 measurement date, with the exception of the Judicial Non-Contributory Retirement Plan (JNCRP). The total pension liability for JNCRP is based on a valuation

performed as of June 30, 2022. The following table summarizes the actuarial assumptions, applied to all periods included in the measurement.

	ERS						
	State Employees	Teachers	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP
Valuation Date	6/30/2021 rolled forward to 6/30/2022	6/30/2021 rolled forward to 6/30/2022	6/30/2021 rolled forward to 6/30/2022	6/30/2021 rolled forward to 6/30/2022	6/30/2021 rolled forward to 6/30/2022	6/30/2021 rolled forward to 6/30/2022	06/30/22
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
<u>Assumptions</u>							
Investment Rate of Return	7.00%	7.00%	7.00%	3.69%	7.00%	7.00%	3.69%
Projected Salary increases	3.25% to 6.25%	3.00% to 13.00%	2.75%	2.75%	3.75% to 11.75%	N/A	N/A
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality	Variants of the Pub (10) Tables for Healthy and Disabled Retirees, projected with Scale Ultimate MP16.						
COLA	Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The second such COLA was provided in fiscal year 2021. As of June 30, 2019, it is assumed that the COLAs will be suspended for 8 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50.0% of the plan's five-year average investment rate of return minus 5.0% which will range from zero to 4.0%, and 50.0% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.5%.						

Factors affecting trends for amounts related to the net pension liability

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2022 measurement date were consistent with the 2020 Actuarial Experience Investigation Study for the six year period ended June 30, 2019.

As part of the 2020 Actuarial Experience Study, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. Significant changes in assumptions included:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

There was a change in assumption for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.69% as of June 30, 2022. This rate was 1.92% at June 30, 2021.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 sources. These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

The June 30, 2022 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-term Expected Arithmetic Real Rate of Return
<i>GROWTH</i>		
Global Equity		
U.S. Equity	24.30 %	5.52 %
International Developed Equity	11.10 %	6.04 %
Emerging Markets Equity	4.60 %	7.83 %
Private Growth		
Private Equity	12.50 %	9.42 %
Non-Core Real Estate	2.50 %	4.80 %
<i>INCOME</i>		
Equity Options	2.00 %	5.25 %
EMD (50/50 Blend)	2.00 %	1.82 %
Liquid Credit	3.00 %	2.95 %
Private Credit	3.00 %	2.95 %
Collateralized Loan Obligations	2.00 %	2.95 %
<i>STABILITY</i>		
Crisis Protection Class		
Treasury Duration	5.00 %	(0.44)%
Systematic Trend	5.00 %	3.33 %
Inflation Protection		
Core Real Estate	4.00 %	4.80 %
Private Infrastructure	4.00 %	5.65 %
Volatility Protection		
IG Crop Credit	3.25 %	1.18 %
Securitized Credit	3.25 %	1.18 %
Absolute Return	6.50 %	3.33 %
Cash	2.00 %	(0.44)%
	100.00 %	

b. Discount rate

The discount rate used to measure the total pension liability of the plans was 7.0% for all plans except for RIJFRT and JNCRP plans. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for all but the JNCRP.

For the RIJFRT and JNCRP plans, the State has not opted to make actuarially determined employer contributions and based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Consequently, for those plans, the municipal bond index rate, based on fixed-income mutual bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", 3.69% at June 30, 2022) was applied to all periods of projected benefit payments to determine the total pension liability.

c. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0% (for all plans except the RIJRFT and JNCRP), as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT and JNCRP plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members and consequently, the municipal bond index rate of 3.69% at June 30, 2022, was used in the determination of the net pension liability (asset) for those plans with a similar +1/-1 % sensitivity analysis (expressed in thousands):

Governmental Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
ERS - State employees	\$ 2,211,145	\$ 1,783,390	\$ 1,394,724
ERS - Teachers (State share)	\$ 1,440,509	\$ 1,148,198	\$ 882,601
JRBT	\$ 8,125	\$ (1,038)	\$ (9,363)
SPRBT	\$ 39,847	\$ 20,148	\$ 2,253
SPRFT	\$ 152,828	\$ 136,868	\$ 122,364
	1.00% Decrease (2.69%)	Municipal Bond Index Rate (3.69%)	1.00% Increase (4.69%)
RIJRFT	\$ 19,681	\$ 17,902	\$ 16,289
JNCRP	\$ 39,244	\$ 36,552	\$ 34,193

Business-type Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
Rhode Island Lottery:			
ERS Plan - State Employees	\$ 23,172	\$ 18,689	\$ 14,616

H. Changes in the Net Pension Liability (Asset)

Information on the State's net pension liability (asset) for single employer plans is as follows (expressed in thousands):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP*
Total Pension Liability					
Service cost	\$ 3,709	\$ 460	\$ 5,829	\$ —	\$ —
Interest	6,553	451	13,898	11,241	809
Differences between expected and actual experience	(2,874)	(1,250)	(762)	(3,212)	548
Changes of assumptions	—	(3,358)	—	—	(5,010)
Benefit payments	(4,700)	(500)	(7,849)	(15,698)	(3,873)
Net change in Total Pension Liability	2,688	(4,197)	11,116	(7,669)	(7,526)
Total Pension Liability - beginning	94,115	23,526	199,555	168,432	44,078
Total Pension Liability - ending	\$ 96,803	\$ 19,329	\$ 210,671	\$ 160,763	\$ 36,552
Plan Fiduciary Net Position					
Employer contributions	\$ 2,611	\$ 405	\$ 5,211	\$ 16,387	\$ 3,873
Employee contributions	1,398	125	2,387	—	—
Net investment income	(2,742)	(23)	(5,344)	(272)	—
Benefit payments	(4,700)	(500)	(7,849)	(15,698)	(3,873)
Administrative expenses	(97)	(1)	(203)	(22)	—
Other	—	—	16	—	—
Net change in Fiduciary Net Position	\$ (3,530)	\$ 6	\$ (5,782)	\$ 395	\$ —
Plan Fiduciary Net Position - beginning	101,371	1,421	196,305	23,500	—
Plan Fiduciary Net Position - ending	\$ 97,841	\$ 1,427	\$ 190,523	\$ 23,895	\$ —
Net Pension Liability (Asset)	\$ (1,038)	\$ 17,902	\$ 20,148	\$ 136,868	\$ 36,552

*This is a non-trusteed plan which historically has been funded on a pay-as-you-go basis; therefore no assets have been accumulated and total pension liability and net pension liability are the same.

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Employees' Retirement System of Rhode Island

For the fiscal year ended June 30, 2023, the State recognized net pension expense of \$122.0 million related to State employees who are covered by the pension plans administered by ERS as well as the JNCRP. In addition, it recognized an Education expense of \$78.4 million in the Statement of Activities relating to the State's share of the pension expense for teachers who are covered by the ERS.

At June 30, 2023 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the ERS from the following sources (expressed in thousands):

Governmental Activities:

	State Employees	Teachers	Totals
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 206,466	\$ 122,455	\$ 328,921
Differences between expected and actual experience	14,211	17,006	31,217
Changes of assumptions	—	23,158	23,158
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,655	22,096	34,751
Totals	<u>\$ 233,332</u>	<u>\$ 184,715</u>	<u>\$ 418,047</u>
<u>Deferred Inflows of Resources</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 13,664	\$ 24,025	\$ 37,689
Differences between expected and actual experience	752	22,332	23,084
Changes of assumptions	21,039	17,215	38,254
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	15,331	15,331
Totals	<u>\$ 35,455</u>	<u>\$ 78,903</u>	<u>\$ 114,358</u>

The \$206.5 million reported as deferred outflows of resources related to pensions resulting from State contributions to ERS subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2024. In addition, the \$122.5 million reported as deferred outflows of resources related to pensions resulting from State contributions to ERS for the teachers plan subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

	State Employees	Teachers
Year ended June 30:		
2024	\$ (14,566)	\$ 2,628
2025	(20,688)	(18,813)
2026	(29,125)	(35,939)
2027	55,678	31,945
2028	114	1,135
Thereafter	—	2,400
	<u>\$ (8,587)</u>	<u>\$ (16,644)</u>

Business-type Activities:

For the year ended June 30, 2023, the Lottery, a proprietary fund of the State, recognized pension expense of \$1.9 million. At June 30, 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	2,099
Differences between expected and actual experience		149
Changes of assumptions		—
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,092
Totals	<u>\$</u>	<u>3,340</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments	\$	143
Differences between expected and actual experience		8
Changes of assumptions		220
Changes in proportion and differences between employer contributions and proportionate share of contributions		286
Totals	<u>\$</u>	<u>657</u>

The \$2.1 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows (inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

Year ended June 30:		
2024	\$	515
2025		(121)
2026		(384)
2027		572
2028		1
	<u>\$</u>	<u>583</u>

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2023 the table below provides information about pension expense (credit) recognized for each of the State's five single employer plans (expressed in thousands):

<u>Plan</u>	<u>Annual Pension Expense (Credit)</u>
JRBT	\$ (99)
RIJRFT	(3,869)
SPRBT	3,400
SPRFT	5,903
JNCRP	(3,653)
Total	<u>\$ 1,682</u>

At June 30, 2023 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	<u>JRBT</u>	<u>RIJRFT</u>	<u>SPRBT</u>	<u>SPRFT</u>	<u>JNCRP</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,843	\$ 490	\$ 6,209	\$ 16,387	\$ 3,676	\$ 29,605
Differences between expected and actual experience	77	—	5,536	—	—	5,613
Change of Assumptions	1,080	—	4,791	—	—	5,871
Totals	<u>\$ 4,000</u>	<u>\$ 490</u>	<u>\$ 16,536</u>	<u>\$ 16,387</u>	<u>\$ 3,676</u>	<u>\$ 41,089</u>
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ 841	\$ 47	\$ 1,383	\$ 1,222	\$ —	\$ 3,493
Differences between expected and actual experience	3,086	—	5,258	—	—	8,344
Change of assumptions	—	—	48	—	—	48
Totals	<u>\$ 3,927</u>	<u>\$ 47</u>	<u>\$ 6,689</u>	<u>\$ 1,222</u>	<u>\$ —</u>	<u>\$ 11,885</u>

The amount of \$29.6 million reported as deferred outflows of resources, related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows(inflows) of resources related to pensions will be recognized in the determination of pension expense as follows (expressed in thousands):

Year ending June 30	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
2024	\$ (1,344)	\$ (19)	\$ (148)	\$ (471)	—	\$ (1,982)
2025	(957)	(18)	(233)	(541)	—	(1,749)
2026	(1,793)	(20)	(1,101)	(599)	—	(3,513)
2027	1,403	10	5,730	388	—	7,531
2028	(80)	—	(78)	—	—	(158)
Thereafter	—	—	(532)	—	—	(532)
	<u>\$ (2,771)</u>	<u>\$ (47)</u>	<u>\$ 3,638</u>	<u>\$ (1,223)</u>	<u>—</u>	<u>\$ (403)</u>

J. Defined Contribution Plan - ERS

Plan Description – Employees participating in the Employees Retirement System (ERS) defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Plan Assets are held by J. P. Morgan as investment custodian. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The SIC is responsible for implementing the investment policy of the plan and selecting the investment options available to members.

Contributions – Members contribute 5% of their annual covered salary and employers contribute 1% to 1.5% of annual covered salary, depending on years of service as of June 30, 2012. Member contributions are immediately vested while employer contributions are vested after three years of contributory service. Contributions required under the plan by both the members and employers are established by the General Laws, which are subject to amendment by the General Assembly.

The State contributed and recognized as pension expense \$6.2 million for the fiscal year ended June 30, 2023, equal to 100% of the required contributions for the fiscal year.

Investment options – See Note 2C, Other Investments - Defined Contribution Plan.

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the employee and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains a certain age or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at <http://www.ersri.org>.

K. Defined Benefit Plan - LIUNA

All State employees who are members of the Laborers' International Union of North America (LIUNA), in addition to participating in ERSRI, also participate in the LIUNA National Pension Fund (the Plan), a cost sharing multi-employer defined benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan is administered by the Fund's Board of Trustees. Eligibility and benefit provisions are defined in the Plan document adopted by the Board of Trustees. As of June 30, 2023, 771 employees of the State were members of the Plan.

All employees who are members of LIUNA are eligible to participate in the Plan. An employee is eligible for a regular pension if they have attained age 62, have five or more years of pension credits and have had at least one pension credit in a year after contributions paid to the Plan by an employer on their behalf began. Vesting of benefits is attained for participants who have five or more years of vesting service, at least one year of which was earned during the period for which the employer paid contributions to the Plan on behalf of the participant. Participants who pay their own contributions are immediately and fully vested in their accrued benefits, plus interest credited to their account. Benefit amounts for employees of the same age with the same years of service may be different because their employers' contribution to the Pension Fund may have been at different levels. The Plan allows for an optional immediate 25% partial lump sum for all surviving spouses of participants who died pre-retirement with an actuarially reduced monthly benefit to be paid at age 55. Information regarding the Plan can be obtained from the Fund Office maintained by the Board of Trustees at the following address: Laborers' International Union of North America National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, DC 20006-1765, or at www.lnipf.org.

The contribution requirements of the State and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$0.77 to \$1.73 per hour up to a maximum of 1,820 hours per year to the Plan for calendar year 2023. The State is not required to contribute to the Plan.

The Multiemployer Pension Plan Amendments Act of 1980 imposes certain liabilities upon employees associated with multiemployer pension plans who withdraw from such a plan or upon termination of said plan. The State has no plans to withdraw or partially withdraw from the plan.

L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program

The State of Rhode Island FICA Alternative Retirement Income Security Program (the FARP) is a defined contribution (money purchase) plan that operates under Section 401(a) of the Internal Revenue Code. The FARP was established under Rhode Island General Law section 36-7-33.1 and was placed under the management of the Department of Administration (DOA), which also serves as the FARP plan sponsor. The FARP took effect on December 15, 2013. TIAA serves as record keeper for the FARP, and FARP assets are held by J.P. Morgan as investment custodian.

Plan members – Eligible members of the FARP are any part-time, seasonal, or temporary employees of the State of Rhode Island, hired after July 1, 2013, who are ineligible for participation in the Employees' Retirement System of Rhode Island (ERSRI). With the exception of the One-Time Opt-Out Provision described below, participation in the FARP is mandatory for these employees. Part-time, seasonal, or temporary employees hired prior to July 1, 2013, who do not participate in the ERSRI may opt to continue contributing to Social Security for the duration of their continuous employment.

One-time opt-out provision – The FARP contains a provision which allows a FARP-eligible employee, hired after July 1, 2013, to opt-out or elect to not participate in the FARP. An employee who opts to not participate will continue to make FICA contributions and the State will continue to make FICA contributions on behalf of the employee. An employee who opts to not participate in the FARP may subsequently, without penalty, choose to participate in the FARP; this election is irrevocable as long as the employee is a FARP-eligible employee.

Plan vesting provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The State does not make matching contributions to the FARP.

Member accounts – Each member's account is credited with the member's contribution and an allocation of the plan's earnings. Allocations are based on a relationship of the member's account balance in each investment fund to the total of all account balances in that fund. The retirement benefit to which a member is entitled is the benefit that can be provided from the member's account.

Contributions – FARP benefits are funded by contributions from the participants as specified in RI General Law section 36-7-33.1. FARP participants make mandatory payroll deduction contributions to the FARP equal to 7.5% of the employee's gross wages for each pay period.

Investment options – Member and employer contributions must be invested in one of the Vanguard Target Retirement Trusts, which are age-appropriate.

Retirement benefits – Benefits may be paid to a member after termination from employment, death, total disability, or upon attaining age 59½. In the case of termination, a 10% IRS penalty upon withdrawal will apply if the member is younger than 55 years of age. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains a certain age or terminates employment, if later.

M. Other Pension Plans – Component Units

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employees' gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to approximately \$21.8 million during the year ended June 30, 2023.

The Rhode Island Public Transit Authority has two single-employer defined benefit pension plans that cover eligible employees which are described below. Other information about the plans can be found in the audited financial statements of RIPTA which are available at www.ripta.com.

- The first plan, RIPTA Employees' Pension Plan, covers employees of the Authority who work more than 1,000 hours per year. There are no age or minimum service requirements and employees are eligible to participate immediately upon employment. Any changes to the plan are subject to the collective bargaining process. Plan benefits and other provisions are established by the plan document. The Plan is administered by the Authority's Joint Pension Board. The plan provides retirement, disability and death benefits. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of normal retirement age (62, or if later, upon completion of 5 years of service). Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. Employees are required to contribute between 3% and 4% of their base salary to the plan each year until the earlier of the participant's normal retirement date or termination of service. The remaining contributions to the plan are made by the Authority. At the June 30, 2022 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$89.9 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2023. For the fiscal year ended June 30, 2023 pension expense of \$12.4 million was recorded related to the plan.
- The second plan, Laborers' International Union of North America National Pension Fund, covers all employees who are members of the Local 808 union. The Plan is administered by the Fund's

Board of Trustees. The plan provides retirement, disability and death benefits to plan members. An employee is eligible to receive pension benefits if they have attained age 62, have five or more years of pension credit and have earned at least one of the years of pension credit during the period that his or her employer is contributing to the plan. The amount of regular pension benefits payable to an employee is determined by the highest contribution rate at which he or she earned pension credit and years of pension credits earned (up to a maximum of 30 years of pension credits). The contribution requirements of the Authority and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$1.49 per hour up to a maximum of 40 hours per week to the Plan for calendar year 2023. The Authority is not required to contribute to the Plan.

Certain other component units have defined benefit pension plans, defined contribution pension plans, and deferred compensation retirement plans. For information regarding these pension and savings plans, please refer to the component units' separately issued financial reports.

Note 19. Postemployment Benefit Plans

A. Summary of Employer Plans

The State provides other postemployment benefits (OPEB) for its employees through multiple benefit plans as outlined below (expressed in thousands):

	Plan	Plan Type	Covered employees	FY 2023 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2022 measurement date
A	State Employees	Cost-sharing multiple-employer plan – advance funded through a trust	State employees excluding state police, legislators and judges		
			Governmental activities	\$ (19)	\$ 247,868
			Business-type activities	\$ 127	\$ 2,578
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ (676)	\$ (6,993)
C	Judges	Single-employer plan – advance funded through a trust	Judges and magistrates	\$ (686)	\$ (5,295)
D	State Police	Single-employer plan – advance funded through a trust	State police officers	\$ 295	\$ 8,751
E	Legislators	Single-employer plan – advance funded through a trust	Retired and former members of the General Assembly	\$ (309)	\$ (2,894)
F	Board of Education (BOE)	Cost-sharing multiple-employer plan – advance funded through a trust	Certain employees of the Board of Education inclusive of URI, RIC, CCRI and the Office of Higher Education	\$ (1)	\$ 63
	Totals			\$ (1,269)	\$ 244,078

The Rhode Island State Employees' and Electing Teachers OPEB System (the "System") acts as a common investment and administrative agent for benefits to be provided for six defined benefit other postemployment plans as listed above.

The System is administered by the State of Rhode Island OPEB Board and was authorized, created and established under Chapter 36-12.1 of RI General Laws. The Board was established under Chapter 36-12.1 of Rhode Island General Laws as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the benefit structures. The report may be obtained by writing to: State Controller, Department of Administration, One Capitol Hill, Providence, RI 02908.

The System's financial statements are included as Trust Funds within the Fiduciary Funds.

The OPEB Trust Funds are reported using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned or become measurable.

Additional disclosure regarding the methods used to value investments and investment expenses are included in Note 2D, OPEB Trust Funds.

Employer OPEB expense and related liabilities, and deferred inflows of resources/deferred outflows of resources for defined benefit plans A-F as identified previously, are recognized in the financial statements based on the provisions of GASB Statement No. 75.

Plan membership, based on the June 30, 2021 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	7,575	10,761	18,336
Teachers	66	N/A	66
Judges	26	62	88
State Police	164	294	458
Legislators	18	113	131
Board of Education (BOE)	967	1,799	2,766

Terminated employees are not included in the valuation.

B. Benefit Plan Descriptions

Members of the System include State employees, legislators, judges, State police officers, certified public school teachers and employees of certain component units. If these members meet certain eligibility requirements, they are eligible to receive some form of retiree health care benefits. In addition, certain employees of the Board of Education receive benefits through another plan known as the Rhode Island Board of Education Health Care Insurance Retirement Program (hereafter referred to as the "BOE Plan").

Membership and Benefit Provisions

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Depending on the plan and the time of retirement, the cost to purchase coverage for spouses and dependents is either at the "active rate" applicable to active employees or at the retiree rate. Dental and vision coverage is generally not provided (except for those plans that allow active health care coverage to continue after retirement - judges, state police and legislators). Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws (RIGL) or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

Active employees (other than the Board of Education active members) do not make contributions to the

respective plans. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service. Other member contributions include purchased coverage for spouses or dependents or for non-subsidized coverage for dental and vision care.

A summary of the principal provisions of the plans follow:

State Employees

For members age 59 through 64 who retire on or after October 1, 2008, with a minimum of 20 years of service, the State pays 80% of the actual cost of health care coverage.

At age 65, State retirees must purchase Medicare Part B (deducted from their Social Security payment) and may enroll in a health reimbursement account plan (HRA) to which the OPEB Trust contributes an amount. The amount deposited by the State into each HRA varies based on the date of retirement and years of service at retirement but is based on the lowest-cost Medicare supplemental plan available through the program that meets the plan requirements defined by the law. Amounts available in each retiree's HRA can be used for any eligible medical care expense including reimbursement for health insurance premiums.

For State employees who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of retiree health care for the retiree and any dependents above the active group rate. The retiree pays the active group monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of retiree health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

Employees retiring on or before September 30, 2008 who are under 60 years of age at retirement may retire with a minimum of 28 years of service and must pay 0% - 10% of retiree health care costs, as determined by the number of years of each employee's service. Employees retiring on or before September 30, 2008 who are 60 years of age or over at retirement may retire with a minimum of 10 years of service and must pay 0% - 50% of retiree health care costs, as determined by the number of years of each employee's service.

Teachers

Teachers who elect to participate in the System and retired on or before September 30, 2008, receive the Tier I subsidy but no other State cost sharing. For all teachers retiring on or after October 1, 2008, the Tier I subsidy ends and there is no other cost sharing by the State. Retired teachers may purchase coverage through the System at the actual cost for retirees.

Judges

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date are able to continue on the active health care plan provided they enroll in Medicare Part B.

State Police

Retired state police officers (including spouses and dependents) receive the active health care plan benefits or Medicare supplement coverage with the same co-share amount in effect at the date of their retirement.

Legislators

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date can continue on the active health care plan provided they enroll in Medicare Part B.

Board of Education

The BOE Plan offers three types of retiree health care benefits: (1) a self-insured health care plan for retirees not covered by Medicare, (2) a self-insured Medicare supplement plan for Medicare eligible post-65 retirees and (3) a fully insured Medicare HMO plan for Medicare eligible post-65 retirees.

The Tier I non-Medicare eligible plan subsidy provides that the Board will pay the portion of the cost of post-retirement health care for the retiree between the active group rate and the early retiree rate. This subsidy is based on years of service and ends when the retiree enrolls in Medicare. This subsidy is available only to eligible employees retiring before July 1, 2008.

To be eligible for coverage, the retiree retiring before July 1, 2008 must have worked a minimum of 10 years for the Board and must be at least 60 years of age, unless they have 28 years or more of service. Depending on the years of service and the retiree's age, the Board will pay from 50% to 100% of medical insurance premium while the retiree contributes from 50% to 0%.

Employees retiring after June 30, 2008, who are not yet 65 years of age, who have worked a minimum of 10 years for the Board and are at least 60 years of age or who have 28 years or more of service, may purchase health insurance coverage at the actual (100%) retiree premium rate for themselves and their spouses. The Board will continue to pay a portion of the post-65 Tier II benefits, 50% to 100% of medical insurance premium, depending on the years of service and the retiree's age while the retiree will contribute from 50% to 0%.

Active employees covered by the BOE plan contribute 0.9% of their salary. The contribution of employees covered under the BOE plan can be changed by the Board of Education.

C. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws and may be amended by the General Assembly.

The State and other participating employers are required by law to fund the plans on an actuarial determined basis. For the fiscal year ended June 30, 2023, the State and other participating employers paid \$45 million into the plans.

The fiscal year 2023 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2020.

A summary of the contribution rates by both the participating employers and members and the State's annual plan contributions (dollars are expressed in thousands) for the fiscal year ended June 30, 2023 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	4.48 %	— *	— *	20.67 %	— *	1.83 %
Plan members	—	—	—	—	—	0.9 %
Contributions made	\$ 33,527	\$ —	\$ —	\$6,058	\$ —	\$ 6

* An actuarial valuation determined that no contribution was required for this OPEB plan.

D. Net OPEB Liability (Asset)

The net OPEB liability of the State and other participating employers in the State Employees Plan and the Board of Education Plan, which are multiple employer cost-sharing plans, has been apportioned based on the percentage share of total contributions made by each participating employer during fiscal year 2022. The State's proportion for the State Employees Plan and Board of Education Plan for State employees was 90.4% and 0.34%, respectively. At the June 30, 2022 measurement date, the Lottery's proportionate share of the net OPEB liability, reported under Business-type activities, was 0.94%.

Following is a summary of the net OPEB liability of the State and other employers participating in the State Employees Plan, the net OPEB liability of the State's share of the Board of Education Plan and the State's liability (asset) related to the four single employer defined benefit plans it sponsors, all measured as of June 30, 2022 (expressed in thousands):

Net OPEB Liability - Multiple Employer Cost-sharing OPEB Plans:

Total Net OPEB Liability - State Employees Plan	\$	274,188
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery	\$	(2,578)
Discretely Presented Component Units		
University of Rhode Island	\$	13,256
Rhode Island College		4,342
Community College of RI		3,706
RI Division of Higher Education Assistance		35
RI Commerce Corporation		18
RI Airport Corporation		162
		<u>(21,519)</u>
Related organization - Narragansett Bay Commission		<u>(2,223)</u>
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities	\$	247,868
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities		<u>63</u>
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities	\$	<u>247,931</u>
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities	\$	<u>2,578</u>
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans	\$	<u>250,509</u>
Net OPEB Liability (Asset) - Single Employer Plans:		
Net OPEB Liability - Single Employer OPEB Plans		
State Police		8,751
Total Net OPEB Liability	\$	<u>8,751</u>
Net OPEB Liability - All Plans	\$	<u>259,260</u>
Net OPEB (Asset) - Single Employer OPEB Plans		
Teachers	\$	(6,993)
Judges		(5,295)
Legislators		(2,894)
Total Net OPEB (Asset)	\$	<u>(15,182)</u>

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	<u>\$ 256,682</u>	<u>\$ 2,578</u>	<u>\$ 259,260</u>
Net OPEB (Asset)	<u>\$ (15,182)</u>	<u>\$ —</u>	<u>\$ (15,182)</u>

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer trusteed OPEB plans (expressed in thousands) which was measured as of June 30, 2022 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 7,450	\$ 233	\$ 89,372	\$ 955
Plan fiduciary net position	14,443	5,527	80,619	3,850
Net OPEB liability (asset)	\$ (6,993)	\$ (5,294)	\$ 8,753	\$ (2,895)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	193.86 %	2373.18 %	90.21 %	403.22 %

a. Actuarial assumptions used in determining total OPEB liability

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2021 and rolled forward to the June 30, 2022 measurement date using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Methods and Assumptions						
	Plan					
	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Individual Entry Age					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.0%	3.25% to 6.0%
Valuation Health Care Cost Trend Rate	Pre-Medicare: 7.50% in 2022, grading to 3.5% in 2033 Medicare: 6.25% in 2022, grading to 3.5% in 2033					
Mortality Rates	Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retiree Females, loaded by 111%, projected with Scale Ultimate MP16. Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16. Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16. Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16.					
Excise Tax Under the Patient Protection and Affordable Care Act	H.R. 1865, Further Consolidated Appropriations Act of 2020.					
Note: Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.50% assumption.						

The actuarial assumptions use in the June 30, 2021 valuation and the calculation of the total OPEB liability (asset) at June 30, 2022 were consistent with an actuarial experience review performed as of June 30, 2017. Most of the demographic assumptions are based on the 2020 Experience Study of the Employees' Retirement System of Rhode Island.

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 40 nationally recognized consulting firms (24 of which provided long-term assumptions). The June 30, 2022 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	4.10%
Fixed Income	35%	0.28%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

b. Discount rate

The discount rate used to measure the total OPEB liability of the plans was 5%. The projection of cash flows used to determine the discount rate assumed that the contributions, if any, from the plan members will be made at the current contribution rate and that the contributions from the employers will be made at statutorily required rates, actuarial determined. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

c. Sensitivity of the net OPEB liability (asset) to changes in the discount rate

The following table presents the net OPEB liability (asset) of the employers calculated using the discount rate of 5.0%, as well what the employers' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (expressed in thousands).

Governmental Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
State employees	\$ 319,073	\$ 247,868	\$ 188,470
Teachers	\$ (6,368)	\$ (6,993)	\$ (7,537)
Judges	\$ (5,283)	\$ (5,295)	\$ (5,307)
State Police	\$ 16,099	\$ 8,751	\$ 2,163
Legislators	\$ (2,824)	\$ (2,894)	\$ (2,955)
BOE	\$ 101	\$ 63	\$ 31

Business-type Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 3,318	\$ 2,578	\$ 1,960

d. Sensitivity of the net OPEB liability (asset) to changes in the healthcare inflation rate

The following table presents the net OPEB liability (asset) of the employers calculated using the healthcare cost trend rate of 7.5% and gradually decreasing to an ultimate rate of 3.5%, as well what the employers' net OPEB liability (asset) would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate (expressed in thousands).

Governmental Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
State employees	\$ 173,166	\$ 247,868	\$ 341,298
Teachers	\$ (7,614)	\$ (6,993)	\$ (6,290)
Judges	\$ (5,311)	\$ (5,295)	\$ (5,280)
State Police	\$ (283)	\$ 8,751	\$ 19,361
Legislators	\$ (2,974)	\$ (2,894)	\$ (2,802)
BOE	\$ 24	\$ 63	\$ 113

Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 1,801	\$ 2,578	\$ 3,549

E. Changes in the Net OPEB Liability (Asset)

Information for the State net OPEB liability for single employer plans is as follows (expressed in thousands):

	Teachers	Judges	State	Legislators
Total OPEB Liability				
Service cost	\$ —	\$ 8	\$ 4,671	\$ 28
Interest	373	15	4,353	51
Difference between expected and actual experience	(69)	(144)	(6,713)	(135)
Changes of assumptions	135	13	3,740	38
Benefit payments, net of retiree	(891)	82	(2,805)	(62)
Net change in Total OPEB Liability	(452)	(26)	3,246	(80)
Total OPEB Liability - beginning	7,902	259	86,126	1,035
Total OPEB Liability - ending	\$ 7,450	\$ 233	\$ 89,372	\$ 955
Plan Fiduciary Net Position				
Employer contributions	\$ —	\$ —	\$ 5,864	\$ —
Net investment income	(1,708)	(553)	(9,286)	(420)
Benefit payments	(891)	82	(2,805)	(62)
Administrative expenses	(5)	(2)	(29)	(1)
Other	34	27	423	69
Net change in Fiduciary Net Position	\$ (2,570)	\$ (446)	\$ (5,833)	\$ (414)
Plan Fiduciary Net Position - beginning	17,013	5,973	86,452	4,264
Plan Fiduciary Net Position - ending	\$ 14,443	\$ 5,527	\$ 80,619	\$ 3,850
Net OPEB Liability (Asset)	\$ (6,993)	\$ (5,294)	\$ 8,753	\$ (2,895)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Cost-Sharing Multiple Employer OPEB Plans

For the fiscal year ended June 30, 2023 the State recognized OPEB expense (credit) of \$108 Thousand related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2023 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the System from the following sources (expressed in thousands):

Governmental Activities:

	<u>State Employees</u>	<u>BOE</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 33,191	\$ 6	\$ 33,197
Differences between expected and actual experience	2,295	22	2,317
Net difference between projected and actual investment earnings	6,641	5	6,646
Changes of assumptions	6,047	8	6,055
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,278	48	3,326
Totals	<u>\$ 51,452</u>	<u>\$ 89</u>	<u>\$ 51,541</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 61,919	\$ 34	\$ 61,953
Changes of Assumptions	35,583	34	35,617
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	6	6
Totals	<u>\$ 97,502</u>	<u>\$ 74</u>	<u>\$ 97,576</u>

The \$33.2 million reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date but before the end of the State's reporting period (June 30, 2023), will be recognized as a reduction in the net pension liability in the subsequent fiscal year ended June 30, 2024.

Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	<u>State Employees</u>	<u>BOE</u>
Year ended June 30:		
2023	\$ (21,506)	\$ (4)
2024	(20,240)	(2)
2025	(18,890)	1
2026	(5,596)	9
2027	(10,764)	—
Thereafter	(2,245)	4
	<u>\$ (79,241)</u>	<u>\$ 8</u>

Business-type Activities:

For the year ended June 30, 2023, the Lottery, a proprietary fund of the State, recognized OPEB expense of \$127 thousand. At June 30, 2023, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Deferred Outflows of Resources</u>	
Contributions subsequent to the measurement date	\$ 336
Differences between expected and actual experience	24
Changes of assumptions	63
Net difference between projected and actual investment earnings	69
Changes in proportion and differences between employer contributions and proportionate share of contributions	546
Totals	<u>\$ 1,038</u>
<u>Deferred Inflows of Resources</u>	
Differences between expected and actual experience	\$ 644
Net difference between projected and actual investment earnings	—
Changes of assumptions	370
Changes in Proportion	75
Totals	<u>\$ 1,089</u>

The \$336 thousand reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date, but before the end of the State's reporting period (June 30, 2023), will be recognized as a reduction in the net pension liability in the subsequent fiscal year ended June 30, 2024.

Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

Year ended June 30:	
2023	\$ (96)
2024	(83)
2025	(76)
2026	(2)
2027	(110)
Thereafter	(20)
	<u>\$ (387)</u>

Other Single Employer OPEB Plans

For the fiscal year ended June 30, 2023, the table below provides information about OPEB expense (credit) recognized for each of the State's four single employer plans (expressed in thousands):

<u>Plan</u>	<u>Annual OPEB Expense (Credit)</u>
Teachers	\$ (676)
Judges	(686)
State Police	295
Legislators	(309)
Total	<u>\$ (1,376)</u>

The June 30, 2022 measurement date information includes pension credits of \$676 thousand, \$686 thousand, \$295 thousand, \$309 thousand for the Teachers' plan, the Judges' plan, the State Police plan, and the Legislators' plan, respectively. These credits result from several factors including recognition of investment gains, recognition of experience gains, changes to underlying healthcare plans and the reduction of certain liabilities.

At June 30, 2023, the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	<u>Teachers</u>	<u>Judges</u>	<u>State Police</u>	<u>Legislators</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>					
Employer contributions subsequent to the measurement date	\$ —	\$ —	\$ 6,058	\$ —	\$ 6,058
Differences between expected and actual experience	—	—	327	177	504
Change of Assumptions	—	10	6,368	33	6,411
Net difference between projected and actual investment earnings	167	112	1,593	33	1,905
Totals	<u>\$ 167</u>	<u>\$ 122</u>	<u>\$ 14,346</u>	<u>\$ 243</u>	<u>\$ 14,878</u>
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 407	\$ 12,824	\$ 227	\$ 13,458
Change of assumptions	—	20	6,092	260	6,372
Totals	<u>\$ —</u>	<u>\$ 427</u>	<u>\$ 18,916</u>	<u>\$ 487</u>	<u>\$ 19,830</u>

The amount of \$6.1 million reported as deferred outflows of resources, related to pensions resulting from the State contributions to the single employer plans after the measurement date, but before the end of the State's reporting period (June 30, 2023), will be recognized as a reduction in the net pension liability in the subsequent year ended June 30, 2024.

Other amounts reported as deferred outflows/(inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	<u>Teachers</u>	<u>Judges</u>	<u>State Police</u>	<u>Legislators</u>
Year ended June 30:				
2023	\$ (205)	\$ (349)	\$ (3,644)	\$ (86)
2024	(108)	(84)	(2,439)	(77)
2025	(27)	(31)	(1,967)	(73)
2026	507	160	870	39
2027	—	—	(1,820)	(32)
Thereafter	—	—	(1,626)	(14)
	<u>\$ 167</u>	<u>\$ (304)</u>	<u>\$ (10,626)</u>	<u>\$ (243)</u>

G. Component Unit Postemployment Benefit Plans

Rhode Island Public Transit Authority

The Rhode Island Public Transit Authority has a single employer defined benefit post-retirement health and life insurance program that covers eligible employees. The Authority provides lifetime health care benefits to substantially all retired employees and their spouses. The Authority also provides life insurance benefits to retired employees who purchase life insurance for at least one year prior to retirement. Benefits are provided through a group insurance policy that covers both active and Pre-65 retired employees. Post-65 retired employee healthcare coverage benefits are provided through contributions to healthcare reimbursement accounts. Benefit terms, changes in benefit terms, and financing requirements are established by the Authority and are subject to the collective bargaining process. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The plan does not issue a separate audit report.

At June 30, 2023, the plan's total OPEB liability totaled \$63.8 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2022 rolled forward to June 30, 2023. For the fiscal year ended June 30, 2023 OPEB expense of \$1.4 million was recorded related to the plan. Other information about the plan can be found in the audited financial statements of RIPTA which are available at www.ripta.com.

University of Rhode Island, Rhode Island College and the Community College

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island participate in one of two OPEB plans: the State Employees' OPEB Cost-Sharing Plan and the Board of Education Cost-Sharing OPEB Plan (collectively referred to as the Plans). The Plans are cost-sharing multiple-employer defined benefit OPEB plans included within the Rhode Island State Employees' and Electing Teachers OPEB System. The plans generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Dental and vision coverage may be purchased by these groups with no state subsidy.

At June 30, 2023, each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$ 21,377
Rhode Island College	9,973
Community College of Rhode Island	8,294
Total	<u>\$ 39,644</u>

The net OPEB liabilities in the table above were measured as of June 30, 2022, the measurement date. The total OPEB liabilities used to calculate the net OPEB liabilities were determined for each plan by a separate actuarial valuation as of June 30, 2021 rolled forward to the June 30, 2022 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal year 2022 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2023, each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	\$	(1,479)
Rhode Island College		(1,085)
Community College of Rhode Island		789
Total	\$	<u>(1,775)</u>

Other information about the plans can be found in the audited financial statements for each institution as follows:

- University of Rhode Island - www.uri.edu
- Rhode Island College - www.ric.edu
- Community College of Rhode Island - www.ccri.edu

Other Component Units

Certain other component units have OPEB plans. For information regarding these plans, please refer to the component units' separately issued financial reports.

Note 20. Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Department of Administration, pursuant to Chapter 36-13 of the General Laws, administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Plan distributions are normally available to employees without penalty at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches a certain age. The plan also allows for distributions for qualifying events such as termination, death or "unforeseeable emergency."

Current Internal Revenue Service regulations require that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors. The plan assets also may be held in annuity contracts or custodial accounts, which are treated as trusts.

The State does not serve in a trustee capacity. Accordingly, the plan assets are not included in the State's financial statements.

Note 21. Risk Management

The State uses a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. The most significant risks include potential loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injury; information technology security and cybersecurity; employee healthcare, Medicaid managed care contracts, and natural disasters.

To manage losses associated with the theft, damage, or loss of assets (most notably, capital assets), the State has entered into various lines of coverage with commercial insurance carriers for insurance coverage, subject to certain deductibles. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees. During fiscal year 2023, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

Employee and certain retiree healthcare - The State also has a contract with an insurance carrier/administrator to provide health care benefits to active and certain retired employees. For coverage provided to active employees and retirees who are not eligible for Medicare, the State retains the full risk of loss. The State reimburses the administrator for the costs of all claims paid plus administrative fees.

The estimated liability for incurred but not reported (IBNR) claims at June 30, 2023 and June 30, 2022 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1, 2022</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2023</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 14,003	\$ 344,095	\$ 337,818	\$ 20,280
	<u>Liability at July 1, 2021</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2022</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 13,596	\$ 278,021	\$ 277,614	\$ 14,003

Torts - The State is self-insured for risks of loss related to torts. Tort claims are defended by the State's Attorney General and, when necessary, appropriations are provided to pay claims.

Worker's Compensation - The State is self-insured for various risks of loss related to work-related injuries of State employees. The State contracts with a claims administrator to handle claims processing and provide certain loss prevention services for an administrative fee; however, the cost of worker's compensation claims (benefits) are paid by the State. The State maintains the Assessed Fringe Benefits Fund, an internal service fund that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

Medicaid Managed Care - The State's Medicaid program provides health and dental coverage to a significant percentage of the Medicaid population through risk-based contracts with managed care organizations (MCOs) where the State is exposed to risk when actual medical claims exceed the capitation paid to the MCOs (subject to certain risk corridor limitations). Managed care expenditures represent a relatively large portion of the State's Medical Assistance expenditures. The State's known estimated risk (loss) or gain share amounts related to these contracts have been included in the financial statements.

Information Technology Security and Cybersecurity - The State relies upon a large and complex technology environment to conduct its operations, and accordingly is potentially exposed to cybersecurity threats which could disrupt operations or result in inadvertent disclosure of personal, private, or sensitive information. Additionally, cybersecurity breaches could expose the State to litigation and other legal risks. The State has not obtained insurance coverage specific to cybersecurity risks but does employ multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer and other coordinating agencies.

Discretely Presented Component Units

The State's component units are also exposed to various risks of loss related to torts, property damage and theft, worker's compensation, employee healthcare, accident and casualty liability, etc. Component units manage these risks, in most instances, through the purchase of commercial insurance coverage. In certain instances, entities have opted to self-insure and maintain the risk of certain losses.

Specifically, the Rhode Island Public Transit Authority (RIPTA) is self-insured for claims associated with workers' compensation, health insurance and accident and casualty losses. RIPTA has accrued a liability of \$11.1 million at June 30, 2023 for self-insurance claims (accident and casualty related) based on an independent evaluation that it believes is adequate to cover the ultimate liability arising from such claims. However, the recorded liability is based upon estimates of final settlement amounts, which may be more or less than the amounts ultimately paid.

For further detailed information regarding specific component unit risk management practices, please refer to the separately audited financial statements for those entities.

Note 22. Other Information

A. Elimination Entries

When the governmental fund statements and the internal service fund statements are combined into one column for governmental activity on the government-wide financial statements, interfund balances and activity should be eliminated. The following are the eliminations (expressed in thousands) that were made:

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 12,416	\$ 5,327	\$ 17,743	\$ (12,372)	\$ 5,371
Loans to other funds	15,312	173	15,485	(15,485)	—
Total assets	<u>\$ 27,728</u>	<u>\$ 5,500</u>	<u>\$ 33,228</u>	<u>\$ (27,857)</u>	<u>\$ 5,371</u>
Liabilities					
Due to other funds	\$ 1,470	\$ 10,902	\$ 12,372	\$ (12,372)	\$ —
Loans from other funds	15,008	477	15,485	(15,485)	—
Total liabilities	<u>\$ 16,478</u>	<u>\$ 11,379</u>	<u>\$ 27,857</u>	<u>\$ (27,857)</u>	<u>\$ —</u>
Program revenue					
General government	\$ —	\$ 487,122	\$ 487,122	\$ (487,122)	\$ —
Public safety	—	12,566	12,566	(12,566)	—
Expenses					
General government	—	(485,701)	(485,701)	485,701	—
Public safety	—	(13,987)	(13,987)	13,987	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 1,032,165	\$ —	\$ 1,032,165	\$ (748,425)	\$ 283,740
Transfers out	(748,425)	—	(748,425)	748,425	—
Net transfers	<u>\$ 283,740</u>	<u>\$ —</u>	<u>\$ 283,740</u>	<u>\$ —</u>	<u>\$ 283,740</u>
Total Business-type Activities					
			Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ —	\$ —	\$ —	\$ (5,371)	\$ (5,371)
Total assets	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ (5,371)</u>	<u>\$ (5,371)</u>
Liabilities					
Due to other funds	\$ 5,371	\$ —	\$ 5,371	\$ (5,371)	\$ —
Total liabilities	<u>\$ 5,371</u>	<u>\$ —</u>	<u>\$ 5,371</u>	<u>\$ (5,371)</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 150,927	\$ —	\$ 150,927	\$ (150,927)	\$ —
Transfers out	(434,667)	—	(434,667)	150,927	(283,740)
Net transfers	<u>\$ (283,740)</u>	<u>\$ —</u>	<u>\$ (283,740)</u>	<u>\$ —</u>	<u>\$ (283,740)</u>

B. Related Party Transactions

Rhode Island Turnpike and Bridge Authority (RITBA) - The State has transferred custody, control and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks \$0.035 cents per gallon of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges.

The R.I. Industrial-Recreational Building Authority (RIIRBA) - RIIRBA is authorized to insure contractual principal and interest payments mandated by first mortgages and first security agreements issued by a financial institution or the Rhode Island Industrial Facilities Corporation (RIIFC) to private sector entities for industrial or recreational projects in the State up to a maximum of \$60.0 million of outstanding principal balances for such insured mortgages and security agreements. The RIIRBA has a net deficit as of June 30, 2023 relating to the insured commitments payable for a bond issued by the RIIFC on behalf of a private-sector entity that is in default on its payments to the bondholder. As the insurer of the bond, the RIIRBA is responsible for making the debt payments. The RIIRBA has estimated the insured commitments payable to be \$1.4 million as of June 30, 2023.

I-195 Redevelopment District Commission (I-195 RDC) - The State has transferred land associated with the former Interstate 195 highway in Providence, Rhode Island to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land, which the Commission intends to develop, was reported in the State financial statements as a capital contribution at the historical cost. Improvements to the land are being funded by the State to complete redevelopment of the land for sale. In April 2013, the R.I. Commerce Corporation (RICC) issued conduit debt obligations on behalf of the I-195 RDC totaling \$38.4 million. State appropriations for debt service were \$3.0 million in fiscal year 2023. Also the State appropriated \$1.8 million for operations during fiscal year 2023. The State has appropriated \$28.0 million to I-195 RDC to facilitate the sale of land and project development within the District.

Included in project development expenses for the years ended June 30, 2023 and 2022 are \$2.3 million and \$502 thousand, respectively. The majority of the Project Fund commitments have been allocated to Wexford Science and Technology for the first phase of its catalytic development of an approximately 200,000-SF commercial building that includes tenants such as Cambridge Innovation Center and Brown's School of Professional Studies.

Additionally, during the year ended June 30, 2023, I-195 RDC received \$118 thousand of state appropriations funded by the Beach, Clean Water & Green Economy Bond.

Rhode Island College (RIC) - The voters of Rhode Island authorized the issuance of \$30.0 million in general obligation debt for the construction of a new residence hall at Rhode Island College (RIC). Of this amount, \$20.0 million will be repaid to the State. The residence hall was finished and in service by September 2007, at which time RIC began collecting revenues to pay for its share of the debt service. Debt service obligation is to be split two-thirds to RIC and one-third to the State for all payments after September 2007. RIC will repay the State for the debt service paid on its behalf on a straight-line basis, amortized over the remaining life of the bonds. The bonds have a life of 19 years beginning during fiscal year 2009 and with last payment expected during fiscal year 2028. At June 30, 2023, the College has a \$9.3 million liability payable to the State. This obligation includes funds advanced for the construction of the residence hall and additional debt issued of \$7.5 million for an energy investment project. These amounts will be paid back to the State at varying interest rates ranging from 2.0% to 5.0%.

Rhode Island Higher Education Savings Trust (RIHEST) - All non-Rhode Island resident accounts invested in the CollegeBound 529 savings plan operated by RIHEST are assessed a fee, which is paid to State Administrators to support the administration and operation of CollegeBound 529. These fees are used to fund establishing and marketing educational activities and scholarship funds in the State of Rhode Island. The amount of state administrative fees and expenses includes 0.5 basis points (0.005%) accrued on all investment options in CollegeBound 529, which is remitted to the Treasurer to cover administrative costs. Additionally, 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is contributed to the Student Fund managed by the Rhode Island Office of the Post-secondary Commissioner are to be used to fund Rhode Island Promise scholarships. For the year ended June 30, 2023 the state administrative fees total \$180 thousand and the Student Fund contributions total \$538 thousand.

In addition to the 1.5 basis points paid to the Student Fund from program assets, Invesco (the investment manager of the fund) is required to contribute 9.5 basis points (0.095%) to the Student Fund. Such

contributions, which total \$3.6 million for the year ended June 30, 2023, are paid directly by Invesco and are not included in administrative fees and expenses noted in RIHEST's financial statements.

Rhode Island Health and Educational Building Corporation (RIHEBC) - During fiscal year 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. Funding is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings or other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies. The State issued \$70.0 million of General Obligation Bonds (of the total \$250.0 million authorized by the voters) during December 2019 to fund the School Construction Bond Program administered by RIHEBC, to provide further assistance to cities and towns for school construction projects. For fiscal year 2023, RIHEBC reported bond proceed transfers from the State of \$86.3 million and related project cost expenses of \$69.1 million (approved by the State's School Building Authority).

Rhode Island Infrastructure Bank (RIIB) - The Municipal Road and Bridge Revolving Fund was created within the Rhode Island Infrastructure Bank (RIIB) to provide municipalities with low-cost financial assistance for road and bridge projects. In accordance with certain bond mandates, premium received from the issuance of bonds totaling \$9.3 million was transferred to RIIB for this fund during fiscal year 2022. State statute requires RIIB to administer the financial components of the fund and requires the RI Department of Transportation to receive, review and rank municipal road and bridge projects submitted for funding consideration on an annual basis.

R. I. Commerce Corporation (RICC) - RICC received various State appropriations totaling approximately \$50.1 million during fiscal year 2023 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately \$160.9 million reserved for economic development initiatives at June 30, 2023 relating to State appropriations received in recent years.

The Corporation has on occasion required developers of projects receiving incentives under the Rebuild Rhode Island Tax Credit Program or the Tax Increment Financing Program to provide for return from cash flows and/or upon a capital event based upon higher than expected returns from a project. Such contractual provisions are intended to recoup funding to the extent the project performs above an expected level of return as determined on a case by case basis. To date, no developer has made a payment to the Rhode Island Commerce Corporation under such contractual provisions in relation to a project for which incentives have been provided under the foregoing programs.

Other Component Units - The University of Rhode Island, Rhode Island College, Community College of Rhode Island, Central Falls School District, RI I-195 Redevelopment Commission, Rhode Island Commerce Corporation, and Rhode Island Public Transit Authority receive significant financial support from the State of Rhode Island. See Note 22 D, Significant Transactions with Component Units for further details.

C. Budgeting, Budgetary Control, and Legal Compliance

Budget Preparation

An annual budget is adopted on a basis consistent with generally accepted accounting principles. The budget encompasses the General, Intermodal Surface Transportation, Rhode Island Capital Plan and Temporary Disability Insurance funds as well as selective portions of certain other funds. Preparation and submission of the budget is governed by the State Constitution and the Rhode Island General Laws. The budget, as enacted, contains a complete plan of proposed expenditures from all sources of funds (general, federal, restricted, and transfers in). Revenues upon which the budget plan is based are determined as part of the State's Revenue Estimating Conference. The Conference, held twice each year,

results in a consensus estimate of revenues for the next fiscal year and an update of prior revenue estimates for the current fiscal year.

As required by the Constitution and the Rhode Island General Laws, annual appropriations are limited to 97.0% of estimated general revenues. The remaining 3.0% is contributed to the Budget Reserve Account until such account equals 5.0% of total general revenues and opening surplus. Excess contributions to the Budget Reserve Account are transferred to the Rhode Island Capital Plan Fund to be used for capital projects.

The annual budget is adopted on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the "actual" column that have no corresponding budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

According to RIGL 35-3-20.2, at the close of fiscal year 2023, the Supplemental State Budget Reserve Account was created within the general fund to be administered by the State Controller. This Account should be used solely to provide sums as may be appropriated to fund any unanticipated general revenue deficit.

The supplemental State Budget Reserve Account should consist of: (1) Such sums as the state may from time to time directly transfer to the account as authorized in law; and (2) Any amounts transferred pursuant to 35-6-1(e).

(e) Upon issuance of the audited financial statement, the Controller shall transfer fifty percent (50%) of all general revenues received in the completed fiscal year net of transfer to the state budget reserve and cash stabilization account as required by § 35-3-20 in excess of those estimates adopted for that year as contained in the final enacted budget to the employees' retirement system of the State of Rhode Island as defined in § 36-8-2 and fifty percent (50%) to the Supplemental State Budget Reserve Account as defined in § 35-3-20.2.

The State's budget documents may be accessed at the following website: <http://www.omb.ri.gov/budget>.

Budgetary Controls

The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch), is the line item within the appropriation act. Management cannot reallocate any appropriations without special approval from the legislative branch.

Budgetary controls utilized by the State consist principally of statutory restrictions on the expenditure of funds in excess of appropriations, accounting system controls to limit expenditures in excess of authorized amounts, and budgetary monitoring controls.

D. Significant Transactions with Component Units

The significant transactions with the discretely presented component units are presented (expressed in thousands) below:

Significant transactions between primary government and component units

	Amount	Description
Governmental activities		
General		
University of Rhode Island	\$ 98,831	Operating assistance
Rhode Island College	62,490	Operating assistance
Community College of Rhode Island	58,960	Operating assistance
Central Falls School District	64,396	Operating assistance
The Met	11,670	Operating assistance
I-195 District Commission	961	Operating assistance
R.I. Commerce Corporation	88,789	Operating assistance
R.I. Division of Higher Education Assistance	4,099	Operating assistance
R.I. Public Transit Authority	3,396	Operating assistance
R.I. Health and Educational Building Corporation	119,628	School Building Authority Capital Fund/School Housing Aid
R.I. Housing and Mortgage Finance Corporation	100,298	Infrastructure improvements and bond proceeds
R.I. Infrastructure Bank	28,500	Infrastructure improvements, bond proceeds and bond premiums
IST		
R.I. Public Transit Authority	55,619	Operating assistance
R.I. Turnpike and Bridge Authority	16,191	Infrastructure improvements
Bond Capital		
University of Rhode Island	15,894	Construction, improvement or purchase of assets
Rhode Island College	2,915	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	9,309	Infrastructure improvements, bond proceeds and bond premiums
Quonset Development Corporation	4,109	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	88,096	Construction and building improvements
R. I. Capital Plan		
University of Rhode Island	12,618	Construction, improvement or purchase of assets
Rhode Island College	7,762	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 867,531</u>	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2023:

- Human Resources (\$267 thousand)
- Records Center (\$89 thousand)
- Health Insurance Active (\$9 million)
- Capitol Police (\$14 thousand)

The deficits will be eliminated through service charges during fiscal year 2024.

Note 23. Subsequent Events

Primary Government

Issuance of Bonds - In October 2023 the State issued the following General Obligation Bonds; \$122,405,000 Consolidated Capital Development Loan of 2023, Series A (Tax-Exempt) and \$24,300,000 Consolidated Capital Development Loan of 2023, Series B (Federally Taxable).

Federal Funds -The State Small Business Credit Initiative (SSBCI) is a federally funded program that provides "funding for (1) credit and investment programs for existing small businesses and start-ups, and (2) technical assistance to small businesses applying for SSBCI funding and other government small business programs." SSBCI was first established in 2010 and reauthorized and expanded under the American Rescue Plan Act (ARPA) of 2021. Rhode Island's allocation for the SSBCI program is \$61 million for the credit and investment programs for existing small businesses and start-ups and \$773,624 for technical assistance, or a total of \$61.7 million. During FY23, the State engaged Rhode Island Commerce, a quasi-public agency to be responsible for the administration of the SSBCI program on behalf of the State. During FY 23, the State has received \$19,739,282 for the credit and investment programs for existing and small businesses and start-ups. Additional funds will be made available to Rhode Island Commerce once 80% of the \$19.7 million is disbursed.

I-195 Washington Bridge Closure -The Rhode Island Department of Transportation closed the westbound side of this bridge during December 2023 due to a critical failure of old components. The closure of this structure has impacted local communities and businesses. The costs to reopen the westbound side of the bridge are expected to be substantial but are unknown at this time. The State has engaged multiple vendors to assist in the determination of the best path forward to reopen the bridge.

Component Units

Rhode Island Health and Educational Building Corporation - Bond Maturity - In July 2023, the \$6.2 million in Higher Education Facility Revenue Refunding Bonds "University of Rhode Island Issue, Series 2013 A" bonds reached maturity. In July 2023, the \$9.5 million in Higher Education Facility Revenue Refunding Bonds "Board of Education Issue, Series 2013 B" bonds reached maturity. In July 2023, the \$12.0 million in Higher Education Facility Revenue Refunding Bonds "Board of Education Issue, Series 2013 D" bond reached maturity. In December 2023, the \$9.6 million in Public Schools Revenue Bond Financing Program "Town of N. Providence Issue, Series 2013 I" bonds reached maturity.

Rhode Island Housing and Mortgage Finance Corporation - Bond Redemption - In December 2023, Rhode Island Housing and Mortgage Finance Corporation redeemed \$28.2 million in Homeownership Opportunity Bonds and in October 2023 redeemed \$11.3 million in Multi-Family Funding Bonds.

Rhode Island Housing and Mortgage Finance Corporation - Bond Issuance - In November 2023, Rhode Island Housing and Mortgage Finance Corporation issued \$149.7 million in Homeownership Opportunity Bonds.

Rhode Island Housing and Mortgage Finance Corporation - Notes Payable - Rhode Island Housing and Mortgage Finance Corporation borrowed \$18.8 million in various borrowings from Federal Financing Bank.

Required Supplementary Information



State of Rhode Island

Fiscal Year Ended

June 30, 2023



State of Rhode Island
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,910,300	\$ 1,813,700	\$ 1,813,605	\$ (95)
General Business Taxes:				
Business Corporations	252,000	262,600	272,216	9,616
Public Utilities Gross Earnings	101,000	99,200	97,411	(1,789)
Financial Institutions	38,900	34,400	31,654	(2,746)
Insurance Companies	166,700	157,100	154,638	(2,462)
Bank Deposits	4,500	4,700	4,624	(76)
Health Care Provider Assessment	39,500	39,500	39,851	351
Sales and Use Taxes:				
Sales and Use	1,575,000	1,579,000	1,564,774	(14,226)
Motor Vehicle	1,000	1,000	935	(65)
Cigarettes	133,900	133,600	133,560	(40)
Alcohol	23,300	22,500	22,479	(21)
Other Taxes:				
Inheritance and Gift	58,800	77,600	82,316	4,716
Racing and Athletics	500	500	583	83
Realty Transfer Tax	21,000	17,000	16,512	(488)
<i>Total Taxes (1)</i>	<u>4,326,400</u>	<u>4,242,400</u>	<u>4,235,158</u>	<u>(7,242)</u>
Departmental Revenue	464,000	478,000	491,638	13,638
Total Taxes and Departmental Revenue	<u>4,790,400</u>	<u>4,720,400</u>	<u>4,726,796</u>	<u>6,396</u>
Other Sources:				
Lottery	418,700	434,200	434,667	467
Unclaimed Property	14,000	14,700	18,503	3,803
Other Miscellaneous	37,300	29,900	26,802	(3,098)
Non-budgeted proceeds from forward delivery bond agreement	—	—	5,900	5,900
Total Other Sources	<u>470,000</u>	<u>478,800</u>	<u>485,872</u>	<u>7,072</u>
Total General Revenues	<u>5,260,400</u>	<u>5,199,200</u>	<u>5,212,668</u>	<u>13,468</u>
Federal Revenues	5,222,413	5,353,377	5,024,186	(329,191)
Restricted Revenues	446,783	468,973	327,533	(141,440)
Other Revenues	67,724	68,438	66,716	(1,722)
Non-budgeted SBITA Proceeds	—	—	976	976
<i>Total Revenues (2)</i>	<u>10,997,320</u>	<u>11,089,988</u>	<u>10,632,079</u>	<u>(457,909)</u>
Expenditures:				
General government				
General government - non-budgeted lease and SBITA expenditures	1,876,164	2,100,998	1,825,184	275,814
Total general government	<u>—</u>	<u>—</u>	<u>44</u>	<u>(44)</u>
Health and human services	1,876,164	2,100,998	1,825,228	275,770
Health and human services - non-budgeted lease and SBITA expenditures	5,804,430	5,691,612	5,357,304	334,308
Total health and human services	<u>—</u>	<u>—</u>	<u>239</u>	<u>(239)</u>
Education	5,804,430	5,691,612	5,357,543	334,069
Education	2,301,402	2,395,960	2,231,001	164,959
Public safety	684,491	733,777	704,933	28,844
Public safety - non-budgeted lease and SBITA expenditures	<u>—</u>	<u>—</u>	<u>694</u>	<u>(694)</u>
Total public safety	684,491	733,777	705,627	28,150
Natural resources	112,593	142,650	128,621	14,029
<i>Total Expenditures (2)</i>	<u>10,779,080</u>	<u>11,064,997</u>	<u>10,248,020</u>	<u>\$ 816,977</u>
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	170,487	
Transfer of scholarship revenue to RI Division of Higher Education (3)	—	—	4,098	
Total Expenditures and Transfers	<u>\$ 10,779,080</u>	<u>\$ 11,064,997</u>	<u>\$ 10,422,605</u>	
Change in Fund Balance			209,474	
Fund balance - beginning			983,717	
Fund balance - ending			<u>\$ 1,193,191</u>	

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures by Source:				
General Revenues	\$ 5,042,160	\$ 5,169,309	\$ 5,071,038	\$ 98,271
General Revenues - pending FEMA reimbursement (4)	—	4,900	3,891	1,009
Federal Funds	5,222,413	5,353,377	4,753,429	599,948
Restricted Receipts	446,783	468,973	356,572	112,401
Other Funds	67,724	68,438	62,114	6,324
Non-budgeted SBITA Expenditures	—	—	976	(976)
	<u>\$ 10,779,080</u>	<u>\$ 11,064,997</u>	<u>\$ 10,248,020</u>	<u>\$ 816,977</u>

Notes:

Due to rounding, numbers presented may not add up precisely to the totals provided.

(1) Transfers from the Historic Tax Credit Special Revenue Fund reported as "Other Financing Sources" on the General Fund have been allocated to General Revenue Tax Categories on this schedule to align with the State's legally adopted budget format.

Historical Tax Credit Fund Transfers to the General Fund in Fiscal Year 2023 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	\$ 1,810,486	\$ 3,119	\$ 1,813,605
Business Corporations	272,216	—	272,216
Insurance Corporations	154,638	—	154,638
Financial Institutions	31,654	—	31,654

(2) Certain revenue and expenditure amounts classified as "Other Financing Sources (Uses)" have been reclassified within the budgetary comparison schedule to align with the State's legally adopted budgetary format.

(3) Amounts are provided for scholarships by the administrator of the Rhode Island Higher Education Savings Trust. For financial reporting purposes such amounts are recorded as restricted revenue and a transfer to the Rhode Island Division of Higher Education Assistance which administers the scholarship program. These amounts are non-budgeted items.

(4) Amounts represent claims to FEMA pending reimbursement at June 30, 2023. These amounts are reflected as sourced to General Revenues until approved by FEMA (expected in fiscal year 2024).

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Functional Expenditure Reclassifications - Budgetary presentation compared to Financial Statement Presentation: For financial reporting purposes, certain expenditures (debt service and transfers) have been reclassified to align to the appropriate functional expenditure classification.

	General Government	Health and Human Services	Education	Public Safety	Natural Resources	Debt Service	Transfers	Total Expenditures
Budgetary Presentation	\$ 1,825,228	\$ 5,357,543	\$ 2,231,001	\$ 705,627	\$ 128,621	\$ —	\$ 174,585	\$ 10,422,605
Reclassifications:								
Debt Service	(167,420)	(5,042)	(47,283)	(1,761)	(2,779)	224,285	—	—
Other Transfers - RICAP	(257,395)	—	—	—	—	—	257,395	—
Other Transfers - RIDHEA	4,098	—	—	—	—	—	(4,098)	—
Other Transfers - RICCA	(35,449)	—	—	—	—	—	35,449	—
Other Transfers - Emp Sec	(99,970)	—	—	—	—	—	99,970	—
Other Transfers - HTC	(28,000)	—	—	—	—	—	28,000	—
Other Transfers - ISTE A	—	—	—	(2,635)	—	—	2,635	—
Financial Statement Presentation	\$ 1,241,092	\$ 5,352,501	\$ 2,183,718	\$ 701,231	\$ 125,842	\$ 224,285	\$ 593,936	\$ 10,422,605

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

	Fund Balance Reported in the Financial Statements	Budgetary Perspective	
		Fund Balance Not Available for Appropriation in Fiscal Year 2024	Fund Balance Available for Appropriation in Fiscal Year 2024
Non-spendable	\$ 194,629	\$ —	\$ 194,629
Restricted	435,780	435,780	—
Committed	20,381	20,381	—
Assigned	415,828	47,121 (a)	368,707
Unassigned	126,573	277,647 (b)	(151,074)
Total Fund Balance	\$ 1,193,191	\$ 780,929	\$ 412,262 (c)

(a) Assigned fund balance not available for appropriation in fiscal year 2024 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.

(b) Budget Reserve and Supplemental Budget Reserve accounts - for financial statement purposes, these accounts are classified as unassigned, yet, it is not considered available for recurring operational appropriations.

(c) Remaining fund balance available for appropriation.

(Concluded)

See Notes to Required Supplementary Information.

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2023
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 231,355	\$ 220,319	\$ 233,958	\$ 13,639
Licenses, fines, sales, and services	68,015	30,487	31,786	1,299
Departmental restricted revenue	5,949	6,165	1,433	(4,732)
Federal grants	456,553	467,825	495,994	28,169
Other revenues	9,260	9,484	5,850	(3,634)
Total revenues	771,132	734,280	769,020	34,740
Revenues and Other Financing Sources (unbudgeted):				
Miscellaneous revenue			7,159	
Total revenues			776,179	
Other financing sources:				
Transfers from RI Capital Plan			58,253	
Subscription-based IT financing			282	
Total other financing sources			58,535	
Total revenues and other financing Sources			834,714	
Expenditures (budgeted):				
Central management				
Federal funds	16,577	14,902	7,854	7,048
Gasoline tax	9,119	8,033	4,447	3,586
Total - central management	25,696	22,935	12,301	10,634
Management and budget				
Gasoline tax	3,762	4,033	2,995	1,038
Total - management and budget	3,762	4,033	2,995	1,038
Infrastructure - engineering-GARVEE/motor fuel tax bonds				
Federal funds	418,519	422,787	461,810	(39,023)
Restricted receipts	5,949	6,165	(2,750)	8,915
Gasoline tax	74,242	70,106	67,551	2,555
Toll revenue	33,614	13,500	13,485	15
Land sale revenue	9,260	9,484	3,202	6,282
Total - infrastructure - engineering	541,584	522,042	543,298	(21,256)
Infrastructure - maintenance				
Federal funds	21,456	30,136	25,871	4,265
Gasoline tax	23,709	19,926	32,392	(12,466)
Rhode Island highway maintenance account	102,648	178,705	81,476	97,229
Total - infrastructure - maintenance	147,813	228,767	139,739	89,028
Total expenditures (budgeted)	\$ 718,855	\$ 777,777	\$ 698,333	\$ 79,444
Expenditures and other financing uses (unbudgeted):				
Infrastructure expenditures - GARVEE and State match funded by RI Capital Plan and bond capital funds			\$ 78,934	
I-195 redevelopment district project			142	
Mission 360 loan program			90	
Transfers to general fund - gas tax			49,206	
Subscription-based IT financing			282	
Total Expenditures and other financing uses (unbudgeted)			128,654	
Total expenditures and other financing uses			826,987	
Net change in fund balance			7,727	
Fund balance, beginning			323,230	
Fund balance, ending			\$ 330,957	

See Notes to Required Supplementary Information.

Budget and Actual

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain special revenue funds. The annual budget is prepared on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the "actual" column that have no corresponding original or final budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

The budget to actual comparison for the General Fund on the preceding pages is summarized and does not present budget and actual amounts detailed at the legal level of budgetary control. The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Examples of line items under "Administration" are "Central Management" and "Purchasing." Management cannot reallocate any appropriations without special approval from the legislative branch. A separate schedule presenting such amounts at the detailed legal level of budgetary control is labeled "Annual Budgetary Comparison Schedules" and is available on the State Controller's website, <http://controller.admin.ri.gov/index.php>. General fund original and final budgeted revenues reflect annual amounts adopted during the State's revenue estimating conferences which meet biannually in November and May.

The comprehensive annual budget includes transportation function expenditures, the majority of which are reflected in the IST fund for financial reporting purposes. The IST fund major fund financial statements include transportation related activity of the various transportation funding sources including gas tax revenues, certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles, tolls, federal funds, GARVEE and Motor Fuel Bonds, and the proceeds of bonds issued by the I-195 Redevelopment District which were transferred to the IST fund to be utilized for infrastructure projects. The budget to actual comparison schedule for the IST fund on the preceding page is presented at the legal level of budgetary control consistent with the legally adopted budget. Not all the activity reported within the IST fund financial statements is budgeted. Unbudgeted activity has been separately identified in the budget to actual comparison schedule to facilitate reconciliation to the IST fund financial statements. By statute, the IST fund receives a percentage of certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles which are dedicated to the Rhode Island Highway Maintenance Account within the IST fund. These revenues are not specifically budgeted through the revenue estimating process. Annual budgeted expenditures from the Highway Maintenance Account reflect amounts available in the account.

The original budget includes the amounts in the applicable appropriation act, general revenue appropriations carried forward by the Governor, and any unexpended balances designated by the General Assembly.

State of Rhode Island
Required Supplementary Information - Pension Information
Defined Benefit Multiple-Employer Cost-sharing Plan

The Employees' Retirement System (ERS) Plan is a multiple-employer cost-sharing defined benefit plan covering state employees and local teachers. Separate actuarial valuations are performed for state employees and teachers but not for individual employers within those groups. The net pension liability and other pension related amounts are apportioned based on proportionate employer contributions to the plan.

By statute, the State funds 40% of the actuarially determined employer contribution for teachers. This constitutes a special funding situation as described in GASB Statement No. 68. Consequently, the State has recognized its proportionate share of the net pension liability and other related pension amounts for this special funding situation in its financial statements.

The amounts included in these schedules for fiscal year 2023 reflect a June 30, 2022 measurement date.

Additional information for the ERS plan is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

The following schedules are presented for the ERS cost-sharing plan with a special funding situation:

- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Governmental Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Business-Type Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - Teachers**
- **ERS - Schedule of State Contributions - State Employees - Governmental Activities**
- **ERS - Schedule of State Contributions - State Employees - Business-Type Activities**
- **ERS - Schedule of State Contributions - Teachers**

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State's Proportionate Share
of the Net Pension Liability
Last Nine Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	90.4 %	90.2 %	89.9 %	89.7 %	89.5 %	89.2 %	88.9 %	89.0 %	89.0 %
State's proportionate share of the net pension liability	\$ 1,783,390	\$ 1,604,576	\$ 2,044,888	\$ 2,031,989	\$ 2,013,417	\$ 2,010,955	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647
State's covered payroll	\$ 703,931	\$ 668,135	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466	\$ 581,589
State's proportionate share of the net pension liability as a percentage of its covered payroll	253.3 %	240.2 %	301.0 %	315.3 %	320.8 %	324.0 %	308.3 %	297.3 %	272.6 %
Plan fiduciary net position as a percentage of the total pension liability	59.6 %	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State's Proportionate Share
of the Net Pension Liability
Last Nine Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees - Business-Type Activities

Rhode Island Lottery

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Lottery's proportion of the net pension liability	0.9 %	0.9 %	1.0 %	0.9 %	0.8 %	0.7 %	0.8 %	0.8 %	0.7 %
Lottery's proportionate share of the net pension liability	\$ 18,689	\$ 16,558	\$ 21,652	\$ 20,850	\$ 17,142	\$ 16,869	\$ 16,260	\$ 15,074	\$ 13,315
Lottery's covered payroll	\$ 7,377	\$ 6,899	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071	\$ 4,891
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	253.3 %	240.0 %	300.8 %	315.3 %	322.8 %	325.3 %	315.4 %	297.3 %	272.2 %
Plan fiduciary net position as a percentage of the total pension liability	59.6 %	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of the State's Proportionate Share
of the Net Pension Liability
Last Nine Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Share-Teachers (Special Funding Situation)

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's proportion of the net pension liability	42.5 %	42.6 %	42.6 %	42.8 %	42.7 %	43.1 %	40.7 %	40.6 %	40.7 %
State's proportionate share of the net pension liability	\$ 1,148,198	\$ 1,002,105	\$ 1,361,982	\$ 1,366,538	\$ 1,357,444	\$ 1,357,577	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	62.1 %	66.5 %	54.3 %	54.6 %	54.3 %	54.0 %	54.1 %	57.6 %	61.4 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Nine Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

	2023	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 206,466	\$ 197,171	\$ 184,004	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	206,466	197,171	184,004	179,281	169,365	156,083	157,299	144,696	138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 737,116	\$ 703,931	\$ 668,135	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466
Contributions as a percentage of covered payroll	28.01 %	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Nine Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees - Business-Type Activities

Rhode Island Lottery

	2023	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,099	\$ 2,066	\$ 1,900	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contributions in relation to the actuarially determined contribution	2,099	2,066	1,900	1,900	1,738	1,321	1,314	1,219	1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,492	\$ 7,377	\$ 6,899	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071
Contributions as a percentage of covered payroll	28.01 %	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing and elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Nine Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Share-Teachers (Special Funding Situation)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 122,455	\$ 116,291	\$ 112,623	\$ 108,636	\$ 102,239	\$ 98,121	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	122,455	116,291	112,623	108,636	102,239	98,121	96,542	87,998	84,944
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Single-Employer Defined Benefit Plans

Certain state employees are covered by the following single-employer plans, separate from the ERS plan, which covers most state employees.

- State Police Retirement Benefits Trust (SPRBT)
- Judicial Retirement Benefits Trust (JRBT)
- Rhode Island Judicial Retirement Fund Trust (RIJRFT)
- State Police Retirement Fund Trust (SPRFT)

These plans are administered within the Employees' Retirement System of Rhode Island. Separate actuarial valuations are performed for each plan. Additional information for the plans is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

The amounts included in these schedules for fiscal year 2023 reflect a June 30, 2022 measurement date.

The following schedules are presented for each single-employer plan:

- **Schedule of Changes in the Net Pension Liability and Related Ratios**
 - SPRBT
 - JRBT
 - RIJRFT
 - SPRFT

- **Schedule of State Contributions**
 - SPRBT
 - JRBT
 - RIJRFT
 - SPRFT

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Fiscal Years
(Expressed in Thousands)

State Police Retirement Benefits Trust

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability									
Service cost	\$ 5,829	\$ 5,827	\$ 5,788	\$ 5,342	\$ 4,999	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	13,898	13,110	12,405	11,590	10,763	9,393	9,058	8,540	7,768
Benefit Changes	—	—	—	—	—	—	—	1,170	—
Differences between expected and actual experience	(762)	(322)	(3,126)	624	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	—	—	1,541	—	—	9,274	—	—	(364)
Benefit payments	(7,849)	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Net Change in Total Pension Liability	11,116	11,743	10,379	11,509	11,650	28,717	4,650	7,889	10,759
Total Pension Liability-Beginning	199,555	187,812	177,433	165,924	154,274	125,557	120,907	113,018	102,259
Total Pension Liability-Ending	\$ 210,671	\$ 199,555	\$ 187,812	\$ 177,433	\$ 165,924	\$ 154,274	\$ 125,557	\$ 120,907	\$ 113,018
Plan Fiduciary Net Position									
Employer contributions	\$ 5,211	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,797	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,387	2,324	2,346	2,130	1,994	2,060	2,035	1,732	2,034
Net investment income	(5,344)	41,840	5,642	9,161	10,298	13,694	58	2,656	14,124
Benefit payments	(7,849)	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Administrative expenses	(203)	(153)	(158)	(140)	(137)	(125)	(103)	(100)	(83)
Other	16	16	25	1	16	5	1	4	5
Net Change in Plan Fiduciary Net Position	\$ (5,782)	\$ 42,396	\$ 6,504	\$ 8,672	\$ 8,944	\$ 13,472	\$ 1,411	\$ 5,227	\$ 17,644
Plan Fiduciary Net Position-Beginning	196,305	153,909	147,405	138,733	129,789	116,317	114,906	109,679	92,035
Plan Fiduciary Net Position-Ending	\$ 190,523	\$ 196,305	\$ 153,909	\$ 147,405	\$ 138,733	\$ 129,789	\$ 116,317	\$ 114,906	\$ 109,679
Net Pension Liability	\$ 20,148	\$ 3,250	\$ 33,903	\$ 30,028	\$ 27,191	\$ 24,485	\$ 9,240	\$ 6,001	\$ 3,339
Plan Fiduciary Net Position as a Percentage of the Total									
Pension Liability	90.4 %	98.4 %	81.9 %	83.1 %	83.6 %	84.1 %	92.6 %	95.0 %	97.0 %
Covered Payroll	\$ 26,555	\$ 26,438	\$ 26,419	\$ 24,216	\$ 22,590	\$ 22,728	\$ 20,985	\$ 19,701	\$ 23,051
Net Pension Liability as a Percentage of Covered Payroll	75.9 %	12.3 %	128.3 %	124.0 %	120.4 %	107.7 %	44.0 %	30.5 %	14.5 %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Fiscal Years
(Expressed in Thousands)

Judicial Retirement Benefits Trust

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability									
Service cost	\$ 3,709	\$ 3,387	\$ 3,335	\$ 3,184	\$ 3,215	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	6,553	6,213	5,663	5,526	5,303	5,031	4,744	4,540	4,134
Benefit Changes	—	—	—	—	—	—	—	253	—
Differences between expected and actual experience	(2,874)	(564)	180	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	—	—	2,515	—	—	5,173	—	—	(672)
Benefit payments	(4,700)	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Net Change in Total Pension Liability	2,688	5,053	7,969	1,936	3,530	8,677	3,866	3,151	4,833
Total Pension Liability-Beginning	94,115	89,062	81,093	79,158	75,628	66,951	63,085	59,934	55,101
Total Pension Liability-Ending	\$ 96,803	\$ 94,115	\$ 89,062	\$ 81,094	\$ 79,158	\$ 75,628	\$ 66,951	\$ 63,085	\$ 59,934
Plan Fiduciary Net Position									
Employer contributions	\$ 2,611	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,058	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,398	1,215	1,204	1,109	1,142	1,118	1,053	1,121	1,093
Net investment income	(2,742)	21,815	2,955	4,821	5,377	7,107	29	1,368	7,221
Benefit payments	(4,700)	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Administrative expenses	(97)	(80)	(80)	(74)	(71)	(65)	(53)	(51)	(43)
Net Change in Plan Fiduciary Net Position	\$ (3,530)	\$ 21,213	\$ 2,544	\$ 4,169	\$ 5,550	\$ 7,477	\$ 908	\$ 3,338	\$ 9,183
Plan Fiduciary Net Position-Beginning	101,371	80,158	77,614	73,445	67,895	60,418	59,510	56,172	46,989
Plan Fiduciary Net Position-Ending	\$ 97,841	\$ 101,371	\$ 80,158	\$ 77,614	\$ 73,445	\$ 67,895	\$ 60,418	\$ 59,510	\$ 56,172
Net Pension Liability (Asset)	\$ (1,038)	\$ (7,256)	\$ 8,904	\$ 3,480	\$ 5,713	\$ 7,733	\$ 6,533	\$ 3,575	\$ 3,762
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.1 %	107.7 %	90.0 %	95.7 %	92.8 %	89.8 %	90.2 %	94.3 %	93.7 %
Covered Payroll	\$ 11,454	\$ 10,387	\$ 10,284	\$ 9,474	\$ 9,653	\$ 9,532	\$ 8,981	\$ 9,570	\$ 9,314
Net Pension Liability as a Percentage of Covered Payroll	(9.1)%	(69.9)%	(86.6)%	36.7 %	59.2 %	81.1 %	72.7 %	37.4 %	40.4 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Nine Fiscal Years
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability										
Service cost	\$ 460	\$ 400	\$ 323	\$ 277	\$ 294	\$ 350	\$ 466	\$ 416	\$ 498	
Interest	451	550	640	685	726	586	719	673	710	
Differences between expected and actual experience	(1,250)	(656)	(646)	—	(1,953)	—	(1,060)	(642)	1,617	
Changes of assumptions	(3,358)	1,176	2,060	917	(116)	(666)	1,865	859	(1,160)	
Benefit payments	(500)	(396)	(399)	(399)	(399)	(399)	(231)	—	—	
Net Change in Total Pension Liability	(4,197)	1,074	1,978	1,480	(1,448)	(129)	1,759	1,306	1,665	
Total Pension Liability-Beginning	23,526	22,452	20,474	18,994	20,442	20,571	18,812	17,506	15,841	
Total Pension Liability-Ending	\$ 19,329	\$ 23,526	\$ 22,452	\$ 20,474	\$ 18,994	\$ 20,442	\$ 20,571	\$ 18,812	\$ 17,506	
Plan Fiduciary Net Position										
Employer contributions	\$ 405	\$ 399	\$ 399	\$ 399	\$ 399	\$ 332	\$ 140	\$ —	\$ —	
Employee contributions	125	126	126	122	117	117	135	159	153	
Net investment income	(23)	178	23	38	44	64	4	9	12	
Benefit payments	(500)	(396)	(399)	(399)	(399)	(399)	(231)	—	—	
Administrative expenses	(1)	(1)	(1)	(1)	(1)	(1)	—	—	—	
Net Change in Plan Fiduciary Net Position	\$ 6	\$ 306	\$ 148	\$ 159	\$ 160	\$ 113	\$ 48	\$ 168	\$ 165	
Plan Fiduciary Net Position-Beginning	1,421	1,115	966	807	647	534	486	318	153	
Plan Fiduciary Net Position-Ending	\$ 1,427	\$ 1,421	\$ 1,114	\$ 966	\$ 807	\$ 647	\$ 534	\$ 486	\$ 318	
Net Pension Liability	\$ 17,902	\$ 22,105	\$ 21,338	\$ 19,508	\$ 18,187	\$ 19,795	\$ 20,037	\$ 18,326	\$ 17,188	
Plan Fiduciary Net Position as a Percentage of the Total										
Pension Liability	7.4 %	6.0 %	5.0 %	4.7 %	4.2 %	3.2 %	2.5 %	2.6 %	1.8 %	
Covered Payroll	\$ 1,038	\$ 1,051	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 963	\$ 1,321	\$ 1,276	
Net Pension Liability as a Percentage of Covered Payroll	1724.7 %	2103.2 %	2040.0 %	1946.9 %	1783.0 %	2003.3 %	2189.2 %	1387.4 %	1346.8 %	

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total Pension Liability						
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	11,241	11,469	11,878	12,193	11,712	12,589
Benefit Changes	—	—	—	—	—	—
Differences between expected and actual experience	(3,212)	1,256	(162)	—	12,187	—
Changes of assumptions	—	—	(1,136)	—	—	4,214
Benefit payments	(15,698)	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Net Change in Total Pension Liability	(7,669)	(3,544)	(6,001)	(4,606)	6,626	(589)
Total Pension Liability-Beginning	168,432	171,976	177,977	182,583	175,957	176,546
Total Pension Liability-Ending	\$ 160,763	\$ 168,432	\$ 171,976	\$ 177,977	\$ 182,583	\$ 175,957
Plan Fiduciary Net Position						
Employer contributions	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 31,566
Net investment income	(272)	6,144	868	770	1,137	1,839
Benefit payments	(15,698)	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Administrative expenses	(22)	(18)	(17)	(17)	(6)	—
Net Change in Plan Fiduciary Net Position	\$ 395	\$ 6,244	\$ 657	\$ 341	\$ 245	\$ 16,013
Plan Fiduciary Net Position-Beginning	23,500	17,256	16,599	16,258	16,013	—
Plan Fiduciary Net Position-Ending	\$ 23,895	\$ 23,500	\$ 17,256	\$ 16,599	\$ 16,258	\$ 16,013
Net Pension Liability	\$ 136,868	\$ 144,932	\$ 154,720	\$ 161,378	\$ 166,325	\$ 159,944
Plan Fiduciary Net Position as a Percentage of the Total						
Pension Liability	14.9 %	14.0 %	10.0 %	9.3 %	8.9 %	9.1 %
Covered Payroll	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net Pension Liability as a Percentage of Covered Payroll	— %	— %	— %	— %	— %	— %

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only six years of activity to report as the Trust began operations in fiscal year 2018.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Nine Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Retirement Benefits Trust

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 6,209	\$ 5,211	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,802	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	6,209	5,211	5,241	4,878	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 29,752	\$ 27,083	\$ 26,442	\$ 26,394	\$ 24,199	\$ 22,930	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered payroll	20.87 %	19.24 %	19.82 %	18.48 %	14.74 %	12.22 %	13.43 %	17.22 %	17.24 %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Nine Fiscal Years Ended June 30
(Expressed in Thousands)

Judicial Retirement Benefits Trust

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,843	\$ 2,611	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,064	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,843	2,611	2,246	2,189	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 11,767	\$ 11,967	\$ 10,393	\$ 10,278	\$ 9,477	\$ 9,768	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered payroll	24.16 %	21.82 %	21.61 %	21.30 %	20.28 %	21.13 %	21.58 %	26.80 %	28.32 %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Nine Fiscal Years Ended June 30
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,232	\$ 1,190	\$ 1,242	\$ 1,215	\$ 1,224	\$ 1,322	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	490	405	399	399	399	399	332	140	—
Contribution deficiency (excess)	\$ 742	\$ 785	\$ 843	\$ 816	\$ 825	\$ 923	\$ 909	\$ 1,060	\$ 1,623
Covered payroll	\$ 1,051	\$ 1,038	\$ 1,046	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	46.62 %	39.02 %	38.15 %	38.15 %	39.82 %	39.12 %	33.60 %	14.52 %	— %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal year 2015. This schedule is to be required prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Six Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387
Contributions in relation to the actuarially determined contribution	16,387	16,387	16,387	16,387	16,387	16,387
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only six years of activity to report as the Trust began operations in fiscal year 2018.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Non-Contributory (pay-as-you-go) Defined Benefit Single-Employer Plan

Certain retired state employees are covered by the Judicial Non-Contributory Retirement Plan, a single-employer plan, which is separate from the plans previously described, and is not part of the Employees' Retirement System of Rhode Island.

The State funds this plan on a pay-as-you-go basis and no actuarial determined advance employer contribution is made nor are assets accumulated in a trust to pay future benefits. A separate actuarial valuation is performed to provide an accounting measure of the total pension liability for the plan.

A Schedule of Changes in Total Pension Liability is presented for this plan. The amounts included in this schedule for fiscal year 2023 reflects a June 30, 2022 measurement date. The Schedule of Changes in Total Pension Liability is intended to show information for 10 years - additional years will be displayed as information becomes available. A Schedule of State Contributions is not presented as the plan operates on a pay-as-you-go basis and there is no covered payroll because there are no active members of the plan.

Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Total Pension Liability
Last Nine Fiscal Years
(Expressed in Thousands)

Judicial Non-Contributory Retirement Plan

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2019	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability									
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	809	1,089	1,170	1,413	1,497	1,380	1,860	2,172	2,334
Benefit changes	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	548	(1,215)	3,560	521	916	182	—	328	—
Changes of assumptions	(5,010)	1,855	6,757	1,250	(166)	(2,291)	3,510	1,885	—
Benefit payments	(3,873)	(4,184)	(4,659)	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)
Net Change in Total Pension Liability	(7,526)	(2,455)	6,828	(1,845)	(3,239)	(6,492)	(737)	(1,635)	(3,839)
Total Pension Liability-Beginning	44,078	46,533	39,705	41,550	44,789	51,281	52,018	53,653	57,492
Total Pension Liability-Ending	\$ 36,552	\$ 44,078	\$ 46,533	\$ 39,705	\$ 41,550	\$ 44,789	\$ 51,281	\$ 52,018	\$ 53,653

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015. This schedule is to be reported until 10 years of data are presented.

See Notes to Required Supplementary Information.

Required Supplementary Information - Pensions

Significant Methods and Assumptions used in calculating the actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. The actuarial determined contribution rates for fiscal year 2023 were determined based on valuations performed as of June 30, 2020, with the exception of the Rhode Island Judicial Retirement Fund Trust (RIJRFT) contribution which was determined based on a valuation performed as of June 30, 2022. Significant methods and assumptions are summarized for each plan in the table below:

	ERS		SPRBT	JRBT	RIJRFT	SPRFT
	State Employees	Teachers				
Actuarial Cost Method	Entry Age Normal - the Individual Entry Age Actuarial Cost methodology is used.					
Amortization Method	Level Percent of Payroll - Closed				Level Dollar	Level Dollar
Equivalent single remaining amortization period	16 years	18 years	21 years	20 years	20 years	16 years
Asset valuation method	5 year smoothed market				Fair Value	Fair Value
Amortization period for new gains and losses	20 years				N/A	N/A
Actuarial Assumptions						
Investment Rate of Return	7.0%				3.96%	7.00%
Projected Salary Increases	3.25% to 6.25%	3.0% to 13.0%	3.75% to 11.75%	2.75%	2.75%	N/A
Mortality	Male Employees: PUB-10 Median Table for Healthy General Employee Males, loaded by 115%, projected with Scale Ultimate MP16. Female Employees: PUB-10 Median Table for Healthy General Employee Females, loaded by 111%, projected with Scale Ultimate MP16. Male Teachers: PUB-10 Median Table for Healthy Teacher Males, loaded by 108%, projected with Scale Ultimate MP16. Female Teachers: PUB-10 Median Table for Healthy Teacher Females, loaded by 115%, projected with Scale Ultimate M16.					
Inflation	2.5%					

The required contribution for the State Police Retirement Fund Trust (SPRFT), a plan newly created in fiscal year 2017 covering a closed group of retired individuals, was calculated based on a level-dollar amortization over 18 years from June 30, 2016. Upon statutory creation of the SPRFT, an annual contribution amount totaling \$16.4 million was actuarial determined. This amount has been contributed annually since 2017.

Cost of Living Adjustments

Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017 and the second such COLA will be applicable in Calendar Year 2021. As of June 30, 2017, it is assumed that the COLAs will be suspended for 10 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50.0% of the plan's five-year average investment rate of return minus 5.0% which will range from zero to 4.0%, and 50.0% of the lesser of 3.0% or last year's CPI-U increase for a total maximum increase of 3.0%.

Factors affecting trends for amounts related to the net pension liability***June 30, 2022 measurement date:***

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date except for the changes in assumptions for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.69%. This rate was 1.92% at June 30, 2021.

June 30, 2021 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 measurement date:

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Separated Correctional Officers from State Employees for all assumptions.
- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.
- Lowered wage assumptions for Judges from 3.00% to 2.75%.

The RIJRFT and JNCRP plans used the municipal bond index rate of 2.45% instead of the plan's assumed investment rate of return of 3.13%.

June 30, 2019 measurement date:

The RIJRFT and JNCRP plans used the municipal bond index rate of 3.13% as of June 30, 2019. This rate was 3.62% at June 30, 2018. Also, there was a decrease in certain salary increase assumptions used as of June 30, 2019 as compared to June 30, 2018.

June 30, 2018 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 except for the changes in assumptions for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.62% as of June 30, 2018. This rate was 3.56% at June 30, 2017.

June 30, 2017 measurement date:

As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

For RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year

Municipal GO AA Index” (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

The June 30, 2017 measurement date information includes a pension credit of \$96.5 million for the SPRFT plan which results from a change in assumption attributable to the establishment of an advance funded trust (effective July 1, 2016) that replaced the previous plan which was funded on a pay-as-you-go basis. As allowed by GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you-go plans. Higher discount rates result in lower pension expense. The discount rate for the SPRFT plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit. GASB standards require the immediate recognition of this change in the discount rate assumption since the SPRFT plan is a closed plan that is comprised entirely of retired employees.

A pension credit of \$664 thousand for the JNCRP plan results from an increase in the discount rate from 2.85% to 3.56%. GASB standards require the immediate recognition of this change in the discount rate assumption since the JNCRP plan is a closed plan that is comprised entirely of retired employees. Accordingly, the effect of this change in assumption was recorded in fiscal year 2018 and was reflected in the pension credit total of \$664 thousand.

June 30, 2016 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2016 measurement date compared to the June 30, 2015 measurement date except for the changes in assumption for the RIJRF plan due to use of the municipal bond index rate of 2.85%.

June 30, 2015 measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) as of the June 30, 2015 measurement date compared to the June 30, 2014 measurement date except for the changes in assumption for the RIJRF plan due to use of the municipal bond index rate of 3.8% compared to 4.29% used in the June 30, 2014 valuation.

Benefit changes, which resulted from the settlement of the pension litigation and the subsequent enactment of those settlement provisions by the General Assembly, are reflected in the calculation of the net pension liability at the June 30, 2015 measurement date. Significant benefit changes are summarized below:

- Employees with more than 20 years of service at July 1, 2012 will increase their employee contribution rates to 11% for state employees and participate solely in the defined benefit plan effective July 1, 2015 - service credit accruals will increase from 1% to 2% per year.
- Members are eligible to retire upon the attainment of: age 65 with 30 years of service, 64 with 31 years of service, or 62 with 33 years of service. Members may retire earlier if their RI Retirement Security Act date is earlier or are eligible under a transition rule.
- The COLA formula was adjusted to: 50% of the COLA is calculated by taking the previous 5-year average investment return, less the discount rate (5 year return - 5.5%, with a maximum of 4%) and 50% is calculated using the previous year's CPI-U (maximum of 3%) for a total maximum COLA of 3.5%. The COLA is calculated on the first \$25,855, effective 01/01/2016, and indexed as of that date as well.
- Other changes included providing interim cost of living increases at four rather than five year intervals, providing a one-time cost of living adjustment of 2% (applied to the first \$25,000), two \$500 stipends, and minor adjustments.

State of Rhode Island
Required Supplementary Information - OPEB Information
Multiple-Employer Cost-Sharing Plans

The Rhode Island State Employees' and Electing Teachers OPEB System administers two multiple-employer cost-sharing OPEB plans covering state employees; the State Employees plan and the Board of Education plan. Separate actuarial valuations are performed for each plan but not for individual employers within each plan. The net OPEB liability and other OPEB related amounts are apportioned based on proportionate employer contributions to the plan.

The amounts included in these schedules for fiscal year 2023 reflect a June 30, 2022 measurement date.

Additional information for these plans is available in the separately issued audited financial statements of Rhode Island State Employees' and Electing Teachers OPEB System and an additional report prepared to provide the GASB Statement No. 75 related information for participating employers.

The following schedules are presented for these multiple-employer cost-sharing plans:

- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Governmental Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - State Employees Plan - Business-Type Activities**
- **Schedule of State's Proportionate Share of the Net OPEB Liability - Board of Education Plan**
- **Schedule of State Contributions - State Employees Plan - Governmental Activities**
- **Schedule of State Contributions - State Employees Plan - Business-Type Activities**
- **Schedule of State Contributions - Board of Education Plan**

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 19 to the financial statements contains detailed information concerning OPEB plans.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State's Proportionate Share
of the Net OPEB Liability
Last Six Fiscal Years
(Expressed in Thousands)

State Employees-Governmental Activities

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	90.4 %	90.2 %	89.9 %	89.6 %	89.4 %	89.2 %
State's proportionate share of the net OPEB liability	\$ 247,868	\$ 209,192	\$ 324,502	\$ 391,135	\$ 455,475	\$ 463,597
State's covered payroll	\$ 710,271	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562	\$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.9 %	31.0 %	47.6 %	59.5 %	71.9 %	73.3 %
Plan fiduciary net position as a percentage of the total OPEB liability	55.1 %	60.5 %	42.5 %	33.6 %	26.3 %	22.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State's Proportionate Share
of the Net OPEB Liability
Last Six Fiscal Years
(Expressed in Thousands)

State Employees-Business-Type Activities

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

Rhode Island Lottery

Lottery's proportion of the net OPEB liability	0.9 %	0.9 %	0.9 %	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability \$	2,578	\$ 2,145	\$ 3,420	\$ 3,990	\$ 3,876	\$ 3,864
Lottery's covered payroll	\$ 7,386	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308	\$ 5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	34.9 %	31.0 %	47.6 %	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	55.1 %	60.5 %	42.5 %	33.6 %	26.3 %	22.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State's Proportionate Share
of the Board of Education Plan Net OPEB Liability
Last Six Fiscal Years
(Expressed in Thousands)

State's Share of Board of Education Plan

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	0.3 %	0.3 %	0.2 %	0.2 %	0.2 %	0.2 %
State's proportionate share of the net OPEB liability	\$ 63	\$ 18	\$ 89	\$ 80	\$ 87	\$ 111
State's covered payroll	\$ 169	\$ 417	\$ 335	\$ 276	\$ 411	\$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	37.3 %	4.3 %	26.6 %	29.0 %	21.2 %	42.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	76.6 %	91.4 %	57.3 %	51.6 %	38.6 %	32.1 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Governmental Activities

	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 33,191	\$ 37,502	\$ 36,998	\$ 45,323	\$ 39,302	\$ 37,887
Contributions in relation to the actuarial determined contribution	33,191	37,502	36,998	45,323	39,302	37,887
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 740,880	\$ 710,271	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562
Contributions as a percentage of covered payroll	4.48 %	5.28 %	5.49 %	6.65 %	5.98 %	5.98 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Business-Type Activities

Rhode Island Lottery

	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 336	\$ 390	\$ 379	\$ 478	\$ 401	\$ 317
Contributions in relation to the actuarial determined contribution	336	390	379	478	401	317
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,493	\$ 7,386	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308
Contributions as a percentage of covered payroll	4.48 %	5.28 %	5.49 %	6.65 %	5.98 %	5.98 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions to Board of Education Plan
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

State's Share of Board of Education Plan

	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 6	\$ 6	\$ 12	\$ 14	\$ 12	\$ 18
Contributions in relation to the actuarial determined contribution	6	6	12	14	12	18
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 331	\$ 169	\$ 417	\$ 335	\$ 276	\$ 411
Contributions as a percentage of covered payroll	1.83 %	3.50 %	2.93 %	4.08 %	4.36 %	4.36 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Single-Employer Plans

Certain state employees are covered by the following single-employer plans, which are separate from the State Employees and Board of Education multiple-employer cost-sharing plans, that cover most state employees.

- Teachers Plan
- Judges Plan
- State Police Plan
- Legislators Plan

These plans are administered within the Rhode Island State Employees' and Electing Teachers OPEB System. Separate actuarial valuations are performed for each plan. Additional information for the plans is available in the separately issued audited financial statements of the Rhode Island State Employees' and Electing Teachers OPEB System.

The amounts included in these schedules for fiscal year 2023 reflect a June 30, 2022 measurement date.

The following schedules are presented for each single-employer plan:

- **Schedule of Changes in the Net OPEB Liability (Asset) and Related Ratios**
 - Teachers Plan
 - Judges Plan
 - State Police Plan
 - Legislators Plan

- **Schedule of State Contributions**
 - Teachers Plan
 - Judges Plan
 - State Police Plan
 - Legislators Plan

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 19 to the financial statements contains detailed information concerning OPEB plans.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

Teachers Plan

Year Ended	2023	2022	2021	2020	2019	2018
Measurement Date	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	373	477	556	581	612	562
Benefit Changes	—	—	—	(1,952)	—	—
Differences between expected and actual experience	(69)	(964)	(1,212)	1,954	91	1,625
Changes of assumptions	135	(696)	(164)	(45)	—	217
Benefit payments	(891)	(899)	(629)	(1,438)	(1,202)	(1,610)
Net Change in Total OPEB Liability	(452)	(2,082)	(1,449)	(900)	(499)	794
Total OPEB Liability-Beginning	7,902	9,984	11,433	12,333	12,832	12,038
Total OPEB Liability-Ending	\$ 7,450	\$ 7,902	\$ 9,984	\$ 11,433	\$ 12,333	\$ 12,832
Plan Fiduciary Net Position						
Employer contributions	\$ —	\$ —	\$ —	\$ 2,277	\$ 2,321	\$ 2,321
Net investment income	(1,708)	3,376	1,082	1,101	780	864
Benefit payments	(891)	(899)	(629)	(1,438)	(1,202)	(1,610)
Administrative expenses	(5)	(2)	(24)	(2)	(17)	7
Other	34	109	150	117	136	103
Net Change in Plan Fiduciary Net Position	\$ (2,570)	\$ 2,584	\$ 579	\$ 2,055	\$ 2,018	\$ 1,685
Plan Fiduciary Net Position-Beginning	17,013	14,429	13,850	11,795	9,777	8,092
Plan Fiduciary Net Position-Ending	\$ 14,443	\$ 17,013	\$ 14,429	\$ 13,850	\$ 11,795	\$ 9,777
Net OPEB Liability (Asset)	\$ (6,993)	\$ (9,111)	\$ (4,445)	\$ (2,417)	\$ 538	\$ 3,055
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	193.9 %	215.3 %	144.5 %	121.1 %	95.6 %	76.2 %
Covered Payroll	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A	N/A

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

Judges Plan

Year Ended	2023	2022	2021	2020	2019	2018
Measurement Date	2022	2021	2020	2019	2018	2017
Total OPEB Liability						
Service cost	\$ 8	\$ 13	\$ 22	\$ 22	\$ 15	\$ 20
Interest	15	18	64	60	68	50
Benefit Changes	—	—	—	(42)	—	—
Differences between expected and actual experience	(144)	(144)	(960)	102	(271)	(306)
Changes of assumptions	13	(7)	(69)	(11)	—	503
Benefit payments	82	57	(18)	(54)	72	138
Net Change in Total OPEB Liability	(26)	(63)	(961)	77	(116)	405
Total OPEB Liability-Beginning	259	322	1,283	1,206	1,322	917
Total OPEB Liability-Ending	\$ 233	\$ 259	\$ 322	\$ 1,283	\$ 1,206	\$ 1,322
Plan Fiduciary Net Position						
Employer contributions	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net investment income	(553)	1,080	327	341	293	334
Benefit payments	82	57	(18)	(54)	72	138
Administrative expenses	(2)	(1)	(2)	—	(6)	—
Other	27	25	56	49	54	26
Net Change in Plan Fiduciary Net Position	\$ (446)	\$ 1,161	\$ 363	\$ 336	\$ 413	\$ 498
Plan Fiduciary Net Position-Beginning	5,973	4,812	4,449	4,113	3,700	3,202
Plan Fiduciary Net Position-Ending	\$ 5,527	\$ 5,973	\$ 4,812	\$ 4,449	\$ 4,113	\$ 3,700
Net OPEB Liability (Asset)	\$ (5,294)	\$ (5,714)	\$ (4,490)	\$ (3,166)	\$ (2,907)	\$ (2,378)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2373.2 %	2307.8 %	1494.3 %	346.8 %	341.0 %	279.9 %
Covered Payroll	\$ 12,290	\$ 11,985	\$ 11,636	\$ 11,297	\$ 10,746	\$ 10,746
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(43.1)%	(47.7)%	(38.6)%	(28.0)%	(27.1)%	(22.1)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented. See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

State Police Plan

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability						
Service cost	\$ 4,671	\$ 4,280	\$ 4,481	\$ 4,108	\$ 3,920	\$ 3,836
Interest	4,353	4,210	4,391	4,369	4,148	4,202
Benefit Changes	—	—	—	(4,790)	—	—
Differences between expected and actual experience	(6,713)	(6,873)	(2,230)	630	(907)	(174)
Changes of assumptions	3,740	4,148	(6,974)	(1,161)	—	(6,005)
Benefit payments	(2,805)	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Net Change in Total OPEB Liability	3,246	2,377	(3,341)	355	4,312	(1,271)
Total OPEB Liability-Beginning	86,126	83,749	87,090	86,735	82,423	83,694
Total OPEB Liability-Ending	\$ 89,372	\$ 86,126	\$ 83,749	\$ 87,090	\$ 86,735	\$ 82,423
Plan Fiduciary Net Position						
Employer contributions	\$ 5,864	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919	\$ 7,702
Net investment income	(9,286)	17,041	4,775	4,683	3,413	3,491
Benefit payments	(2,805)	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Administrative expenses	(29)	(12)	(35)	(12)	(73)	(1)
Other	423	222	335	277	197	163
Net Change in Plan Fiduciary Net Position	\$ (5,833)	\$ 20,041	\$ 9,863	\$ 10,404	\$ 8,607	\$ 8,225
Plan Fiduciary Net Position-Beginning	86,452	66,411	56,548	46,144	37,537	29,312
Plan Fiduciary Net Position-Ending	\$ 80,619	\$ 86,452	\$ 66,411	\$ 56,548	\$ 46,144	\$ 37,537
Net OPEB Liability (Asset)	\$ 8,753	\$ (326)	\$ 17,338	\$ 30,542	\$ 40,591	\$ 44,886
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	90.2 %	100.4 %	79.3 %	64.9 %	53.2 %	45.5 %
Covered Payroll	\$ 29,380	\$ 25,401	\$ 24,661	\$ 23,943	\$ 21,334	\$ 21,334
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	29.8 %	(1.3)%	70.3 %	127.6 %	190.3 %	210.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

Legislators Plan

Year Ended	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability						
Service cost	\$ 28	\$ 39	\$ 57	\$ 71	\$ 54	\$ 63
Interest	51	58	80	79	74	66
Benefit Changes	—	—	—	(257)	—	—
Differences between expected and actual experience	(135)	(88)	(83)	284	102	168
Changes of assumptions	38	(41)	(350)	(61)	—	(45)
Benefit payments	(62)	(164)	(85)	(98)	(161)	(36)
Net Change in Total OPEB Liability	(80)	(196)	(381)	18	69	216
Total OPEB Liability-Beginning	1,035	1,231	1,612	1,594	1,525	1,309
Total OPEB Liability-Ending	\$ 955	\$ 1,035	\$ 1,231	\$ 1,612	\$ 1,594	\$ 1,525
Plan Fiduciary Net Position						
Employer contributions	\$ —	\$ —	\$ —	\$ 15	\$ 14	\$ 27
Net investment income	(420)	854	263	276	247	283
Benefit payments	(62)	(164)	(85)	(98)	(161)	(36)
Administrative expenses	(1)	(1)	(2)	—	(4)	—
Other	69	53	79	32	42	29
Net Change in Plan Fiduciary Net Position	\$ (414)	\$ 742	\$ 255	\$ 225	\$ 138	\$ 303
Plan Fiduciary Net Position-Beginning	4,264	3,522	3,267	3,042	2,904	2,601
Plan Fiduciary Net Position-Ending	\$ 3,850	\$ 4,264	\$ 3,522	\$ 3,267	\$ 3,042	\$ 2,904
Net OPEB Liability (Asset)	\$ (2,895)	\$ (3,228)	\$ (2,291)	\$ (1,655)	\$ (1,448)	\$ (1,379)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	403.2 %	412.3 %	287.6 %	202.6 %	190.9 %	190.4 %
Covered Payroll	\$ 1,954	\$ 1,925	\$ 1,868	\$ 1,814	\$ 1,719	\$ 1,719
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(148.2)%	(167.7)%	(122.6)%	(91.2)%	(84.2)%	(80.2)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

Teachers Plan

	2023*	2022*	2021*	2020*	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ —	\$ 2,321	\$ 2,321
Contributions in relation to the actuarial determined contribution	—	—	—	—	2,277 **	2,321
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ 44	\$ —
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A

**An actuarial valuation determined that no contribution was required for this OPEB plan.*

*** The contribution funded in Fiscal year 2019 was the amount appropriated by the General Assembly.*

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

Judges Plan

	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarial determined contribution	—	—	—	—	—	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$ 13,671	\$ 12,960	\$ 11,932	\$ 11,589	\$ 11,297	\$ 10,746
Contributions as a percentage of covered payroll	— %	— %	— %	— %	— %	— %

An actuarial valuation determined that no contribution was required for this OPEB plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Plan

	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 6,058	\$ 5,864	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919
Contributions in relation to the actuarial determined contribution	6,058	5,864	6,178	7,797	8,257	7,919
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 29,308	\$ 25,201	\$ 26,505	\$ 26,297	\$ 23,666	\$ 22,698
Contributions as a percentage of covered payroll	20.7 %	23.3 %	23.3 %	29.7 %	34.9 %	34.9 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - OPEB Information
Schedule of State Contributions
Last Six Fiscal Years Ended June 30
(Expressed in Thousands)

Legislators Plan

	2023*	2022*	2021*	2020*	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ —	\$ 15	\$ 14
Contributions in relation to the actuarial determined contribution	—	—	—	—	15	14
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,996	\$ 1,919	\$ 1,897	\$ 1,856	\$ 1,812	\$ 1,728
Contributions as a percentage of covered payroll	— %	— %	— %	— %	0.8 %	0.8 %

* An actuarial valuation determined that no contribution was required for this OPEB plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal year 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

Required Supplementary Information - OPEB

Significant Methods and Assumptions used in calculating the actuarial determined contributions

The actuarial determined contribution rates for fiscal year 2023 were determined based on valuations performed as of June 30, 2020. Significant methods and assumptions are summarized for each plan in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Individual Entry Age Normal					
Amortization Method	Level Percent of Pay	Level Dollar	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Remaining amortization period	16 Years Closed	Determined by Statutory Contribution	30 Years Open	16 Years Closed	30 Years Open	16 Years Closed
Asset valuation method	4 Year smoothed market, 20% corridor					
Actuarial Assumptions						
Investment Rate of Return	5%, net of OPEB plan expenses, including inflation					
Projected Salary Increases	3.25% to 6.0%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.0%	3.25% to 6.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.					
Mortality	Post-Retirement Mortality					
	Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16.					
	Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retiree Females, loaded by 111%, projected with Scale Ultimate MP16.					
	Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16.					
	Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16.					
	Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16.					
	Disabled Mortality					
	State Police: Sex distinct PUB-10 Tables for Safety Disabled Retirees, projected with Scale Ultimate MP16.					
	All other groups: Sex distinct PUB-10 Tables for General Disabled Retirees, projected with Scale UltimateMP16.					
	Pre-Retirement Mortality					
State Employees (excluding Correctional Officers), Legislators, and Board of Education: Sex distinct PUB-10 Tables for General Employees, projected with Scale Ultimate MP16.						
State Police and Correctional Officers: Sex distinct PUB-10 Tables for Safety Employees, projected with Scale Ultimate MP16.						
Judges: Sex distinct PUB-10 Above Median Income Tables for General Employees, projected with Scale Ultimate MP16.						
Healthcare Cost Trend Rate	Pre-Medicare: 7.50% in 2021, grading to 3.5% in 2033. Medicare: 6.25% in 2021, grading to 3.5% in 2033.					
Aging Factors	The tables used in developing the retiree only premium are based on the 2013 SOA Study "Health Care Costs-From Birth to Death".					
Inflation	Not explicitly used, consistent with 2.50% assumption.					

Factors affecting trends for amounts related to the net OPEB liability

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 19 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2022 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2022 measurement date compared to the June 30, 2021 measurement date.

June 30, 2021 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 measurement date:

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability have been removed as of the June 30, 2020 measurement date.

June 30, 2019 measurement date:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2020 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%. The healthcare cost trend rate used in determining the OPEB liability at June 30, 2019 measurement date decreased slightly from the previous measurement date.

June 30, 2018 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 Measurement date:

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees’ Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

Actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. For example, the annual required contributions for fiscal year 2021 were based on the actuarial valuation for the fiscal year ended June 30, 2018.

Section B

Schedule of Expenditures
of Federal Awards



Section B

Schedule of Expenditures of
Federal Awards

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Note: See page A-1 for *Independent Auditor’s Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards*

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001					\$ 253,387	
Plant and Animal Disease, Pest Control, and Animal Care	10.025					277,912	
Inspection Grading and Standardization	10.162					18,309	
Specialty Crop Block Grant Program - Farm Bill	10.170					273,015	\$ 170,884
Specialty Crop Block Grant Program - Farm Bill	10.170	COVID-19				80,738	69,101
Organic Certification Cost Share Programs	10.171					548	
Agricultural Worker Pandemic Relief and Protection Program	10.181	COVID-19				352,600	
Food Bank Network	10.182	COVID-19				360,909	345,000
Local Food for Schools Cooperative Agreement Program	10.185					6,207	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205					109	
Outreach and Assistance for Socially Disadvantaged and Veteran Farmers and Ranchers	10.443					(7)	
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525					221,748	210,011
SNAP Fraud Framework Implementation Grant	10.535					110,477	
Child Nutrition-Technology Innovation Grant	10.541					242,901	
Pandemic EBT Food Benefits	10.542	COVID-19				36,430,064	
SNAP Cluster:							
Supplemental Nutrition Assistance Program	10.551				\$ 430,832,512		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				27,422,837		2,274,428
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	COVID-19			<u>1,859,864</u>	460,115,213	
Child Nutrition Cluster:							
School Breakfast Program	10.553				10,851,026		10,046,606
National School Lunch Program (See Notes 4 and 9)	10.555				45,753,851		36,377,816
Special Milk Program for Children	10.556				16,529		16,529
Summer Food Service Program for Children (See Notes 4 and 9)	10.559				1,610,959		1,199,370
Fresh Fruit and Vegetable Program	10.582				<u>1,737,806</u>	59,970,171	1,577,682
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557					21,947,175	4,291,336
Child and Adult Care Food Program	10.558					7,695,655	7,374,934
State Administrative Expenses for Child Nutrition	10.560					1,134,831	
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565				180,490		161,987
Emergency Food Assistance Program (Administrative Costs)	10.568				<u>393,544</u>	574,034	393,442
WIC Farmers' Market Nutrition Program (FMNP)	10.572					64,730	51,120
Farm to School Grant Program	10.575				134,722		120,000
Farm to School Grant Program	10.575	COVID-19			<u>16,408</u>	151,130	
Senior Farmers Market Nutrition Program	10.576					237,637	206,019
WIC Grants to States (WGS)	10.578					318,855	
Child Nutrition Discretionary Grants Limited Availability	10.579					69,958	69,958
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580					111	
Pandemic EBT Administrative Costs	10.649	COVID-19				916,242	93,531
Cooperative Forestry Assistance	10.664					705,153	285,354
Forest Legacy Program	10.676					100,813	
State and Private Forestry Cooperative Fire Assistance	10.698					4,181	3,868
Environmental Quality Incentives Program	10.912					31,362	
Regional Conservation Partnership Program	10.932					<u>8,313</u>	
Total U.S. Department of Agriculture (USDA)						<u>\$ 592,674,481</u>	<u>\$ 65,338,976</u>
U.S. Department of Commerce (DOC)							
NOAA Mission-Related Education Awards	11.008					\$ 9,839	
Economic Development Cluster:							
Investments for Public Works and Economic Development Facilities	11.300				\$ (498)		
Economic Adjustment Assistance	11.307				<u>10,521,623</u>	10,521,125	
Interjurisdictional Fisheries Act of 1986	11.407					176,595	
Sea Grant Support	11.417					12,522	
Coastal Zone Management Administration Awards	11.419					1,519,641	\$ 19,000
Coastal Zone Management Estuarine Research Reserves	11.420					762,992	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427					262,409	
Marine Fisheries Initiative	11.433					601,129	

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Regional Fishery Management Councils	11.441					46,189	
Unallied Management Projects	11.454	COVID-19				9,050	
Unallied Science Program	11.472					(33)	
Office for Coastal Management	11.473					4,646	
Atlantic Coastal Fisheries Cooperative Management Act	11.474					651,935	
Total U.S. Department of Commerce (DOC)						<u>\$ 14,578,039</u>	<u>\$ 19,000</u>
U.S. Department of Defense (DOD)							
Procurement Technical Assistance for Business Firms	12.002					\$ 333,738	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113					503,666	
Basic and Applied Scientific Research	12.300					(209,955)	
Military Construction, National Guard	12.400					1,297,891	
National Guard Military Operations and Maintenance (O&M) Projects	12.401					23,362,322	
GenCyber Grants Program	12.903					98,274	
Total U.S. Department of Defense (DOD)						<u>\$ 25,385,936</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development (HUD)							
Mortgage Insurance Homes (See Note 3)	14.117					\$ 376,855,419	
Qualified Participating Entities (QPE) Risk Sharing (See Note 3)	14.189					332,665,775	
Section 8 Project-Based Cluster:							
Section 8 Housing Assistance Payments Program	14.195				\$ 212,205,980		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856				<u>435,836</u>	212,641,816	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228				12,440,200		\$ 3,544,853
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228	COVID-19			<u>4,496,942</u>	16,937,142	4,320,500
Emergency Solutions Grant Program	14.231					450,340	432,740
Emergency Solutions Grant Program	14.231	COVID-19				1,643,725	1,348,208
Home Investment Partnerships Program (See Note 3)	14.239					36,309,249	
Housing Opportunities for Persons with AIDS	14.241				304,584		285,316
Housing Opportunities for Persons with AIDS	14.241	COVID-19			<u>36,370</u>	340,954	24,602
Continuum of Care Program	14.267					3,253,167	
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:							
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269				<u>(43)</u>	(43)	
Housing Trust Fund (See Note 3)	14.275					12,231,928	
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326					382,794	
Fair Housing Assistance Program State and Local	14.401					160,387	
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871				<u>20,855,350</u>	20,855,350	
Family Self-Sufficiency Program	14.896					247,184	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900					934,356	
Total U.S. Department of Housing and Urban Development (HUD)						<u>\$ 1,015,909,543</u>	<u>\$ 9,956,219</u>
U.S. Department of the Interior (DOI)							
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES) Fish and Wildlife Cluster:	15.423					\$ 158,986	
Sport Fish Restoration	15.605				\$ 4,830,432		
Wildlife Restoration and Basic Hunter Education	15.611				<u>6,128,834</u>	10,959,266	
Fish and Wildlife Management Assistance	15.608					108,100	\$ 32,000
Cooperative Endangered Species Conservation Fund	15.615					(19,960)	
Clean Vessel Act	15.616					67,489	58,946
Sportfishing and Boating Safety Act	15.622					(93)	
Coastal	15.630					(3)	
State Wildlife Grants	15.634					610,261	
White-nose Syndrome National Response Implementation	15.684					21,094	
Historic Preservation Fund Grants-In-Aid	15.904					636,938	71,130
Outdoor Recreation Acquisition, Development and Planning	15.916					27,108	
National Maritime Heritage Grants	15.925					(1)	
Water Use and Data Research	15.981					(22)	
Total U.S. Department of the Interior (DOI)						<u>\$ 12,569,163</u>	<u>\$ 162,076</u>

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
U.S. Department of Justice (DOJ)							
Sexual Assault Services Formula Program	16.017					\$ 158,425	\$ 150,891
Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19				1,096,973	
Juvenile Justice and Delinquency Prevention	16.540					214,835	136,578
Missing Children's Assistance	16.543					302,688	
State Justice Statistics Program for Statistical Analysis Centers	16.550					61,080	
National Criminal History Improvement Program (NCHIP)	16.554					838,031	
Crime Victim Assistance	16.575					4,008,791	3,554,847
Crime Victim Compensation	16.576					390,893	
Edward Byrne Memorial Formula Grant Program	16.579					84	
Crime Victim Assistance/Discretionary Grants	16.582					96,690	
Drug Court Discretionary Grant Program	16.585					309,524	
Violence Against Women Formula Grants	16.588					678,026	297,298
Residential Substance Abuse Treatment for State Prisoners	16.593					123,758	
State Criminal Alien Assistance Program	16.606					1,361,250	
Project Safe Neighborhoods	16.609					21,587	9,000
Public Safety Partnership and Community Policing Grants	16.710					3,263	
Edward Byrne Memorial Justice Assistance Grant Program	16.738					48,344	
DNA Backlog Reduction Program	16.741					395,283	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742					381,695	
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745					32,438	
Support for Adam Walsh Act Implementation Grant Program	16.750					305,745	
Harold Rogers Prescription Drug Monitoring Program	16.754					406,552	
Second Chance Act Reentry Initiative	16.812					85,882	
John R. Justice Prosecutors and Defenders Incentive Act	16.816					23,453	
Smart Prosecution Initiative	16.825					61,731	
Justice Reinvestment Initiative	16.827					350,400	
Body Worn Camera Policy and Implementation	16.835					886,978	594,810
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838					249,762	164,475
Equitable Sharing Program	16.922					1,175,171	
Total U.S. Department of Justice (DOJ)					<u>\$ 14,069,332</u>	<u>\$ 4,907,899</u>	
U.S. Department of Labor (DOL)							
Labor Force Statistics	17.002					\$ 916,757	
Compensation and Working Conditions	17.005					19,442	
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207				\$ 2,398,036		
Jobs for Veterans State Grants	17.801				170,224	2,568,260	
Unemployment Insurance (See Note 6)	17.225				170,057,528		
Unemployment Insurance (See Note 6)	17.225	COVID-19			1,587,116	171,644,644	
Senior Community Service Employment Program	17.235					421,930	
Trade Adjustment Assistance	17.245					681,417	\$ 29,000
WIOA Cluster:							
WIOA Adult Program	17.258				3,075,020		1,105,229
WIOA Youth Activities	17.259				3,733,424		1,320,374
WIOA Dislocated Worker Formula Grants	17.278				5,268,609	12,077,053	883,292
Incentive Grants - WIA Section 503	17.267					(1)	
H-1B Job Training Grants	17.268					107	
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277					4,311,628	
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280					770	
Apprenticeship USA Grants	17.285					955,761	424,273
Consultation Agreements	17.504					495,829	
Local Veterans' Employment Representative Program	17.804					268,242	
Total U.S. Department of Labor (DOL)					<u>\$ 194,361,839</u>	<u>\$ 3,762,168</u>	
U.S. Department of Transportation (DOT)							
Airport Improvement Program	20.106				\$ 7,922,285		
Airport Improvement Program	20.106	COVID-19			10,615,477	\$ 18,537,762	
Highway Research and Development Program	20.200					609,398	
Highway Planning and Construction	20.205				420,087,414		\$ 1,544,483
Highway Planning and Construction	20.205	COVID-19			25,868,445	445,955,859	
Highway Training and Education	20.215					18,751	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218				1,368,562		
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237				<u>112,871</u>	1,481,433	
Recreational Trails Program	20.219					959	
Commercial Driver's License Program Implementation Grant	20.232					478,880	
Consolidated Rail Infrastructure and Safety Improvements	20.325					2,652,363	
Federal-State Partnership for State of Good Repair	20.326					544,635	
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500				1,314,412		460,611
Federal Transit Formula Grants	20.507				66,541,263		
Federal Transit Formula Grants	20.507	COVID-19			22,115,079		
State of Good Repair Grants Program	20.525				6,274,788		
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526				<u>16,564,406</u>	112,809,948	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505					819,225	
Formula Grants for Rural Areas and Tribal Transit Program	20.509				1,267,842		
Formula Grants for Rural Areas and Tribal Transit Program	20.509	COVID-19			<u>500,000</u>	1,767,842	
Transit Services Program Cluster:							
Enhanced Mobility of Seniors and Individual with Disabilities	20.513				<u>1,036,743</u>	1,036,743	
Public Transportation Research, Technical Assistance, and Training	20.514					1,513	
Public Transportation Emergency Relief Program	20.527					11,156	
Accelerating Innovative Mobility Challenge Grant	20.530					68,053	
Highway Safety Cluster:							
State and Community Highway Safety	20.600				2,558,941		1,417,853
National Priority Safety Programs	20.616				<u>2,769,422</u>	5,328,363	1,767,991
Minimum Penalties for Repeat Offenders for Driving While Intoxicated National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614					73,678	
Pipeline Safety Program State Base Grant	20.700					475,806	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703					162,850	5,488
Port Infrastructure Development Program	20.823					2,237,320	
National Infrastructure Investments	20.933					<u>19,867,263</u>	
Total U.S. Department of Transportation (DOT)						<u>\$ 619,836,179</u>	<u>\$ 6,951,778</u>
U.S. Department of the Treasury (TREAS)							
Capital Magnet Fund (See Note 3)	21.011					\$ 8,120,453	
Equitable Sharing	21.016					3,935	
Coronavirus Relief Fund	21.019	COVID-19				3,100,542	
Emergency Rental Assistance Program (See Note 9)	21.023	COVID-19				60,384,510	\$ 3,699,032
Homeowner Assistance Fund (See Note 9)	21.026	COVID-19				35,809,392	
Coronavirus State and Local Fiscal Recovery Funds (See Note 9)	21.027	COVID-19				320,348,631	33,175,095
Coronavirus Capital Projects Fund	21.029	COVID-19				303,042	
State Small Business Credit Initiative Technical Assistance Grant Program	21.031	COVID-19				<u>19,737,308</u>	
Total U.S. Department of the Treasury (TREAS)						<u>\$ 447,807,813</u>	<u>\$ 36,874,127</u>
Equal Employment Opportunity Commission (EEOC)							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002					\$ 103,597	
Total Equal Employment Opportunity Commission (EEOC)						<u>\$ 103,597</u>	<u>\$ -</u>
General Services Administration (GSA)							
Donation of Federal Surplus Personal Property (See Notes 4 and 9)	39.003					\$ 3,672,026	\$ 3,672,026
Total General Services Administration (GSA)						<u>\$ 3,672,026</u>	<u>\$ 3,672,026</u>
National Endowment for the Arts (NEA)							
Promotion of the Arts Partnership Agreements	45.025					\$ 1,082,807	\$ 592,501
Promotion of the Humanities Federal/State Partnership	45.129		Rhode Island Council for the Humanities	SO-283104-22		850	
Grants to States	45.310				\$ 1,089,091		78,526
Grants to States	45.310	COVID-19			<u>781,748</u>	1,870,839	793,620
Total National Endowment for the Arts (NEA)						<u>\$ 2,954,496</u>	<u>\$ 1,464,647</u>

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
U.S. Department of Veterans Affairs (VA)							
Veterans State Nursing Home Care	64.015					\$ 10,957,216	
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055					152,848	\$ 36,153
All-Volunteer Force Educational Assistance	64.124					95,724	
Veterans Cemetery Grants Program	64.203					1,398	
State Extended Care Facilities for Veterans	64.U01	COVID-19; COVID250MSHARE				1,512,779	
Total U.S. Department of Veterans Affairs (VA)						<u>\$ 12,719,965</u>	<u>\$ 36,153</u>
Environmental Protection Agency (EPA)							
State Indoor Radon Grants	66.032					\$ 83,740	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034					1,004,304	
Diesel Emissions Reduction Act (DERA) National Grants	66.039					21,565	\$ 21,375
Diesel Emissions Reduction Act (DERA) State Grants	66.040					543,347	100,245
Healthy Communities Grant Program	66.110					16,347	16,334
Southeast New England Coastal Watershed Restoration Program	66.129					54,824	
Multipurpose Grants to States and Tribes	66.204					45,723	
State Public Water System Supervision	66.432					538,461	
Assistance for Small and Disadvantaged Communities Drinking Water Grant Program (SDWA 1459A)	66.442					300,871	300,871
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444					700	
Water Quality Management Planning	66.454					341,364	121,194
National Estuary Program	66.456					1,547	
Clean Water State Revolving Fund Cluster:							
Capitalization Grants for Clean Water State Revolving Funds	66.458				\$ 1,596,476	1,596,476	1,571,754
Regional Wetland Program Developments Grant	66.461					152,238	
Drinking Water State Revolving Fund Cluster:							
Capitalization Grants for Drinking Water State Revolving Funds	66.468				13,846,321	13,846,321	10,674,158
Beach Monitoring and Notification Program Implementation Grants	66.472					185,564	
Performance Partnership Grants	66.605					5,809,432	1,344,473
Surveys, Studies, Investigations and Special Purpose Grants	66.606					(364)	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608					153,904	16,250
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701					73,516	
Pollution Prevention Grants Program	66.708					35,156	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802					348,819	
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804					178,202	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805					346,808	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809					90,710	
State and Tribal Response Program Grants	66.817					950,071	
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818					238,314	
Total Environmental Protection Agency (EPA)						<u>\$ 26,957,960</u>	<u>\$ 14,166,654</u>
U.S. Department of Energy (DOE)							
State Energy Program	81.041					\$ 593,452	
Weatherization Assistance for Low-Income Persons	81.042					579,277	\$ 558,315
Office of Science Financial Assistance Program	81.049					93,010	72,996
Conservation Research and Development	81.086					336,412	231,637
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117					1,398	
State Energy Program Special Projects	81.119					99,242	43,385
State Heating Oil and Propane Program	81.138					20,970	
Maintaining Grid Health In Rural Communities	81.U01	AGR-2020-10203				30,085	
Total U.S. Department of Energy (DOE)						<u>\$ 1,753,846</u>	<u>\$ 906,333</u>

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
U.S. Department of Education (ED)							
Adult Education - Basic Grants to States	84.002					\$ 2,246,253	\$ 1,914,790
Student Financial Assistance Cluster: (See Note 7)							
Federal Supplemental Educational Opportunity Grants	84.007				\$ 2,382,449		
Federal Work-Study Program	84.033				2,020,627		
Federal Perkins Loan Program - Federal Capital Contributions (See Note 3)	84.038				3,325,486		
Federal Pell Grant Program	84.063				49,157,539		
Federal Direct Student Loans (See Note 3)	84.268				110,880,801		
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				<u>30,176</u>	167,797,078	
Title I Grants to Local Educational Agencies	84.010					65,633,014	61,100,617
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013					212,515	
Overseas Programs - Group Projects Abroad	84.021					54,339	
Special Education (IDEA) Cluster:							
Special Education Grants to States	84.027				53,284,758		46,127,692
Special Education Grants to States	84.027	COVID-19			4,919,260		4,758,536
Special Education Preschool Grants	84.173				1,858,058		1,401,842
Special Education Preschool Grants	84.173	COVID-19			<u>504,553</u>	60,566,629	490,117
Higher Education Institutional Aid	84.031					460,912	
TRIO Cluster:							
TRIO Student Support Services	84.042				1,190,094		
TRIO Talent Search	84.044				570,039		
TRIO Upward Bound	84.047				783,384		
TRIO Educational Opportunity Centers	84.066				823,443		
TRIO McNair Post-Baccalaureate Achievement	84.217				<u>269,010</u>	3,635,970	
Career and Technical Education - Basic Grants to States	84.048					7,682,184	5,779,467
Career and Technical Education - National Programs	84.051					67,662	
Fund for the Improvement of Postsecondary Education	84.116					29,353	
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126					11,293,251	
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177					221,474	
Special Education - Grants for Infants and Families	84.181				2,679,579		1,057,949
Special Education - Grants for Infants and Families	84.181	COVID-19			<u>519,504</u>	3,199,083	519,369
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities - National Programs)	84.184					3,069,116	881,808
Safe and Drug-Free Schools and Communities - State Grants	84.186					(44)	
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187					433,751	
Education for Homeless Children and Youth	84.196					308,023	249,134
Charter Schools	84.282					818,509	818,509
Twenty-First Century Community Learning Centers	84.287					6,710,129	6,292,936
Special Education - State Personnel Development	84.323					632,304	98,113
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325					229,794	
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326					61,887	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334					3,498,187	3,496,665
English Language Acquisition State Grants	84.365					2,934,907	2,558,995
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367					12,059,498	10,888,661
Grants for State Assessments and Related Activities	84.369					3,554,851	
Comprehensive Literacy Development	84.371					4,141,833	3,424,097
Statewide Longitudinal Data Systems	84.372					476,673	
School Improvement Grants	84.377					299,108	132,444
Education Innovation and Research (formerly Investing in Innovation (I3) Fund)	84.411					557,170	107,780
Student Support and Academic Enrichment Program	84.424					6,746,067	6,183,790
Education Stabilization Fund:							
Discretionary Grants: Rethink K-12 Education Model Grants	84.425B	COVID-19			2,853,578		
Governors' Emergency Education Relief (GEER) Fund	84.425C	COVID-19			7,529,977		1,719,955
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	COVID-19			79,680,846		71,196,838
Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion	84.425E	COVID-19			4,956,874		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Higher Education Emergency Relief Fund (HEERF) - Institution Portion	84.425F	COVID-19			9,533,435		
Higher Education Emergency Relief Fund (HEERF) - Strengthening Institutions Program	84.425M	COVID-19			2,064,843		
Higher Education Emergency Relief Fund (HEERF) - Supplemental Support under American Rescue Plan (SSARP) Program	84.425T	COVID-19			377,305		
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	COVID-19			113,847,276		109,149,363
American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS) Program	84.425V	COVID-19			493,030		
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	COVID-19			488,820	221,825,984	457,265
Randolph-Sheppard – Financial Relief and Restoration Payments	84.426	COVID-19				9,769	
National Assessment Of Educational Programs	84.U01	91990020C0023				166,475	
Total U.S. Department of Education (ED)					<u>\$</u>	<u>591,633,708</u>	<u>\$</u> 340,806,732
Consumer Product Safety Commission (CPSC)							
Virginia Graeme Baker Pool and Spa Safety	87.002					\$ (1,910)	
Total Consumer Product Safety Commission (CPSC)						<u>\$</u> (1,910)	<u>\$</u> -
National Archives and Records Administration (NARA)							
National Historical Publications and Records Grants	89.003					\$ (727)	
Total National Archives and Records Administration (NARA)						<u>\$</u> (727)	<u>\$</u> -
Election Assistance Commission (EAC)							
2018 HAVA Election Security Grants	90.404					\$ 562,060	
Total Election Assistance Commission (EAC)						<u>\$</u> 562,060	<u>\$</u> -
U.S. Department of Health and Human Services (HHS)							
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041					\$ 23,761	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042				\$ 98,592		\$ 98,577
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	COVID-19			13,810	112,402	13,820
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				84,292		84,254
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	COVID-19			17,340	101,632	17,333
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044				2,383,382		1,568,117
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	COVID-19			1,279,085		818,906
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				2,584,057		1,919,882
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	COVID-19			1,248,770		1,248,770
Nutrition Services Incentive Program	93.053				391,413	7,886,707	391,300
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048				243,205		121,729
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	COVID-19			44,780	287,985	22,065
National Family Caregiver Support, Title III, Part E	93.052				770,069		769,802
National Family Caregiver Support, Title III, Part E	93.052	COVID-19			143,161	913,230	137,963
Public Health Emergency Preparedness	93.069					5,447,746	563,026
Environmental Public Health and Emergency Response	93.070					1,462,290	45,680
Medicare Enrollment Assistance Program	93.071					160,114	130,639
Lifespan Respite Care Program	93.072					282,109	229,030
Hospital Preparedness Program (HPP) and public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074					101	
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079					161,878	
Advancing System Improvements for Key Issues in Women's Health	93.088					289,640	107,472
Guardianship Assistance	93.090				1,114,288		
Guardianship Assistance	93.090	COVID-19			121,215	1,235,503	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092					337,808	178,151
Food and Drug Administration Research	93.103					970,848	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104					1,024,494	

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Maternal and Child Health Federal Consolidated Programs	93.110				1,760,262		931,039
Maternal and Child Health Federal Consolidated Programs	93.110		Rhode Island Hospital	5T73MC30121-02-00	<u>146,043</u>	1,906,305	
Environmental Health	93.113					68	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116					197,833	3,743
Emergency Medical Services for Children	93.127					110,894	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130					182,273	
Injury Prevention and Control Research and State and Community Based Programs	93.136					5,760,694	1,753,195
Community Programs to Improve Minority Health Grant Program	93.137					53,843	
Projects for Assistance in Transition from Homelessness (PATH)	93.150					288,667	288,548
Grants to States for Loan Repayment	93.165					29,551	
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197					490,011	17,028
Family Planning Services	93.217				1,315,275		665,199
Family Planning Services	93.217	COVID-19			<u>165,293</u>	1,480,568	136,367
Traumatic Brain Injury State Demonstration Grant Program	93.234					296,891	83,457
Grants to States to Support Oral Health Workforce Activities	93.236					615,191	
State Capacity Building	93.240					416,204	26,843
Mental Health Research Grants	93.242				52,988		
Mental Health Research Grants	93.242		University of Pittsburgh	7R34MH123589	<u>73,260</u>	126,248	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					9,784,600	6,128,323
Early Hearing Detection and Intervention	93.251					214,181	33,868
Immunization Cooperative Agreements (See Note 4)	93.268				17,999,872		170,217
Immunization Cooperative Agreements (See Note 4)	93.268	COVID-19			<u>5,826,892</u>	23,826,764	29,770
Viral Hepatitis Prevention and Control	93.270					724,015	163,925
Drug Abuse and Addiction Research Programs	93.279					154,257	33,852
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283					86,157	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314					120,369	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323				2,937,944		
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19			<u>58,950,068</u>	61,888,012	5,046,329
State Health Insurance Assistance Program	93.324				227,574		124,965
State Health Insurance Assistance Program	93.324	COVID-19			<u>34,603</u>	262,177	34,591
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334					668,440	147,521
Behavioral Risk Factor Surveillance System	93.336					741,808	
Student Financial Assistance Cluster: (See Note 7)							
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (See Note 3)	93.342				2,323,750		
Nursing Student Loans (See Note 3)	93.364				<u>1,976,315</u>	4,300,065	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354				209,768		169,365
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	COVID-19			<u>4,103,819</u>	4,313,587	615,857
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366					1,084,591	135,957
ACL Independent Living State Grants	93.369					320,336	
National and State Tobacco Control Program	93.387					2,125,473	465,006
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	COVID-19				6,041,915	2,115,357
The State Flexibility to Stabilize the Market Grant Program	93.413					401,024	
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421					172,756	
1332 State Innovation Waivers	93.423					12,392,493	12,392,493
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426					2,003,963	581,173
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433		The Ohio State University	90RTHF0002-03-00		15,035	

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Every Student Succeeds Act/Preschool Development Grants	93.434					9,199,851	7,099,840
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435					1,442,742	533,618
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436					494,849	94,789
Food Safety and Security Monitoring Project	93.448					(1,907)	
ACL Assistive Technology	93.464					394,472	
ACL Assistive Technology	93.464	COVID-19				17,501	
Alzheimer's Disease Program Initiative (ADPI)	93.470					87,691	48,942
Title IV-E Prevention Program	93.472					(522,810)	
Congressional Directives	93.493					936,834	6,982
Community Health Workers for Public Health Response and Resilient Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	93.497	COVID-19				32,256	32,256
Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	COVID-19				(20)	
ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers	93.506					(2,665)	
Public Health Training Centers Program	93.516					52,926	33,852
State Planning and Establishment Grants for the Affordable Care Act's (ACA)'s Exchanges	93.525					32,543	
MaryLee Allen Promoting Safe and Stable Families Program	93.556					1,045,787	
Temporary Assistance for Needy Families	93.558				65,851,669		10,614,257
Temporary Assistance for Needy Families	93.558	COVID-19			<u>2,676,205</u>	68,527,874	
Child Support Enforcement	93.563					12,129,223	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566					1,873,823	983,545
Low-Income Home Energy Assistance	93.568				33,534,348		31,014,001
Low-Income Home Energy Assistance	93.568	COVID-19			<u>18,297,136</u>	51,831,484	18,218,024
Community Services Block Grant	93.569				3,927,490		3,881,269
Community Services Block Grant	93.569	COVID-19			<u>1,348,712</u>	5,276,202	1,348,610
CCDF Cluster:							
Child Care and Development Block Grant	93.575				11,488,700		4,914,671
Child Care and Development Block Grant	93.575	COVID-19			17,630,062		1,684,673
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596				<u>12,335,297</u>	41,454,059	
Refugee and Entrant Assistance Discretionary Grants	93.576					60,597	26,067
State Court Improvement Program	93.586				241,818		
State Court Improvement Program	93.586	COVID-19			<u>22,570</u>	264,388	
Community-Based Child Abuse Prevention Grants	93.590				21,292		
Community-Based Child Abuse Prevention Grants	93.590	COVID-19			<u>44,067</u>	65,359	
Grants to States for Access and Visitation Programs	93.597					104,768	
Chafee Education and Training Vouchers Program (ETV)	93.599				200,059		
Chafee Education and Training Vouchers Program (ETV)	93.599	COVID-19			<u>106,692</u>	306,751	
Head Start	93.600					148,620	
Adoption and Legal Guardianship Incentive Payments	93.603					50,026	
Community Health Access and Rural Transformation (CHART) Model	93.624					(730)	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632					619,022	
Support for Ombudsman and Beneficiary Counseling Programs for States	93.634					467,321	184,470
Participating in Financial Alignment Model Demonstrations for Dually Children's Justice Grants to States	93.643					207,391	
Stephanie Tubbs Jones Child Welfare Services Program	93.645				483,908		
Stephanie Tubbs Jones Child Welfare Services Program	93.645	COVID-19			<u>79,602</u>	563,510	
Social Services Research and Demonstration	93.647					90,698	
Foster Care Title IV-E	93.658				12,744,701		
Foster Care Title IV-E	93.658	COVID-19			<u>376,616</u>	13,121,317	
Adoption Assistance	93.659				11,690,152		
Adoption Assistance	93.659	COVID-19			<u>1,016,824</u>	12,706,976	
Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	93.664					69,736	
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	COVID-19				1,835,623	1,483,376
Social Services Block Grant	93.667					11,952,583	3,902,998

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Child Abuse and Neglect State Grants	93.669				564,595		
Child Abuse and Neglect State Grants	93.669	COVID-19			<u>8,268</u>	572,863	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671				862,369		815,152
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	COVID-19			<u>371,792</u>	1,234,161	371,792
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674				557,442		
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	COVID-19			<u>462,501</u>	1,019,943	
Mental and Behavioral Health Education and Training Grants	93.732					799,414	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs, financed by Prevention	93.734					(11,684)	
Elder Abuse Prevention Interventions Program	93.747				15,170		
Elder Abuse Prevention Interventions Program	93.747	COVID-19			<u>514,083</u>	529,253	440,019
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations, financed in part by Prevention and Public Health Funds (PPHF)	93.752					(75,571)	
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757					(4,257)	
Preventive Health and Health Services Block Grant, funded solely with Prevention and Public Health Funds (PPHF)	93.758					(143)	
Children's Health Insurance Program (See Note 5)	93.767				104,201,031		
Children's Health Insurance Program (See Note 5)	93.767	COVID-19			<u>6,470,610</u>	110,671,641	
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775				927,114		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777				4,347,585		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	COVID-19			97,253		
Medical Assistance Program (See Notes 5, 8 and 9)	93.778				2,261,421,703		
Medical Assistance Program (See Notes 5, 8 and 9)	93.778	COVID-19			<u>154,030,572</u>	2,420,824,227	
Centers for Medicare and Medicaid Services (CMSS) Research, Demonstrations and Evaluations	93.779					346,204	
Opioid STR	93.788					6,257,918	5,129,430
Money Follows the Person Rebalancing Demonstration	93.791					2,851,836	2,986
Organized Approaches to Increase Colorectal Cancer Screening	93.800					529,836	243,340
Promoting Population Health through Increased Capacity in Alcohol Epidemiology	93.845					170,681	
Allergy and Infectious Diseases Research	93.855					77,866	
Biomedical Research and Research Training	93.859					119,919	
Maternal, Infant and Early Childhood Home Visiting Grant	93.870				6,990,509		5,549,974
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	COVID-19			<u>585,063</u>	7,575,572	533,795
National Bioterrorism Hospital Preparedness Program	93.889					886,470	380,423
Cancer prevention and Control Programs for State, Territorial and Tribal Organizations	93.898					2,728,838	1,026,499
Grants to States for Operation of State Offices of Rural Health	93.913					296,521	15,361
HIV Care Formula Grants (See Note 5)	93.917					13,287,826	3,381,481
HIV Prevention Activities Health Department Based	93.940					1,322,604	303,513
Assistance Programs for Chronic Disease Prevention and Control	93.945					372,272	10,980
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946					203,165	
Block Grants for Community Mental Health Services	93.958				3,754,227		3,254,751
Block Grants for Community Mental Health Services	93.958	COVID-19			<u>2,475,762</u>	6,229,989	1,503,770
Block Grants for Prevention and Treatment of Substance Abuse	93.959				5,064,333		5,813,484
Block Grants for Prevention and Treatment of Substance Abuse	93.959	COVID-19			<u>4,719,554</u>	9,783,887	3,965,883
CDC's Collaboration with Academia to Strengthen Public Health	93.967					403,048	
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977				394,826		29,603
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	COVID-19			<u>1,219,387</u>	1,614,213	2,870
Mental Health Disaster Assistance and Emergency Mental Health	93.982	COVID-19				(1,460,146)	
Preventive Health and Health Services Block Grant	93.991					683,891	361,012
Maternal and Child Health Services Block Grant to the States	93.994					1,620,319	513,721
Mammography Quality Standards Act	93.U01	HHSF223201710206C				167,387	
Vital Records - National Death Index	93.U02	200-2017-M-93737				17,556	

STATE OF RHODE ISLAND
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Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Vital Records - SSA Death Data	93.U03	SS00-12-60050				13,577	
Vital Records - SSA Birth Data/EAB	93.U04	SS00-14-61090				78,803	
Food Inspections	93.U05	HHSF223201710096C				140	
Vital Records - Data Collection	93.U06	200-2017-92545				152,237	
Transformation Transfer Initiative	93.U08	SC-3011.3-RI-01				384,778	308,265
Childhood Cancer Star Project	93.U09	75D30119C04797				104,411	104,388
Total U.S. Department of Health and Human Services (HHS)						<u>\$ 2,998,227,924</u>	<u>\$ 164,128,027</u>
Corporation for National and Community Service (CNCS)							
State Commissions	94.003					\$ 151,521	
AmeriCorps	94.006					1,576,196	\$ 1,576,196
Training and Technical Assistance	94.009					139,157	
Foster Grandparent/Senior Companion Cluster: Senior Companion Program	94.016				\$ 431,277	431,277	247,590
Total Corporation for National and Community Service (CNCS)						<u>\$ 2,298,151</u>	<u>\$ 1,823,786</u>
Social Security Administration (SSA)							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001				\$ 9,968,128	9,968,128	
Social Security - Work Incentives Planning and Assistance Program	96.008					337,142	
Social Security Investigations	96.U01	10.066.3005117				210,263	
Total Social Security Administration (SSA)						<u>\$ 10,515,533</u>	<u>\$ -</u>
U.S. Department of Homeland Security (DHS)							
Non-Profit Security Program	97.008					\$ 193,606	\$ 182,009
Boating Safety Financial Assistance	97.012					821,649	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023					87,322	
Crisis Counseling	97.032	COVID-19				1,500,509	1,043,455
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				9,319,976		4,657,184
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 9)	97.036	COVID-19			<u>320,739,245</u>	330,059,221	45,388,979
Hazard Mitigation Grant	97.039					103,971	
National Dam Safety Program	97.041					88,734	
Emergency Management Performance Grants	97.042				3,182,333		354,217
Emergency Management Performance Grants	97.042	COVID-19			<u>(74,494)</u>	3,107,839	
Assistance to Firefighters Grant	97.044					246,016	
BRIC: Building Resilient Infrastructure and Communities	97.047					84,034	5,444
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048					207,929	200,942
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050					(10,994)	
Emergency Operations Center	97.052					2,536	
Port Security Grant Program	97.056					183,538	
Homeland Security Grant Program	97.067					4,292,701	910,049
Aviation Research Grants	97.069					24,453	
National Explosives Detection Canine Team Program	97.072					111,095	
Law Enforcement Officer Reimbursement Agreement Program	97.090					92,660	
Total U.S. Department of Homeland Security (DHS)						<u>\$ 341,196,819</u>	<u>\$ 52,742,279</u>
NeighborWorks America							
Housing Stability Counseling Program	99.U19	COVID-19				\$ 41,327	
Total NeighborWorks America						<u>\$ 41,327</u>	<u>\$ -</u>
Research and Development Cluster: (See Note 1)							
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001				\$ 144,709		
Agricultural Research Basic and Applied Research	10.001		Bigelow Laboratory for Ocean Sciences	490040E		63,552	
Plant and Animal Disease, Pest Control, and Animal Care	10.025					335,481	
Plant and Animal Disease, Pest Control, and Animal Care	10.025		University of Connecticut, Storrs	495113		3,103	
Wetlands Reserve Program	10.072					59,495	
Specialty Crop Block Grant Program - Farm Bill	10.170					115,207	\$ 79,817
Acer Access Development Program	10.174					255,026	
Grants for Agricultural Research, Special Research Grants	10.200					76,554	

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	123476-Z5220211	16		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	91285-Z511204	86,959		66,192
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	91289-Z511208	14,842		10,905
Grants for Agricultural Research, Special Research Grants	10.200		Roger Williams University	SG-2234719-URI	11,224		
Cooperative Forestry Research	10.202				145,486		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203				1,721,996		
Animal Health and Disease Research	10.207				33,375		
Sustainable Agriculture Research and Education	10.215		University of Vermont	GNE22-283-AWD00000495	2,758		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE19-381-33243	54,758		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE23-464-AWD00001024	1,697		
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE22-430-AWD00000495	4,892		
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE21-390-35383	11,313		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE20-012-RI-34268	23,531		
Higher Education - Institution Challenge Grants Program	10.217		Johnson & Wales University	01-480406-001	5,621		
Higher Education - Multicultural Scholars Grant Program	10.220				42,707		
Integrated Programs	10.303		West Virginia University	18-726-URI	51,977		
Homeland Security Agricultural	10.304		Michigan State University	RIC112910N	5,810		
Homeland Security Agricultural	10.304		University of Maine	UMS1426	18,098		
Organic Agriculture Research and Extension Initiative	10.307				22,551		12,313
Specialty Crop Research Initiative	10.309		Pennsylvania State University	S000323-USDA	26,315		
Agriculture and Food Research Initiative (AFRI)	10.310				937,262		
Agriculture and Food Research Initiative (AFRI)	10.310		Purdue University	18032	14,155		
Agriculture and Food Research Initiative (AFRI)	10.310		Rhode Island Nursery & Landscape Institute	NIFA 2020 CCRI	3,000		
Agriculture and Food Research Initiative (AFRI)	10.310		University of Connecticut, Storrs	420026	43,275		
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328				30,711		
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328		University of Nebraska	25-6331-0412-003	25,677		
Crop Protection and Pest Management Competitive Grants Program	10.329				85,586		
Crop Protection and Pest Management Competitive Grants Program	10.329		Cornell University	86935-22422	2,756		
Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	10.333				6,233		
Cooperative Extension Service	10.500				1,337,535		
Expanded Food and Nutrition Education Program	10.514				71,940		
Renewable Resources Extension Act and National Focus Fund Projects	10.515				17,842		
Forest Health Protection	10.680				3,306		
Soil and Water Conservation	10.902				268,017		104,105
Soil Survey	10.903				134,625		
Environmental Quality Incentives Program	10.912				57,918		5,401
Technical Agricultural Assistance	10.960				258,883		
Other Research and Development - Department of Agriculture	10.RD	EXCI-2021-2086	Extension Foundation	EXCI-2021-2086	3,047		
Other Research and Development - Department of Agriculture	10.RD	RIRCD McWilliams 100219	RI Resource Conservation & Development	RIRCD McWilliams 100219	18,620		
U.S. Department of Commerce (DOC)							
Ocean Exploration	11.011		Smithsonian Institute	NA21OAR0110202 11	25,377		
Integrated Ocean Observing System (IOOS)	11.012		University of Delaware	UDR000081	84,086		
Integrated Ocean Observing System (IOOS)	11.012		NERACCOOS	N21A013007	73,241		
Economic Development Technical Assistance	11.303				200,496		
Economic Adjustment Assistance	11.307		401 Tech Bridge	ED21HD13070045	42,059		
Economic Adjustment Assistance	11.307		401 Tech Bridge	2022-02	14,108		
Economic Adjustment Assistance	11.307		401 Tech Bridge	2022-03	16,192		
Cooperative Institute (Inter-Agency Funded Activities)	11.405				2,190,886		1,306,836
Sea Grant Support	11.417				3,523,085		634,024
Sea Grant Support	11.417		University of Connecticut, Storrs	164276790	12,696		
Sea Grant Support	11.417		University of Connecticut, Storrs	368948	56,563		
Sea Grant Support	11.417		University of Connecticut, Storrs	364363	14,277		
Sea Grant Support	11.417		University of Maine	UOMaine_Suckling_113022	4,994		
Climate and Atmospheric Research	11.431				324,628		74,602
Climate and Atmospheric Research	11.431		RI Natural History Survey	2019-1	22,480		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432				16,455,499		14,722,129
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Northeast States Emergency Consortium	NA21NWS4670007-SURI	106,277		

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Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Woods Hole Oceanographic Institution	A101446	26,720		
Marine Fisheries Initiative	11.433				78,895		16,268
Congressionally Identified Awards and Projects	11.469				111,220		
Office for Coastal Management	11.473		National Fish and Wildlife Foundation	0318.20.069217	52,768		
Atlantic Coastal Fisheries Cooperative Management Act	11.474		Rutgers University	1194043	183,263		
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478				680,341		135,576
Other Research and Development - Department of Commerce	11.RD	NA22NWS6470017-SURI	Northeast States Emergency Consortium	NA22NWS4670017-SURI	9,972		
U.S. Department of Defense (DOD)							
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003		City of Newport, Rhode Island	001	97,677		
National Defense Education Program	12.006		University of Connecticut, Storrs	150275136	338,601		
Basic and Applied Scientific Research	12.300				5,330,475		331,967
Basic and Applied Scientific Research	12.300		Navatek	00-K493-90000	1,028,206		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157335162	5,855		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158902343	40,008		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157507720	30,948		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157334323	54,258		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157336841	139,559		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157333334	205,382		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157330959	170,414		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158905075	135,030		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157505062	21,042		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157999203	137,856		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157999663	70,918		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158899849	29,769		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158904200	28,087		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158906049	41,056		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159548422	133,280		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159550351	45,560		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159551492	59,542		
Basic and Applied Scientific Research	12.300		HiRigh Optics, Inc.	2021 URI	7,657		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386364	247		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386373	4,327		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386378	7,624		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386381	3,459		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386382	177,142		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386388	183,603		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	388683	2,156		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	389994	24,092		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	390719	21,530		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	405429	82,450		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	405447	5,104		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419209	124,065		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419210	137,823		

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Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419212	45,749		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419214	2,917		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419215	41,910		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419221	132,195		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419224	88,883		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422919	148,811		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422920	86,437		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422921	69,054		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422924	(1,064)		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422925	4,106		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422926	40,071		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422928	6,035		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422930	2,723		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422931	61,264		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	423318	13,605		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	426742	67,377		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	161290754	28,297		
Basic and Applied Scientific Research	12.300		Goetz Composites	N66604-18-9-0001	6,415		
Basic and Applied Scientific Research	12.300		University of North Carolina, Chapel Hill	5120732	18,595		
Basic and Applied Scientific Research	12.300		Physical Science Inc.	SC-8030-001	177,193		
Basic and Applied Scientific Research	12.300		Woods Hole Oceanographic Institution	A101543	16,975		
Scientific Research - Combating Weapons of Mass Destruction	12.351				251,306		
Military Medical Research and Development	12.420				195,675		
Military Medical Research and Development	12.420		The Research Foundation for SUNY	1156130-85693	11,503		
Basic Scientific Research	12.431				124,609		46,369
Basic Scientific Research	12.431		Princeton University	SUB0000514	12,289		
Basic Scientific Research	12.431		Division by Zero Labs	W15QKN-22-P-0046	2,810		
The Language Flagship Grants to Institutions of Higher Education	12.550				495,059		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	BOR21-URI-19-SSC-PO3	101,600		
Basic, Applied, and Advanced Research in Science and Engineering	12.630				213,571		32,467
Air Force Defense Research Sciences Program	12.800				256,921		
Air Force Defense Research Sciences Program	12.800		Brown University	1913	60,393		
Other Research and Development - Department of Defense	12.RD	15700-0040/001	Cherokee Nation Technology Solutions	15700-0040/001	79,093		
Other Research and Development - Department of Defense	12.RD	TSI-5075-22-20209379	Triton Systems Inc.	TSI-5075-22-20209379	19,512		
U.S. Department of the Interior (DOI)							
Science and Technology Projects Related to Coal Mining and	15.255				122,013		75,000
Bureau of Ocean Energy Management (BOEM) Environmental Studies	15.423				221,962		44,514
Bureau of Ocean Energy Management (BOEM) Environmental Studies	15.423		HDR / e2M	1000300001036	6,329		
Bureau of Ocean Energy Management (BOEM) Environmental Studies	15.423		University of Alaska	UA22-0040	128,788		
SECURE Water Act - Research Agreements	15.560				14,496		
North American Wetlands Conservation Fund	15.623				50,747		
Coastal	15.630				61,285		
Coastal	15.630		Wildlife Management Institute	GSA 00076	92,846		
Research Grants (Generic)	15.650		HDR / e2M	1000300002152	1,765		
National Wildlife Refuge System Enhancements	15.654				37,887		
Hurricane Sandy Disaster Relief Activities - FWS	15.677				3,745		
Cooperative Ecosystem Studies Units	15.678				637		
Assistance to State Water Resources Research Institutes	15.805				106,708		
U.S. Geological Survey Research and Data Collection	15.808				144,147		
National Cooperative Geologic Mapping	15.810				54,026		
Natural Resource Stewardship	15.944		New Mexico Department of Game & Fish	51600-0000077833	38,106		
Cooperative Research and Training Programs - Resources of the National Park System	15.945				250,384		24,939
Other Research and Development - Department of the Interior	15.RD	AV18-RI-01	AmericaView	AV18-RI-01	19,857		
U.S. Department of the Interior (DOI)							
Law Enforcement Assistance Narcotics and Dangerous Drugs Technical Laboratory Publications	16.003		Building Futures	FAW-167270	300		

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U.S. Department of Transportation (DOT)							
Highway Planning and Construction	20.205		Brown University	00002280	1,471		
University Transportation Centers Program	20.701		University of Maine	UMS-1185	269,647		14,951
National Aeronautics and Space Administration (NASA)							
Science	43.001				214,777		
Science	43.001		University of Florida	SUB00003622	61,385		
Science	43.001		Farallon Institute	020-241-URI	9,506		
Science	43.001		University of Maine	UMS1296	5,533		
Science	43.001		Science Applications International Corp.	DP	55,857		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001501	116,570		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001799	20,347		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001823	3,982		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001859	(1,462)		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001860	6,671		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001896	2,377		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002084	22,334		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002086	10,622		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002094	25,328		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002107	31,524		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002119	10,638		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002123	15,240		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002158	167,923		
National Endowment for the Arts (NEA)							
Promotion of the Humanities Public Programs	45.164				5,348		
National Science Foundation (NSF)							
Engineering	47.041				1,125,283		44,848
Engineering	47.041		Florida International University	00510	12,411		
Mathematical and Physical Sciences	47.049				339,960		1,100
Geosciences	47.050				8,300,240		190,668
Geosciences	47.050		Oregon State University	IGA112277782	50,802		
Geosciences	47.050		Princeton University	SUB0000525	124,828		
Geosciences	47.050		Columbia University	32C(GG009393-04)	8,694		
Geosciences	47.050		Columbia University	32D(GG009393-4)	39,868		
Geosciences	47.050		Columbia University	32E(GG009393-4)	22,834		
Geosciences	47.050		Woods Hole Oceanographic Institution	82423600	238		
Geosciences	47.050		Woods Hole Oceanographic Institution	85568600	449,230		
Computer and Information Science and Engineering	47.070				576,216		12,995
Computer and Information Science and Engineering	47.070		Yale University	GR109669(CON-80002382)	49,133		
Biological Sciences	47.074				985,010		66,118
Biological Sciences	47.074		Baruch College	CM00008210	19,996		
Social, Behavioral, and Economic Sciences	47.075				37,462		
Education and Human Resources	47.076				1,628,388		
Education and Human Resources	47.076		University of Connecticut, Storrs	147203923	58,623		
Polar Programs	47.078				175,304		
Office of International Science and Engineering	47.079		The University of Texas at Austin	UTAUS-SUB00000011	21,660		
Integrative Activities	47.083				1,010,296		538,329
Integrative Activities	47.083		University of California, Santa Barbara	KK2235	67,045		
Integrative Activities	47.083		Dartmouth College	R1302	295,382		
Integrative Activities	47.083		University of Southern California	66919743	(1,491)		
Integrative Activities	47.083		Edinburgh Napier University	2234741	9,558		
NSF Technology, Innovation, and Partnerships	47.084		University of California, Santa Barbara	KK2313	111,996		
Small Business Administration (SBA)							
Small Business Development Centers	59.037				739,621		
U.S. Department of Veterans Affairs (VA)							
Quantifying Bone and Skin Movement in the Residual Limb-Socket Interface of Individuals with Transtibial Amputation Using Dynamic Stereo VA IPA Agreement	64.RD 64.RD	VA New York Harbor Health VA IPA Agreement-Ruben			8,626 12,726		

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Environmental Protection Agency (EPA)							
Southeast New England Coastal Watershed Restoration Program	66.129		Restore America's Estuaries	SNEPWG18-6-URI	105,531		
Southeast New England Coastal Watershed Restoration Program	66.129		Town of Charlestown	56.000.G210.000	19,922		
Southeast New England Coastal Watershed Restoration Program	66.129		University of Maine	SNEP1-06	22,464		
Long Island Sound Program	66.437		New England Interstate Water Pollution	LI00A00688-0348-003	16,349		
National Estuary Program	66.456		Boston University	4500004631	6,075		
Office of Research and Development Consolidated Research/Training/Fellowships	66.511		Iowa State University	026213B	32,352		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	Alm_Extension_123122	12,164		
Environmental Education Grants	66.951				28,111		8,419
U.S. Department of Energy (DOE)							
Office of Science Financial Assistance Program	81.049				679,550		215,289
Office of Science Financial Assistance Program	81.049		Deep Reach Technologies	T2022-URI-004	124,333		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23021-R	306,079		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23217-R	32,833		
Office of Science Financial Assistance Program	81.049		Pennsylvania State University	5027-URI-DOE-1090	121,698		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00001808	64		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00002708	59,131		
Los Alamos National Laboratory - Fire Protection	81.140		Triad National Security, LLC	526876	-		
Renewable Energy Research and Development	81.087		Biodiversity Research Institute	DE-EE0010287	4,860		
Other Research and Development - Department of Energy	81.RD	103701-00001(ST0001)	Tufts University	103701-00001(ST0001)	17,270		
Other Research and Development - Department of Energy	81.RD	TSI-2576-19-109768	Triton Systems, Inc.	TSI-4089-20-20203103	10,696		
Other Research and Development - Department of Energy	81.RD	TSI-2576-19-108768	Triton Systems, Inc.	TSI-2576-19-108768	18,376		
Other Research and Development - Department of Energy	81.RD	7456216	Lawrence Berkeley National Laboratory	7456216	5,463		
Other Research and Development - Department of Energy	81.RD	378690	Brookhaven National Laboratories	378690	236,077		
U.S. Department of Education (ED)							
Fund for the Improvement of Postsecondary Education	84.116				1,199,999		
Ready-to-Learn Television	84.295		Public Broadcasting Service	URI/Sweetman	4,096		
Education Research, Development and Dissemination	84.305		University of Wisconsin, Madison	184	35,864		
Election Assistance Commission (EAC)							
Help America Vote Act Requirements Payments	90.401				264,271		
U.S. Department of Health and Human Services (HHS)							
Prevention of Disease, Disability, and Death by Infectious Diseases	93.084		University of Massachusetts, Amherst	23-017116C00; 017116-9066	377,730		
Food and Drug Administration Research	93.103				136,429		
Area Health Education Centers	93.107		Brown University	00001125	1,899		
Area Health Education Centers	93.107		Brown University	2183	92,046		
Environmental Health	93.113				256,417		
Oral Diseases and Disorders Research	93.121				400,934		103,415
NIEHS Superfund Hazardous Substances - Basic Research and Human Genome Research	93.143				1,537,397		485,606
Research and Training in Complementary and Integrative Health	93.213		Butler Hospital	5001651URI	8,187		
Research on Healthcare Costs, Quality and Outcomes	93.226				418,734		37,537
Mental Health Research Grants	93.242		University of Missouri, Columbia	C00078940-x	57,208		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243				202,910		14,705
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Newport County CHMC, Inc	MCA_NMH_URI_2	98,731		28,706
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Community Care Alliance	MCA_CCA_URI	355,968		33,617
Advanced Nursing Education Workforce Grant Program	93.247				668,444		178,387
Alcohol Research Programs	93.273				933,807		28,798
Drug Abuse and Addiction Research Programs	93.279				830,597		386,751
Drug Abuse and Addiction Research Programs	93.279		Brown University	0001483	277,762		
Drug Abuse and Addiction Research Programs	93.279		Oregon Health & Science University	1011948_URI	223,258		
Drug Abuse and Addiction Research Programs	93.279		Oregon Health & Science University	1016803_URI	62,145		
Drug Abuse and Addiction Research Programs	93.279		University of Oregon	217300C	4,807		
Drug Abuse and Addiction Research Programs	93.279		The Brigham and Women's Hospital, Inc.	126966	93,315		

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Drug Abuse and Addiction Research Programs	93.279		Brandeis	GR403953_URI	19,126		
Drug Abuse and Addiction Research Programs	93.279		Butler Hospital	5001781URI	15,262		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286				38		
Trans-NIH Research Support	93.310		Brown University	00001759	19,544		
Emerging Infections Programs	93.317				77,111		60,924
Research Infrastructure Programs	93.351				55,260		
Nursing Research	93.361				312,986		20,293
Nursing Research	93.361		University of Massachusetts Medical School	SUB00000152	69,794		
Cancer Biology Research	93.396				243,712		
Child Care and Development Block Grant	93.575		RI Association for the Education of Young Children	3669269	219,080		
Developmental Disabilities Basic Support and Advocacy Grants	93.630				464,278		449,969
Elder Abuse Prevention Interventions Program	93.747		Disabled Persons Protection Commission	Venkatasubramanian_MDPPC	56,931		
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Thrive Behavioral Health, Inc.	CCBHC-URI	70		
Cardiovascular Diseases Research	93.837				364,105		28,001
Cardiovascular Diseases Research	93.837		University of California, Los Angeles	031690-01-URI	101,919		
Lung Diseases Research	93.838				714,502		417,034
Lung Diseases Research	93.838		Ocean State Research Institute, Inc	122208	4,685		
Blood Diseases and Resources Research	93.839				323,188		
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		Massachusetts General Hospital	236365	26,611		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853				1,379,226		225,443
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Johns Hopkins University	2005138518	69,461		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Northwestern University	60054064	181,432		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Regenova, Inc.	Regenova, Inc.	91,180		
Allergy and Infectious Diseases Research	93.855				2,810,298		1,321,913
Allergy and Infectious Diseases Research	93.855		Lifespan	7017137700	19,743		
Allergy and Infectious Diseases Research	93.855		The Children's Hospital Corporation	GENFD0002235707	10,092		
Allergy and Infectious Diseases Research	93.855		Columbia University	8(GG014746-23)	64,347		
Biomedical Research and Research Training	93.859				5,454,218		2,376,049
Biomedical Research and Research Training	93.859		Brown University	00001920	14,471		
Biomedical Research and Research Training	93.859		Brown University	1921	24,124		
Biomedical Research and Research Training	93.859		Brown University	00001926	24,929		
Biomedical Research and Research Training	93.859		Brown University	00001928	48,083		
Biomedical Research and Research Training	93.859		Brown University	00001939	152,105		
Biomedical Research and Research Training	93.859		Brown University	00002238	21,643		
Biomedical Research and Research Training	93.859		Brown University	00002246	6,168		
Biomedical Research and Research Training	93.859		Brown University	Advance-CTR Pilot Project	33,605		
Biomedical Research and Research Training	93.859		Brown University	Advance-CTR	24,986		
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312240	(82)		
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312240-SMCOBA-Pilot	31,247		
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312240-RCCOB-Pilot	37,499		
Biomedical Research and Research Training	93.859		Yale University	GR108643(CON-80002175)	212,149		
Biomedical Research and Research Training	93.859		Lifespan	7139196DSL	2,372		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137384NHW	147,633		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123	118,691		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123KLL	8,955		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7149023A	14,423		
Child Health and Human Development Extramural Research	93.865				313,140		
Child Health and Human Development Extramural Research	93.865		Florida State University	R000002706	13,370		
Aging Research	93.866				771,046		203,981
Aging Research	93.866		The Research Foundation for SUNY	82900	311,733		
Aging Research	93.866		University of Michigan	SUBK00018419	17,230		
Block Grants for Community Mental Health Services	93.958		Newport County CHMC, Inc	MCA_NMH_URI_3	267,449		13,480
Block Grants for Community Mental Health Services	93.958		Newport County CHMC, Inc	CCBHC-IA	78,263		
PPHF Geriatric Education Centers	93.969				832,619		150,005
PPHF Geriatric Education Centers	93.969		Bay State Medical Center	FED712-19163-N3	7,601		

**STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023**

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
International Research and Research Training	93.989		University of California, Davis	A20-0501-S001	8,025		
Other Research and Development - Department of Health and Human Services	93.RD	75D30119C05160			40,236		
U.S. Department of Homeland Security (DHS)							
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5101662	292,093		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5119463	267,515		
Centers for Homeland Security	97.061		Northeastern University	SUB 505245-78058	297,600		
Other Research and Development - Department of Homeland Security	97.RD	EMW-2022-GR-00055			279,411		
Other Research and Development - Department of Homeland Security	97.RD	S-539-G40001-00-URI	Applied Research Associates	S-539-G40001-00-URI	(13)		
Other Research and Development - Department of Homeland Security	97.RD	505201-78050	Northeastern University	505201-78050	315,726		
Other Research and Development - Department of Homeland Security	97.RD	505270-78050	Northeastern University	505270-78050	41,950		
U.S. Agency for International Development (USAID)							
USAID Foreign Assistance for Programs Overseas	98.001				7,949,087		3,254,561
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	19300.312455.04	479,241		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04E	9,427		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04D	31,217		
USAID Foreign Assistance for Programs Overseas	98.001		International Union for Conservation	IUCN-Ricci06102019	30,627		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	261-009519	475,242		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	265-011929	145,561		
USAID Foreign Assistance for Programs Overseas	98.001		The Energy and Resource Institute	Boving_Energy&Res Institu	1,919		
Total Research and Development Cluster					<u>\$ 99,328,644</u>		<u>\$ 28,635,316</u>
Total Expenditures of Federal Awards					<u>\$ 7,029,155,744</u>		<u>\$ 736,354,196</u>

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the State of Rhode Island (the State). This Schedule is presented for purposes of additional analysis and in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

The reporting entity is defined in the Notes to the Basic Financial Statements that are presented in *Section A* of this report (see Note 1 to the basic financial statements – Summary of Significant Accounting Policies – B. Reporting Entity). When federal financial assistance is received by one state entity and passed through to another state organization (contained within the reporting entity), the federal financial assistance is reflected by the primary recipient organization to avoid duplication and overstatement of the aggregate level of federal financial assistance expended by the State.

Expenditures reported on the Schedule are recognized consistent with the specific federal compliance requirements for each program regarding allowable costs and, when applicable, the cost principles contained in the Uniform Guidance. Any matching expenditures from non-federal sources are not included in the Schedule.

Programs are generally listed in the Assistance Listing numerical order by federal funding agency. When the Assistance Listing number is not available from the State or component unit’s accounting records, the federal funding agency is identified and these amounts are included in the Schedule along with federal awards for that federal grantor agency (e.g., 84.U01). Certain Research and Development expenditures of federal awards are similarly reflected in the accompanying Schedule when the federal awarding agency is known but not the specific Assistance Listing number (e.g., 15.RD).

The Research and Development (R&D) Cluster is presented at the end of the Schedule because there are multiple federal funding agencies. As a result, total expenditures of federal awards presented for some federal funding agencies do not include expenditures for R&D programs.

The State received COVID-19 pandemic related federal assistance under several programs to address the effects of managing the impact of the global pandemic. The related expenditures to this funding have been identified in the Schedule with “COVID-19” as the additional award identification number.

Cash assistance is presented using the same basis of accounting as that used in reporting the expenditures (or expenses) of the related funds and component units in the State’s basic financial statements (see Note 1 to the basic financial statements – Summary of Significant Accounting Policies – D. Measurement Focus and Basis of Accounting).

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Loans have been included in the Schedule in accordance with the Uniform Guidance, whereby, loans with continuing federal compliance requirements are recorded at the value of new loans made or received during the audit period, plus the beginning of the audit period balance of loans from previous years, plus cash and/or administrative cost allowances. Loans that do not have continuing federal compliance requirements are recorded at the value of new loans made or received during the audit period, plus cash and/ or administrative cost allowances.

None of the State’s large loan programs met the criteria that would require such amounts to be excluded from the State’s Type “A” major program threshold.

Non-monetary assistance is also included in the Schedule consistent with Uniform Guidance requirements. Additionally, all non-monetary assistance has been included in determining major programs as defined by the Uniform Guidance. Non-monetary assistance included in the Schedule is listed by federal program in Note 4 to this Schedule.

NOTE 2. DE MINIMIS INDIRECT COST RATE

Agencies that have never received a negotiated cost rate may elect to charge a de minimis rate of 10% of modified total direct costs that may be used indefinitely. This methodology must be used consistently for all federal awards until such time as an agency chooses to negotiate for a rate, which an agency may apply to do at any time. Certain programs administered by the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, the Department of Revenue, the Department of Corrections, and the Governor’s Commission on Disabilities elected to use the 10% de minimis rate in fiscal year 2023.

NOTE 3. LOAN, LOAN GUARANTEE AND INSURANCE PROGRAMS

Expenditures of federal awards include assistance in the form of loans, loan guarantees, and insurance. The following table details all loans, loan guarantees, and insurance included in the Schedule of Expenditures of Federal Awards.

<u>Assistance Listing Number</u>	<u>Program</u>	Expenditures of Federal Awards Year Ended June 30, 2023	Loan Outstanding Balance June 30, 2023
14.117	Mortgage Insurance Homes	\$ 376,855,419	N/A
14.189	Qualified Participating Entities (QPE) Risk Sharing	332,665,775	\$ 300,154,713
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	16,937,142	8,458,372
14.239	Home Investment Partnerships Program	36,309,249	32,829,619
14.275	Housing Trust Fund	12,231,928	12,008,882
21.011	Capital Magnet Fund	8,120,453	7,986,273
84.038	Federal Perkins Loan Program – Federal Capital Contributions	3,325,486	3,325,486
84.268	Federal Direct Student Loans	110,880,801	N/A
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	2,323,750	2,104,110
93.364	Nursing Student Loans	1,976,315	1,743,461

Note: Outstanding Loan Balance containing “N/A” indicates no continuing compliance requirements.

Federal awards which include loan, loan guarantee and insurance programs are presented as follows:

- Mortgage Insurance Homes (14.117), a guaranteed/insured mortgage loan program is reported at the value of loans originated or purchased during the fiscal year.
- Other guaranteed/insured mortgage loan programs are reported at the beginning loan balances of the audit period plus loans originated or purchased during the fiscal year: Qualified Participating Entities (QPE) Risk Sharing (14.189); Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii (14.228); Home Investment Partnerships Program (14.239); Housing Trust Fund (14.275); Capital Magnet Fund (21.011). *Note: The amount of expenditures of federal awards as detailed above for the Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii (14.228) includes non-loan related expenditures of \$8,478,770.*
- Federal Direct Student Loans (84.268) are reported at the value of loans made during the fiscal year.
- Federal Perkins Loan Program – Federal Capital Contributions (84.038), Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (93.342) and Nursing Student Loans (93.364) are reported at the beginning loan balances of the audit period plus loans made during the year and any administrative cost allowances.

STATE OF RHODE ISLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2023

NOTE 4. NON-MONETARY ASSISTANCE

Expenditures of federal awards include non-monetary assistance in the form of donated food commodities, vaccines, and property. The following table details all non-monetary assistance included in the Schedule of Expenditures of Federal Awards.

Assistance Listing <u>Number</u>	<u>Program</u>	Expenditures of Federal Awards Year Ended <u>June 30, 2023</u>	Non-Monetary Assistance Year Ended <u>June 30, 2023</u>
10.555	National School Lunch Program	\$ 45,753,851	\$ 6,555,338
10.559	Summer Food Service Program for Children	1,610,959	4,584
39.003	Donation of Federal Surplus Personal Property	3,672,026	3,672,026
93.268	Immunization Cooperative Agreements	23,826,764	15,327,333

Non-Monetary Assistance is presented as follows:

- National School Lunch Program (10.555) and Summer Food Service Program for Children (10.559) are reported at the fair market value of food distributed.
- Donation of Federal Surplus Personal Property (39.003) is reported at the assessed value provided by the federal agency.
- Immunization Cooperative Agreements (93.268) includes the value of vaccines received at the contracted price (amount paid by the federal Centers for Disease Control to the manufacturer) and cash assistance for administrative costs.

NOTE 5. REBATES OF PROGRAM EXPENDITURES

The State received the following program expenditure rebates during fiscal 2023:

Assistance Listing <u>Number</u>	<u>Program</u>	<u>Rebate Amount</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants and Children	\$ 4,854,253
93.767	Children's Health Insurance Program (CHIP)	2,611,208
93.778	Medical Assistance Program	136,059,726
93.917	HIV Care Formula Grants	8,021,471

Manufacturers of infant formula (WIC) and prescription drugs (Medical Assistance, CHIP, and HIV) remitted the rebates. The Medical Assistance Program and CHIP rebates reduced previously incurred program expenditures; therefore, expenditures of these programs are reported net of the applicable federal share of rebates earned during fiscal year 2023. Amounts included in the SEFA for WIC and HIV Care Formula Grants include amounts funded by rebates earned as well as direct federal assistance.

NOTE 6. UNEMPLOYMENT INSURANCE EXPENDITURES

Expenditures of federal awards for Unemployment Insurance (17.225) represent \$152.1 million funded from the State's account in the federal Unemployment Trust Fund, \$1.6 million funded by COVID-19 federal grants (CARES Act), and \$17.9 million funded through other federal grants.

NOTE 7. STUDENT FINANCIAL ASSISTANCE CLUSTER

Expenditures for the Student Financial Assistance Cluster are listed under two separate departments, Department of Education and Department of Health and Human Services. The total expenditures for the Cluster are \$172,097,143.

NOTE 8. MEDICAL ASSISTANCE PROGRAM – ACCRUED PROGRAM EXPENDITURES

The Schedule of Expenditures of Federal Awards reports federal expenditures for the Medical Assistance Program (93.778) on an accrual basis causing timing differences with federal expenditures claimed on a cash basis on federal reports. These accrued expenditures are typically claimed/reported in the next quarter. In certain instances, as described below, the timing differences may be longer. The following are examples of accruals made for the Medical Assistance Program to properly reflect the following program activity in the State's financial statements:

- a) The federal share of medical claims for Medicaid recipients relating to services incurred but not yet billed at year-end by fee-for-service providers.
- b) The federal share of contract settlements with managed care organizations was estimated for financial reporting purposes (including the SEFA). These amounts are not claimed on federal reports until final settlements are calculated and paid or received by the State.
- c) The federal share of accrued drug rebates was estimated for financial reporting purposes based on the claim date of service. These rebate credits are claimed on federal reports when received from the drug manufacturer.

NOTE 9. RECONCILIATION BETWEEN THE STATE'S BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Total Federal Expenditures Reported in Financial Statements	\$ 6,854,694,484
Additions to Schedule of Expenditures of Federal Awards:	
National School Lunch Program (10.555) – USDA donated food commodities ^(a)	6,555,338
Summer Food Service Program for Children (10.559) – USDA donated food commodities ^(a)	4,584
Federal Donated Surplus Property (39.003) ^(a)	3,672,026
Medicaid (93.778) Health System Transformation Program ^(b)	12,795,540
Homeowner Assistance Fund (21.026) – amounts passed through to discretely presented component unit ^(c)	11,495,926
Coronavirus State and Local Fiscal Recovery Funds (21.027) – amounts passed through to discretely presented component units ^(c)	3,908,004
Reductions from Schedule of Expenditures of Federal Awards:	
Emergency Rental Assistance Program (21.023) – amounts passed through to discretely presented component unit ^(c)	(364,283)
Coronavirus State and Local Fiscal Recovery Funds (21.027) – local recovery funds passed through to Non-entitlement Units of Local Government (NEUs) ^(d)	(131,957,593)
Adjustments to SEFA for Prior Period Activity:	
Disaster Grants – Public Assistance (97.036) – revenues received in fiscal 2022 for expenditures incurred in fiscal 2020 and 2021 ^(e)	270,762,495
Disaster Grants – Public Assistance (97.036) – items adjusted on the fiscal 2022 SEFA recorded in the accounting system in fiscal 2023 ^(f)	(2,410,777)
Net Additions to Schedule of Expenditures of Federal Awards	174,461,260
Total Expenditures on Schedule of Expenditures of Federal Awards	\$ 7,029,155,744

STATE OF RHODE ISLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2023

(a) Non-monetary assistance (Note 4) for National School Lunch Program (10.555), Summer Food Service Program for Children (10.559), and Donation of Federal Surplus Personal Property (39.003) is included in the Schedule of Expenditures of Federal Awards; however, these amounts are not included in the State's basic financial statements.

(b) The Health System Transformation Program (HSTP) is funded through regular federal financial participation (FFP) for the Medical Assistance Program (93.778) and specific qualifying expenditures of the State's public institutions of higher education related to the training of students in the health care related fields pursuant to the Designated State Health Programs (DSHP). The State has authority to claim FFP under the DSHP to solely support the goals of the HSTP. The DSHP qualifying expenditures are quantified and reimbursed by the federal government independent of the HSTP expenditures. For financial reporting purposes in the basic financial statements, the DSHP amounts are reported as restricted revenue when drawn (to designate their HSTP restricted use) with the State share of HSTP expenditures funded by that restricted revenue source. For purposes of presentation in the Schedule of Expenditures of Federal Awards, the State share of HSTP expenditures is presented (reclassified) as expenditures of federal awards to recognize the expenditure of the DSHP federal reimbursement to the State.

(c) For the Emergency Rental Assistance Program (21.023), Homeowner Assistance Fund (21.026), and Coronavirus State and Local Fiscal Recovery Funds (21.027), amounts passed through to discretely presented component units by the primary government in fiscal 2023 were not fully expended by those component units during the fiscal year. As these component units are included as part of reporting entity for the Single Audit, the Schedule was adjusted to reflect the amounts that were recognized as expenditures in fiscal 2023 by the component units, netting against amounts in the State's accounting system that were expended by the primary government as pass-through awards.

(d) Per Part 4 of the Compliance Supplement for the Coronavirus State and Local Fiscal Recovery Funds (21.027), "The States that distributed award funds to the NEUs must not report the amounts provided to the NEUs on their SEFA."

(e) The State was reimbursed for eligible COVID-19 related expenditures under the FEMA Stafford Act, Public Assistance (PA) Category B (97.036) in fiscal 2023 for expenditures that were incurred throughout fiscal years 2020, 2021, and 2022. For presentation of the Schedule these amounts have been included in fiscal 2023 as expenditures of federal awards. These amounts were not reported on the State's Schedule of Expenditures of Federal Awards in prior fiscal years.

(f) In fiscal 2022, the SEFA was adjusted to reconcile with the actual revenues received under the FEMA Stafford Act (97.036) during the fiscal year. In fiscal 2023, these reconciling items from 2022 were recorded in the State's accounting system and rolled up into the 2023 SEFA. As these items were accounted for in the fiscal 2022 SEFA, they are removed from the 2023 SEFA in order to not duplicate the recognition of these expenditures.

Section C

Auditor's Reports



Section C

Auditor’s Reports

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INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly,
State of Rhode Island:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island (the State), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements and have issued our report thereon dated February 27, 2024. Our report includes a reference to other auditors who audited the financial statements of:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 2% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 26% of the assets and deferred outflows and less than 3% of the revenues of the business-type activities;
- the Ocean State Investment Pool - an investment trust fund, and the HealthSource RI, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 24% of the assets and 22% of the revenues, including additions, of the aggregate remaining fund information; and
- all the component units comprising the aggregate discretely presented component units.

This report includes our consideration of the results of the other auditors’ testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control.

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly
State of Rhode Island

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed in the accompanying *Schedule of Findings and Questioned Costs* (Section D), we and the other auditors did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-001, 2023-003, 2023-004, 2023-005, 2023-006, 2023-008, 2023-009, 2023-010, 2023-014, 2023-015, and 2023-017 to be material weaknesses. Other auditors of the discretely presented component units considered the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-027 and 2023-029 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-002, 2023-007, 2023-011, 2023-012, 2023-013, 2023-016, 2023-018, 2023-019, 2023-020, 2023-021, 2023-022, and 2023-023 to be significant deficiencies. Other auditors of the discretely presented component units considered the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-025, 2023-026, and 2023-028 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. Other auditors of the discretely presented component units disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as Finding 2023-024.

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly
State of Rhode Island

State's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David A. Bergantino, CPA, CFE
Auditor General
February 27, 2024



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

Finance Committee of the House of Representatives and
 Joint Committee on Legislative Services, General Assembly,
 State of Rhode Island:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the State of Rhode Island's (State's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2023. The State's major federal programs are identified in *Section I - Summary of Auditor's Results* of the accompanying *Schedule of Findings and Questioned Costs* (Section D).

We did not audit the major federal programs or portions of federal programs listed below. These programs were audited by other auditors whose reports on compliance with requirements applicable to each major federal program were furnished to us, and our opinion, insofar as it relates to compliance requirements for these programs, is based solely on the reports of the other auditors.

2023 Major Programs Audited by Other Auditors	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
Qualified Participating Entities (QPE) Risk Sharing ¹	14.189
Housing Voucher Cluster ¹	14.871
Airport Improvement Program ¹	20.106
Federal Transit Cluster ²	20.500, 20.507, 20.525, 20.526
Emergency Rental Assistance Program ³	21.023
Homeowner Assistance Fund ³	21.026
Coronavirus State and Local Fiscal Recovery Funds ³	21.027
Student Financial Assistance Cluster ¹	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364
Education Stabilization Fund ²	84.425
<p>¹ <i>These programs were solely administered by component units and audited by their respective auditors.</i></p> <p>² <i>These programs were administered by both the primary government and component units through direct awards. Awards made to the component units were audited by the component unit auditors.</i></p> <p>³ <i>These programs were administered by the primary government and funds were passed through to component units. These pass-through funds were audited by the component unit auditors.</i></p>	

Finance Committee of the House of Representatives and
 Joint Committee on Legislative Services, General Assembly
 State of Rhode Island

Qualified Opinions on Unemployment Insurance, Emergency Rental Assistance Program, Coronavirus State and Local Fiscal Recovery Funds, Career and Technical Education – Basic Grants to States, Epidemiology and Laboratory Capacity for Infectious Diseases, Children’s Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance (Presidentially Declared Disasters)

In our opinion, and the opinions of the other auditors, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance, Emergency Rental Assistance Program, Coronavirus State and Local Fiscal Recovery Funds, Career and Technical Assistance – Basic Grants to States, Epidemiology and Laboratory Capacity for Infectious Diseases, Children’s Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2023.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, and the opinions of the other auditors, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in *Section I - Summary of Auditor’s Results* of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2023.

Basis for Qualified and Unmodified Opinions

We, and the other auditors, conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide legal determination of the State’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on Unemployment Insurance, Emergency Rental Assistance Program, Coronavirus State and Local Fiscal Recovery Funds, Career and Technical Assistance – Basic Grants to States, Epidemiology and Laboratory Capacity for Infectious Diseases, Children’s Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance (Presidentially Declared Disasters)

As identified in the following table and as described in the accompanying *Schedule of Findings and Questioned Costs*, the State did not comply with requirements that are applicable to the following major federal programs:

Finance Committee of the House of Representatives and
 Joint Committee on Legislative Services, General Assembly
 State of Rhode Island

Assistance Listing No.	Program / Cluster Name	Compliance Requirement	Finding
17.225	Unemployment Insurance	Special Tests and Provisions – UI Program Integrity – Overpayments	2023-035
21.023	Emergency Rental Assistance Program	Subrecipient Monitoring	2023-030
21.027	Coronavirus State and Local Fiscal Recovery Funds	Subrecipient Monitoring	2023-030
84.048	Career and Technical Education – Basic Grants to States	Eligibility	2023-046
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Subrecipient Monitoring	2023-030
93.767	Children’s Health Insurance Program	Special Tests and Provisions – Managed Care Financial Audit	2023-059
93.775 93.777 93.778	Medicaid Cluster	Special Tests and Provisions – Managed Care Financial Audit	2023-059
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2023-030

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to these programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the State’s compliance with the requirements of each major federal program as a whole.

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly
State of Rhode Island

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures, and the audit procedures of the other auditors, disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-031, 2023-033, 2023-034, 2023-037, 2023-039, 2023-040, 2023-041, 2023-042, 2023-043, 2023-047, 2023-048, 2023-049, 2023-051, 2023-052, 2023-056, 2023-057, 2023-058, 2023-060, 2023-064 and 2023-065. Our opinion on each major program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the noncompliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration, and the consideration of the other auditors, of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-030, 2023-034, 2023-035, 2023-036, 2023-046, 2023-047, 2023-048, 2023-051, 2023-056, 2023-057, 2023-059, 2023-060, 2023-061, and 2023-064 to be material weaknesses.

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State of Rhode Island

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We, and the other auditors, consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2023-031, 2023-032, 2023-033, 2023-037, 2023-038, 2023-039, 2023-040, 2023-041, 2023-042, 2023-043, 2023-044, 2023-045, 2023-049, 2023-050, 2023-052, 2023-053, 2023-054, 2023-055, 2023-058, 2023-062, 2023-063, 2023-065, 2023-066, 2023-067, and 2023-068 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



David A. Bergantino, CPA, CFE
Auditor General
April 30, 2024

Section D

Schedule of Findings
and Questioned Costs



Section D

**Schedule of Findings and
Questioned Costs**

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Basic Financial Statements

1) The independent auditor’s report on the basic financial statements expressed the following opinions:

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Unmodified
Business–type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major funds –	
General	Unmodified
Intermodal Surface Transportation	Unmodified
Rhode Island Capital Plan	Unmodified
Lottery	Unmodified
Convention Center Authority	Unmodified
Employment Security	Unmodified
Aggregate Remaining Fund Information	Unmodified

2) The audit of the basic financial statements disclosed significant deficiencies and material weaknesses in internal control over financial reporting.

3) The audit disclosed an instance of noncompliance, which was material to the basic financial statements, and is required to be reported in accordance with *Government Auditing Standards*.

Federal Awards

4) The audit disclosed significant deficiencies in internal control over major programs, some of which were classified as material weaknesses.

5) The independent auditor’s report on compliance for major programs expressed:
a qualified opinion for the following major programs:

<i>Program / Cluster Title</i>	<i>Assistance Listing No(s).</i>
Unemployment Insurance	17.225
Emergency Rental Assistance Program	21.023
Coronavirus State and Local Fiscal Recovery Funds	21.027
Career and Technical Education – Basic Grants to States	84.048
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Children’s Health Insurance Program	93.767
Medicaid Cluster	93.775, 93.777, 93.778
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

and an unmodified opinion for all remaining major programs.

6) The audit disclosed findings that must be reported in accordance with 2 CFR §200.516(a) of OMB Uniform Guidance provisions.

7) Major programs are listed in the table below:

2023 Major Programs	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
National Guard Military Operations and Maintenance (O&M) Projects	12.401
Qualified Participating Entities (QPE) Risk Sharing	14.189
Housing Voucher Cluster	14.871
Unemployment Insurance	17.225
Airport Improvement Program	20.106
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526
Emergency Rental Assistance Program	21.023
Homeowner Assistance Fund	21.026
Coronavirus State and Local Fiscal Recovery Funds	21.027
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364
Title I Grants to Local Education Agencies	84.010
Career and Technical Education – Basic Grants to States	84.048
Education Stabilization Fund	84.425
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Temporary Assistance for Needy Families	93.558
Low-Income Home Energy Assistance	93.568
CCDF Cluster	93.575, 93.596
Children’s Health Insurance Program	93.767
Medicaid Cluster	93.775, 93.777, 93.778
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

8) The dollar threshold used to distinguish between Type A and Type B programs was \$21,087,467.

9) The State did not qualify as a low-risk auditee as defined by OMB Uniform Guidance.

10) Major programs audited by other auditors are listed in the table below:

2023 Major Programs Audited by Other Auditors	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
Qualified Participating Entities (QPE) Risk Sharing ¹	14.189
Housing Voucher Cluster ¹	14.871
Airport Improvement Program ¹	20.106
Federal Transit Cluster ²	20.500, 20.507, 20.525, 20.526
Emergency Rental Assistance Program ³	21.023
Homeowner Assistance Fund ³	21.026
Coronavirus State and Local Fiscal Recovery Funds ³	21.027
Student Financial Assistance Cluster ¹	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364
Education Stabilization Fund ²	84.425
<p>¹ These programs were solely administered by component units and audited by their respective auditors.</p> <p>² These programs were administered by both the primary government and component units through direct awards. Awards made to the component units were audited by the component unit auditors.</p> <p>³ These programs were administered by the primary government and funds were passed through to component units. These pass-through funds were audited by the component unit auditors.</p>	

Finding 2023-001

(material weakness - repeat finding – 2022-005)

COMPREHENSIVE DOCUMENTATION OF THE STATE’S INTERNAL CONTROL STRUCTURE

Management focus, training and implementation resources have been insufficient to ensure that departments and agencies are assessing and documenting internal control consistent with management’s overall responsibility for the adequacy of the design and operation of internal control. Internal controls safeguard public resources and support accurate financial reporting.

Background: The State’s management has responsibility for the design and operation of internal control. The Committee of Sponsoring Organizations (COSO) has designed a framework for internal control that consists of three categories of objectives – *operations, reporting, and compliance* – and five components – *control environment, control activities, risk assessment, information and communication, and monitoring*. The Government Accountability Office’s “Green Book” - *Standards for Internal Control in the Federal Government* tailors this conceptual framework to the public environment. The “Green Book” is required for federal agencies and is useful to other governments when applying the principles of an internal control framework.

Criteria: RI General Law section 35-14-3, *Agency Responsibilities*, under the State’s Financial Integrity and Accountability statutes, mandates that “State agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes: (1) Documenting the system; (2) Communicating the system requirements to employees; and (3) Assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.”

An internal control framework, such as COSO and/or the Green Book, provides an overall structure for management to design, document, and monitor its internal control policies and procedures. Both within and outside government, management has responsibility for the adequacy of design and operation of an entity’s control structure. A complete consideration of internal control, in addition to documenting control policies and procedures, must also include how the policies are communicated, documentation of risks associated with financial reporting and operations, and monitoring of those documented controls to ensure their effectiveness. Federal regulations require the establishment and maintenance of effective internal controls when administering federal awards.

Condition: The majority of agency and Statewide policies and procedures are not documented and administered in the manner that is required by statute or professional standards (COSO, Green Book). While certain control policies and processes have been documented, there is a lack of formalized documentation and comprehensive internal control structure throughout State government that complies with an accepted framework such as COSO and/or the Green Book. To meet the intended standards for internal control, internal control (policies and procedures) must be documented, periodically evaluated and revised based on updated risk assessments, effectively communicated to employees (through training if necessary) and monitored for effectiveness by the agency. More formalized documentation of Statewide internal controls is a needed first step that will allow agencies to expand on and supplement with their agency-specific policies and procedures relating to critical program functions. Since each State agency has unique programs and procedures that supplement Statewide functions (i.e., accounting, procurement, centralized payroll), internal control consideration and documentation must be performed at the agency level, as required by statute.

An opportunity exists for a coordinated effort to implement an internal control framework and to reassess the design of its current control structure (both statewide and at the individual agency level) with emphasis on risk assessment and monitoring - both essential components of internal control. With the State implementing an integrated ERP system, which will require substantial modification of certain processes and related controls, opportunities exist to evaluate and document control procedures consistent with the

internal control framework. Such an exercise will be vital to ensure that the new ERP and its related configuration and workflow processes ensure adequate internal controls over the core functions of the new system (i.e., human resources, procurement, accounting and financial reporting, disbursements, etc.).

Cause: Management focus, training and implementation resources have been insufficient to ensure that departments and agencies are adequately documenting their internal control structures inclusive of all elements.

Effect: Control weaknesses could exist and go undetected either through inadequate design or through noncompliance resulting from insufficient monitoring. Continued noncompliance with statutory requirements for agency documentation of internal control.

RECOMMENDATIONS

2023-001a Commit additional resources to training and implementation materials to ensure that departments and agencies are adequately documenting their internal controls to reflect an understanding of its required elements in accordance with an acceptable framework such as COSO or the Green Book.

2023-001b Implement an internal control assessment and documentation effort to coincide with the implementation of a fully integrated ERP system.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-002

(significant deficiency – repeat finding – 2022-006)

EVALUATION OF CONTROLS OVER FUNCTIONS PERFORMED BY EXTERNAL PARTIES

See related Federal Award Finding 2023-055.

The State can continue to improve its consideration of controls over functions performed by external parties by enhancing the use and documentation of Service Organization Control (SOC) reports. These improvements require State agencies (the “user entities”) to document and review user entity controls designated in those SOC reports which the service organization assumes are in place and operating effectively for proper and secure use of the contracted entity’s services. This consideration is necessary and consistent with management’s responsibility for the overall adequacy of the design and operation of internal controls.

Background: SOC reports are provided by service organizations to assure customers/clients that controls are sufficiently designed and in operation over relevant activities. Management of the user entity should use these reports as part of their overall consideration and documentation of the adequacy of the design and operation of internal control. Management should also ensure that their user entity controls are documented and reviewed to ensure that they are operating effectively. Ineffective user entity controls limit the usefulness of SOC reports when documenting an entity’s financial and operational controls as those reports assume that user entity controls are operating effectively.

To provide an example of the significance of financial operations involving service organizations, benefit disbursements by the State’s Medicaid fiscal agent and human services eligibility and benefits system, RIBridges, represent approximately 40% of the State’s General Fund expenditures. Service organizations are currently involved, to some degree, in most finance-related functions of State government. The use of service organizations has increased over time, and will likely continue to, as more services are being administered through cloud-based applications.

Criteria: Management has responsibility for the adequacy of the design and operation of an entity’s control structure including functions performed by external parties. This responsibility also includes documenting and reviewing designated user entity controls which the service organization assumes are in place and operating effectively for the proper and secure use of the contracted entity’s services.

Condition: The State has made progress by training employees and implementing a uniform SOC report assessment tool to document the consideration of controls at its service organizations. Centralized monitoring by the Office of Accounts and Control has improved agency compliance with obtaining and evaluating SOC reports to ensure that cited deficiencies of the service organization’s internal control are being followed-up on and understood. The next step in utilizing SOC reports within the internal control structure of significant State operations requires:

- User agency documentation of key SOC controls within that agency’s internal control documentation. As indicated in Finding 2023-001, most State agencies lack formalized documentation of internal controls thus management consideration and documentation of how SOC reports are utilized to mitigate operational risks is equally deficient.
- More robust documentation and testing of the complimentary user entity controls (user entity controls) that are being assumed by the auditor of the service organization when providing an opinion on the effectiveness of the entity’s internal controls. Each agency must ensure that relevant user entity (agency) controls identified by service organizations are also in place and operating effectively. Our audit has frequently noted instances where user entity controls have not been documented and reviewed by the State agencies with direct responsibility for those identified controls. Such control considerations should be included in the documentation and evaluation of internal controls discussed in Finding 2023-001.

When SOC reports identify exceptions, evaluation of such matters must be timely and thorough. Any highlighted deviations in control testing that may result in a qualified opinion regarding the design and effectiveness of certain control procedures at the service organization, as well as complementary user entity control considerations should be documented, reviewed, and thoroughly vetted. For fiscal 2023, documentation obtained from State agencies utilizing the service organization was incomplete or insufficient regarding the evaluations of the exceptions and the impact on the State’s overall operational controls.

Cause: The lack of comprehensive documentation and consideration of (1) service organization controls and (2) user entity controls by agencies that rely on service organizations that perform critical functions for State government represent a weakness in internal control over financial reporting. In addition, insufficient documentation and review of user entity controls limits the related assurance that can be placed on control objectives reported within SOC reports.

Effect: Many functions performed by external parties are material to the State’s overall operations. Deficiencies in the design or operation of controls at service organizations could materially impact the State’s overall controls over financial reporting and compliance.

RECOMMENDATIONS

- 2023-002a For complementary user entity (State agency) controls identified within SOC reports, document and evaluate the agency controls to ensure that they are in place and operating effectively. These controls should be included in each agency’s documentation of internal control over program operations when placing reliance on SOC reports provided by service organizations.
- 2023-002b Document and review the user entity controls designated in SOC reports which the service organization assumes are in place and operating effectively for proper and secure use of the entity’s services.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-003

(material weakness – repeat finding – 2022-001)

IMPLEMENTATION OF AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM TO ADDRESS THE STATE’S CRITICAL FINANCIAL AND ADMINISTRATIVE FUNCTIONS

The multi-year implementation of an ERP system will require substantial resources and planning to ensure a successful outcome. It is critical that the State remain committed to the selected software vendor to ensure a fully integrated system capable of addressing the current internal control deficiencies, business continuity risks, and inefficient processes inherent in the State’s current financial and administrative systems.

Background: The State’s current systems supporting key financial and administrative functions lack integration and represent risks to the State’s business continuity due to their age and dwindling technical support. The lack of integration and functionality has also created several deficiencies in internal control over financial reporting and inefficiencies throughout financial and administrative processes. The State began its implementation of a new Workday ERP system in fiscal 2023 focusing on project planning, business process analysis, and system configuration design relating to the human capital module (payroll, human resource management, etc.) which has a planned implementation for calendar year 2025. In total, the State anticipates that the ERP project, which will incorporate the finance and human capital modules, will take several years to implement.

Criteria: Management needs well-designed financial systems that support comprehensive internal controls over financial reporting, enable organization-wide efficiencies, and promote business continuity. Integrated functionalities support appropriate internal controls and eliminate inefficiencies resulting from multiple systems, duplicate data entry and ineffective communication between systems.

Condition: Important functionalities are minimally met through legacy systems, the existing statewide accounting system, and multiple departmental processes without intended integration and efficiencies. This results in business continuity risk, decreased efficiency and effectiveness, and control weaknesses. Some of the State’s critical systems utilize outdated technology which makes these operations vulnerable from a business continuity and systems security perspective. Certain legacy systems utilize software that is no longer supported and the availability of skilled personnel to work on these systems is limited. Many of the needed financial functionalities are interdependent and, consequently, the risk of failed integration is increased absent appropriate strategic planning and sequencing.

The design and limitations of the State’s current financial system have resulted in numerous control deficiencies, collectively representing a material weakness over financial reporting. These control deficiencies are largely due to ineffective manual procedures being implemented in place of systemic integration that minimizes the risks of errors. The following control deficiencies most significantly impact the State’s controls over financial reporting:

- *General ledger access* – Effective accounting systems restrict general ledger access to those individuals knowledgeable about the State’s accounting and financial reporting. The current system allows wide access to the general ledger which results from recording cash receipts through journal entries rather than a cash receipts module. This significantly increases the risk of accounting errors being made and not being detected in a timely manner. This design also creates a large volume of journal entry transactions which is difficult to manage with the State’s limited centralized accounting and financial reporting staff.

- *Recording accruals during the fiscal close* – The State currently relies on the manual accumulation of accruals (except for system generated accounts payable) as part of their fiscal closing process. These manual processes are more likely to omit or misstate the recording of accruals as the process lacks effective controls to ensure the completeness and accuracy of recorded amounts.
- *Recording financial activity from subsidiary systems* – Financial activity processed (and in certain situations disbursed) by subsidiary systems often prevents detailed transaction data from being reported in the accounting system. In addition, reconciliations of subsidiary systems to the State accounting system is a lacking compensating control needed in response to the decentralized use of multiple financial systems.
- *Federal revenue and expenditure reporting* – With the majority of the State’s expenditures being funded by federal grants, controls over their reporting are material to the State’s financial reporting. The State’s accounting system does not meet the State’s needs in three important and interrelated areas relating to the reporting of federal revenue and expenditures – time reporting/payroll, grants management, and cost allocation – all functionalities that are integral to the management of federal programs. These functions are currently performed independent of RIFANS and generally through multiple departmental systems - most of which are duplicative and utilize old and sometimes unsupported technology. Because these systems and processes are decentralized, they do not ensure that federal expenditures are only reported when available grant award authority exists and that federal expenditures are recorded in the proper period due to delays in cost allocation results being reflected in the accounting system.
- *Capital projects reporting* – The State currently tracks capital projects using Excel. Project costs are accumulated in Excel and reported as construction in progress before being reclassified to the proper capital asset category upon completion. This process is inefficient and lacks the controls that a fully integrated capital projects module would provide.
- *Payroll / Personnel Administration* – The State still utilizes carbon-copy paper-based forms to administer payroll for its employees. Forms require manual input into multiple systems which is inefficient and prone to error. During our audit, a high percentage of payroll forms authorizing current employee pay levels could not be located to support the current salary amounts paid during the year.

Cause: The State’s current accounting and financial reporting system lacks the integration, functionality, and controls of a comprehensive ERP system. The lack of integration has led to various manual processes being implemented over time which are prone to error and lack compensating controls to ensure accurate and complete financial reporting.

Effect: Business continuity risks, deficiencies in internal control over financial reporting, and the lack of organization-wide efficiencies exist and are exacerbated due to the lack of an integrated ERP system.

RECOMMENDATIONS

- | | |
|-----------|--|
| 2023-003a | Manage the business process re-engineering required to align the State’s processes to the software-as-a-service functionalities within the ERP system. |
| 2023-003b | Ensure sufficient subject matter experts are involved in the implementation process to ensure a high likelihood of success. |
| 2023-003c | Ensure that the new ERP system addresses identified internal control deficiencies relating to financial reporting. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-004

(material weakness – new finding)

MONITORING BILLING RATES OF THE STATE’S INTERNAL SERVICE FUNDS TO PREVENT FINANCIAL STATEMENT MISSTATEMENTS AND FEDERAL NONCOMPLIANCE

The accumulation of significant deficits and surpluses in internal service funds must be avoided to ensure accurate financial reporting and compliance with federal regulations.

Criteria: Federal regulations (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards) state that working capital reserve balances within internal service funds should not exceed 60 days of cash expenses for normal operating purposes. Generally accepted accounting principles (GAAP), GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, requires that if the charge by an internal service fund (when administering risk financing activities such as health insurance costs) to the other funds fails to recover the full cost of claims over a reasonable period of time, any deficit fund balance in the internal service fund should be charged back to the other funds and reported as an expenditure/expense of those funds.

Condition: The State reports 15 internal service funds in its financial statements that allocate the costs of centralized services across the financial reporting entity. We noted one instance in which there was a working capital reserve significantly exceeding the 60-day expense reserve - the Assessed Fringe Benefits internal service fund had working capital reserves exceeding 150 days of expenses at June 30, 2023, per the draft financial statements. Once identified during our audit, the State recorded the required adjustment to reduce the reported surplus within the reserve level mandated by federal regulations.

We also noted an instance where a significant deficit (\$24 million per the June 30, 2023 draft financial statements) was reported in the Health Insurance – Active Employees internal service fund. Once identified, the State recorded the required adjustment to reduce the reported deficit to a level more in accordance with GAAP, ensuring that other funds of the State recognized their respective share of health insurance costs incurred in fiscal 2023.

The above adjustments demonstrate the need for improved monitoring of internal service fund activity and periodic billing rate adjustments, as required, to ensure compliance with federal regulations and accurate financial reporting.

Cause: Insufficient monitoring and adjustment of internal service fund billing rates.

Effect: Potential noncompliance with federal regulations and GAAP.

RECOMMENDATION

2023-004 Enhance internal service fund monitoring procedures to ensure that billing rates are appropriate to prevent significant deficits and surpluses from accumulating to ensure compliance with federal regulations and GAAP.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-005

(material weakness – repeat finding – 2022-003)

MEDICAID PROGRAM COMPLEXITY AFFECTS FINANCIAL REPORTING AND OVERALL PROGRAM CONTROLS

See related Federal Award Finding 2023-061.

The continued and growing complexity of Medicaid program operations adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State’s financial statements.

Background: The complexity of the Medicaid program increases each year through new federal regulations, complex managed care contract settlement provisions, new State initiatives, and continued challenges relating to the State’s integrated human services eligibility system, RIBridges. Medicaid is the State’s single largest program activity – representing just under \$3.7 billion in expenditures or approximately 38% of the State’s General Fund expenditures. Consequently, the financial aspects of this program are material to the State’s financial reporting objectives. Expenditures for individuals covered under managed care approximated \$2.1 billion, representing the majority of benefit expenditures reported for Medicaid.

Criteria: Management of the Executive Office of Health and Human Services (EOHHS) is responsible for establishing and maintaining internal control over financial reporting to ensure accurate and complete reporting of transactions in accordance with generally accepted accounting principles.

Condition: Significant Medicaid program activity is currently being accounted for external to the systemic controls and processes designed within the Medicaid Management Information System (MMIS). The MMIS was developed as a claims processing system over 30 years ago and was not designed to meet the current processing and reporting needs of the State’s managed care programs. Managed care requires a system that can handle capitation adjustments and a more robust adjudication of encounter data submitted by the State’s contracted managed care organizations (MCOs). While the MMIS has been modified over time to handle the disbursement of capitation and the submission of encounter data, it lacks the functionality to completely process and account for managed care activity.

Risks relating to inaccurate financial activity and federal compliance have increased due to the length of settlement periods, eligibility discrepancies between the claims payment system and the State’s integrated eligibility system, retroactive capitation adjustments, and the volume of transactions being accumulated and evaluated independent of regular program controls.

The following were examples of control deficiencies which led to a significant number of audit adjustments to correct financial reporting:

- Receivables and liabilities relating to the Medicaid Program at year-end each totaled in excess of \$200 million. The estimation, calculation, and reporting of year-end accruals is an entirely manual process involving no systemic controls to ensure the accuracy and completeness of reported amounts;
- Payments to and recoupments from providers and managed care organizations totaling more than \$150 million and \$140 million, respectively, were made through system and manual transactions made by the fiscal agent with authorization by the State Medicaid Agency. These payments are not subjected to the claims processing controls of the MMIS and often require substantial off-line manual calculations to determine the transaction amounts. These transactions are often netted within the normal claims processing cycle activity and the MMIS system lacks sufficient reporting capability for these transactions. During fiscal 2023, the volume of payment transactions was

significant (more than 700 transactions) and individual disbursements often exceeded \$100,000 (approximately 210 individual payments in 2023);

- Managed care contract or rate adjustment settlements represented the largest system and manual payments. These transactions often totaled millions and resulted in the final capitation rate actually disbursed not being reflected in the MMIS, further complicating the final contract settlements which are performed manually by Medicaid staff and contract employees; and
- The MMIS’s limited ability to process capitation adjustments and to process and report on encounter data makes it very difficult to estimate accruals relating to managed care. The State Medicaid agency currently relies on plan reporting from the MCOs to estimate final contract settlements requiring accrual at year-end. The accuracy of the data provided, the run-out period for providers to continue submitting claims, and the lack of complete encounter data reported in the MMIS remain challenges in accruing accurate managed care settlements at year-end.

While EOHHS’s manual procedures are making every attempt to accurately and completely settle and account for its managed care activities, systemic controls do not currently support those efforts and control deficiencies exist that continue to impact the State’s financial reporting. With the State currently exploring procurement for a new MMIS, significant focus should be placed on ensuring that controls over managed care capitation and claiming activity are significantly improved. In the near term, the State should look to utilize federally required audit procedures to improve controls over segments of the managed care settlement process that are currently not being validated.

Cause: Ensuring all financial activity is properly and completely recorded in the State’s financial statements is an increasingly complex task. The State does not currently have a system that can process retroactive capitation rate changes and/or changes in participant enrollment category. The current MMIS performs limited edits in encounter data submitted by the plans that are no longer adequate for the size and volume of medical claims covered under capitation. Insufficient system reporting for system payouts and recoupments increases the risk that material transactions are not identified that require reporting as prior period activity on federal reports and for financial reporting. The extent to which system payouts are not individually recorded in the State accounting system increases the risk that these transactions are not accounted for properly for financial reporting as they bypass the State’s centralized review procedures designed to ensure that transactions are recorded in the correct accounts and reflected in the correct fiscal period.

Effect: Potential effects of this control deficiency include unrecorded or inaccurately recorded financial transactions, incorrect reimbursements to providers or managed care organizations, and noncompliance with federal regulations.

RECOMMENDATIONS

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| 2023-005a | Develop specific objectives for managed care data processing (i.e., premium and encounter data processing functionality) that will be required of and included in the specifications for the next MMIS. |
| 2023-005b | Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting. |
| 2023-005c | Develop comprehensive reporting for system payouts, manual disbursements, and system recoupments to improve the transparency of these transactions processed by the Medicaid fiscal agent. |
| 2023-005d | Improve controls over non-claims based financial transactions in the next MMIS to provide for individual reporting and proper financial accounting treatment. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-006

(material weakness – repeat finding – 2022-004)

CONTROLS OVER ACCRUALS RELATED TO THE MEDICAL ASSISTANCE PROGRAM

Controls are lacking to ensure the completeness and accuracy of reported accruals relating to the Medicaid program in conjunction with the State’s fiscal closing.

Criteria: Management is responsible for establishing and maintaining internal control over financial reporting to ensure accurate and complete reporting of transactions in accordance with generally accepted accounting principles. Generally accepted accounting principles require that expenditures are recorded in the correct financial period and, when necessary, estimates can be recorded by management to ensure the completeness of financial reporting.

Condition: Accruals for certain benefit expenditures and recoveries associated with the Medical Assistance Program were omitted from the State’s financial reporting at June 30, 2023. In addition, certain accruals recorded at June 30, 2023 required adjustment due to the use of incomplete data or errors in estimation. Material audit adjustments were required to:

- Record \$10.5 million in Medicaid reimbursement owed for fiscal 2023 services provided by Eleanor Slater Hospital and State-operated group homes that were not recorded by the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals;
- Record \$8.3 million in Medicaid reimbursement owed to the Department of Children Youth and Families for Medicaid eligible services provided to children in the State’s custody that were not recorded by the department;
- Reduce managed care expenditures by \$23 million for net gain share settlements associated with managed care contracts that were understated due to the use of incomplete data available at year-end;
- Reduce the drug rebate receivable recorded at June 30, 2023 by \$2.5 million for an error in estimation; and
- Reduce expenditures for services provided by privately operated providers of services to developmentally disabled individuals by \$9 million relating to an overstated estimate of the accrual.

Cause: Management made no attempt to estimate and record amounts for certain year-end accruals associated with costs incurred but not reimbursed at year-end and final cost settlements relating to fiscal 2023. Management did not properly estimate the accruals proposed due to error or use of incomplete data.

Effect: The potential omission in accrual recording could result in material misstatement of the financial statements.

RECOMMENDATIONS

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| 2023-006a | Estimate and record expenditures at year-end to ensure the completeness of financial reporting. |
| 2023-006b | Reevaluate and refine estimation methods that are prone to error or resulting in misstated accruals at year-end. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-007

(significant deficiency – repeat finding – 2022-007)

CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity is accurately reported to the proper Assistance Listing Number and amounts passed through to subrecipients are appropriately classified and reported.

Criteria: 2 CFR §200.510(b) states “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502”.

The preparation of an accurate SEFA is critical to ensuring the proper recording of federal revenue and expenditures in the financial statements and to ensure that the State can comply with federal Uniform Guidance when submitting the State’s Single Audit Report required by federal regulations.

Condition: While federal expenditures are reported accurately in the State accounting system based on disbursements for most federal programs and the State as a whole, adjustments are still needed, especially for a statewide Single Audit that also includes federal expenditures of component units, to ensure that expenditures are accurately reported on the SEFA. We noted several instances in which adjustments to the SEFA were necessary to accurately report the federal expenditure activity for fiscal 2023:

- *Coronavirus State and Local Fiscal Recovery Fund (SLFRF) (21.027)* - Amounts disbursed to municipalities from the State non-entitlement and county distribution amounts which federal regulations define as direct assistance to those entities. In accordance with federal guidance, these funds should be reported as direct assistance by the municipalities and not reported on the State’s SEFA. Accordingly, expenditures were reduced by \$132 million.
- *Disaster Grants – Public Assistance (administered by the Federal Emergency Management Agency) (97.036)* – Under generally accepted accounting principles, disaster grant federal revenue cannot be recognized until the underlying expenditures are approved by FEMA. The FEMA approval is deemed to be the underlying requirement for revenue recognition. Thus, recognition of the federal expenditures can lag the actual fiscal period in which the expenditures are incurred. Expenditures had to be increased by \$271 million for amounts awarded by FEMA in fiscal 2023 relating to expenditures incurred in prior periods. Additionally, amounts received by the RI Emergency Management Agency and passed through to municipalities and other subrecipients, totaling approximately \$50 million, were not initially recorded as expenditures of federal awards.
- *Medical Assistance Program (93.778)* – In accordance with provisions in the State’s section 1115 waiver, the State receives federal match for certain Designated State Healthcare Program (DSHP) expenditures when incurred. Those proceeds must be utilized by the State to fund the State match for certain Healthcare Systems Transformation Programs (HSTP). HSTP expenditures from restricted DSHP funding totaled \$12.8 million in fiscal 2023 and required addition to reported federal expenditures in the SEFA.
- *Social Services Block Grant (SSBG) (93.667)* – In accordance with federal regulations, certain expenditures for the SSBG program can be funded through the State’s *Temporary Assistance to Needy Families (TANF) Program (93.558)*. For SEFA reporting purposes, this required reclassification of \$4.9 million between the programs in fiscal 2023.

Adjustments of reported pass-through amounts were also required. In addition to adjustments for the primary government’s federal expenditures, the State does not adequately review and monitor reported federal expenditures of the discretely presented component units. Such monitoring and oversight is

necessary to ensure proper reporting as Rhode Island submits a Single Audit Report for the entire financial reporting entity.

Cause: There is a disconnect between the agency personnel responsible for accurate recording of federal expenditures in the SEFA and the Office of Accounts and Control, the agency that prepares the SEFA from the accounting system.

Effect: Without correction, the SEFA would not accurately present federal expenditures in accordance with the Uniform Guidance.

RECOMMENDATION

2023-007 Ensure policies and procedures for presenting the SEFA are consistent with Uniform Guidance requirements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-008

(material weakness – repeat finding – 2022-008)

CONTROLS OVER FEDERAL PROGRAM FINANCIAL ACTIVITY

The State must improve controls over recording federal revenue to ensure (1) amounts are consistent with the limitations of grant awards from the federal government and (2) claimed expenditures on federal reports are consistent with amounts recorded in the State’s accounting system.

Background: Federal programs represented 51% of fiscal 2023 General Fund expenditures. Financial reporting risks include categorizing expenditures as federally reimbursable when grant funds have either been exhausted or the expenditures do not meet the specific program requirements. Further, the State can improve its overall centralized monitoring of federal program operations to ensure compliance with federal regulations.

Some federal grants are open-ended entitlement programs where the federal government will reimburse the State for all allowable costs incurred under the program. Other federal grants are limited by a specific award amount and grant period. These grant periods are often for the federal fiscal year and are not aligned with the State’s fiscal year.

Criteria: Federal revenue and expenditures recorded by the State must be consistent with the limitations of grant awards from the federal government and claimed expenditures on federal reports must be consistent with amounts recorded in the State’s accounting system.

Condition: Knowledge of grant requirements, spending authorizations, and limitations on reimbursable expenditures all rest with departmental managers who administer the federal grant programs. The Office of Accounts and Control, in preparing the State’s financial statements, relies primarily on the coding of expenditures (by funding source – federal) within the RIFANS accounting system. All expenditures recorded in federal accounts are considered reimbursable from the federal government and federal revenue is recorded to match those expenditures. From an overall statewide perspective, controls over financial reporting are ineffective to ensure that all federal expenditures are reimbursable and federal revenue is recognized appropriately. In addition, procedures designed to ensure the consistency of federal expenditures reported in RIFANS (the source of the State’s SEFA) with those reported on federal reports were deemed ineffective and discontinued.

With the longer-term solution residing with a fully integrated ERP system with the functionalities outlined in Finding 2023-003, the State needs to implement the following near-term solutions to improve controls over federal reporting:

- Interface RIFANS with the separate Grants Management System (GMS) to provide controls ensuring that federal expenditures are recognized only if the GMS reports sufficient federal grant authority at the time of the transaction. The effectiveness of this interface will be limited since some agencies are unable to delineate the applicable grant period when processing transactions in RIFANS.
- Ensure that agencies complete quarterly cost allocations and that related adjustments of reported expenditures are completed in a timely manner.
- Improve monitoring to ensure that agencies are drawing down federal funds in a timely manner.
- Utilize reporting functionality of GMS to require reports showing availability of funds as supporting documentation for manual journal entries to post federal program activity.
- The State needs to implement a new process to monitor the consistency of federal expenditures reported by RIFANS with those reported by agencies on federal reports. Differences often arise due to timing, federal disallowance, reporting basis (i.e., accrual versus cash basis), etc., which require reconciliation to determine if adjustments are needed in RIFANS or on federal reports. The State should implement a monitoring process that highlights variances between RIFANS and federal reports to ensure that adjustments are made in a timely manner to correct reporting.

The State will need to carefully consider whether the interface of the current GMS with the ERP system, currently in the implementation stages, will ensure sufficient functionality to address the above deficiencies.

Cause: Sufficient controls have not been implemented within the statewide accounting system to ensure amounts are consistent with the limitations of grant awards from the federal government and claimed expenditures on federal reports are consistent with amounts recorded in the State’s accounting system.

Effect: Federal revenue could be overstated and not detected for financial reporting purposes. The share of program costs allocable to funding sources (e.g., general revenue vs. federal) could be misstated.

RECOMMENDATIONS

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| 2023-008a | Utilize the GMS to improve monitoring of federal program financial activity. |
| 2023-008b | Implement a monitoring process that highlights variances between RIFANS and federal reports to ensure that adjustments are made in a timely manner to correct reporting. |
| 2023-008c | Ensure that the interface of the current GMS with the ERP system, currently in the implementation stages, will ensure sufficient functionality to address the above deficiencies. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-009

(material weakness – repeat finding – 2022-009)

MATERIAL AUDIT ADJUSTMENTS

Material audit adjustments were proposed and accepted during our audit of the State’s fiscal 2023 financial statements.

Background: Generally accepted auditing standards require the need for material audit adjustments to be considered a control deficiency.

Criteria: Material audit adjustments are indicative of weaknesses in controls over the preparation of financial statements.

Condition: We proposed multiple material audit adjustments deemed necessary to fairly present the State’s financial statements in accordance with generally accepted accounting principles. Common reasons for proposed audit adjustments were to correct the financial statements to ensure the:

- Alignment and consistency amongst funds and/or for proper financial reporting classification (i.e., ensuring that transactions were reported consistently in the financial statements);
- Completeness and accuracy of accrual transactions;
- Recording of accounting adjustments pending information not provided timely by State agencies; and
- Proper reporting of custodial activity in the State’s financial statements.

Cause: The Office of Accounts and Control has responsibility for the State’s financial reporting but is reliant on agency personnel to accurately record financial activity in conjunction with the State’s fiscal close. In addition, risks exist that information impacting the State’s financial statements could be omitted from or incorrectly accounted for in the State’s financial statements if not disclosed to or identified by the Office of Accounts and Control. While the State has implemented manual processes in response to these risks, material adjustments were still required to adjust or record financial activity during the audit.

Effect: The State’s financial statements would have been misstated without the required audit adjustments.

RECOMMENDATIONS

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| 2023-009a | Consider additional oversight over agency financial closing procedures to ensure completeness and accuracy of recorded transactions. |
| 2023-009b | Improve documentation of the State’s policies and procedures relating to financial reporting. |
| 2023-009c | Financial reporting training should be considered for State agency finance personnel to increase awareness of governmental financial reporting. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-010

(material weakness – repeat finding – 2022-010)

INVESTMENT NEEDED FOR MODERNIZATION OF THE STATE’S TREASURY FUNCTIONS

The complexity of Treasury operations has increased substantially over the years without significant modifications to the State’s investment in technology and personnel to support those efforts and to ensure internal control best practices are maintained.

Background: The Office of the General Treasurer (Treasury) is responsible for the State’s cash management functionality which includes oversight of deposit balances with multiple financial institutions, investment of cash balances, maintaining liquidity to meet obligations, and ensuring the safety of deposits and short-term investment balances.

At June 30, 2023, the State’s short-term deposit, investment portfolio (exclusive of pension and OPEB related investments), and funds on deposit with fiscal agent (State debt proceeds, which are held in trust by fiduciaries but subject to the State’s monitoring of permitted investments and other contract requirements) totaled in excess of \$4 billion. Organizations of similar size and complexity would typically have sophisticated and integrated information technology systems to facilitate daily cash management operations and ensure compliance with deposit and investment guidelines.

The Office of the General Treasurer has utilized various applications to facilitate its cash management functionalities, but none have been integrated with the State’s accounting system. The State has begun implementation of an ERP system which includes integrated cash management functionalities within the project scope. The ERP system implementation is expected to take several years before its complete functionality is operational.

Criteria: Management is responsible for ensuring internal controls over Treasury operations are well designed and effective. Most important within Treasury operations is ensuring segregation of duties. Treasury is also responsible for ensuring the safety and liquidity of the State’s deposits and for ensuring compliance with the deposit and short-term investment guidelines of the State Investment Commission.

Condition: While Treasury meets its daily cash management responsibilities, mostly through the continuity of “key” personnel, these activities are not adequately supported by current technology that accesses and integrates data from multiple sources (e.g., accounting system, banks, custodians, investment counterparties). Accordingly, data is independently gathered from a variety of sources, which is time consuming and inefficient. Additionally, given the current configuration of non-integrated applications, there is an insufficient number of staff assigned to these functions to allow adequate segregation of duties. The systems and processes used to manage the deposit and short-term portfolio present the following control deficiencies:

- Difficulties in ensuring segregation of duties relating to the transfer of funds and the recording and reconciling of investment activity.
- The State is currently utilizing Excel to record the purchase and sale of investments. The program is used to journalize summary investment activity into the State’s accounting system. While functional, the lack of transaction level detail being recorded in the State’s accounting system, coupled with the lack of controls that a more substantial software application would include, is not ideal.
- Managing compliance with investment diversification policies (promulgated by the State Investment Commission) and statutory collateralization requirements mandated for the State’s cash deposits requires continual monitoring to ensure compliance. The Treasury currently lacks a modern cash management system that would facilitate compliance monitoring, requiring those functions to be performed by personnel already depended on for various other Treasury functions. During our audit, we noted two investment accounts totaling \$13 million that were uncollateralized

and not detected timely by monthly reconciliation processes.

- Periodic confirmation of authorized signatories on the State’s deposit and investment accounts is an additional monitoring procedure currently lacking in Treasury operations. Our audit noted instances where authorized signatories required update.
- The Treasury lacks dedicated internal audit and information system (IS) security functions common in most state Treasury operations to ensure that financial and IS security controls are in place and operating effectively.

In response to this finding, when reported for fiscal 2022, the newly elected Treasurer obtained budgetary approval for a Deputy Cash Manager position and reassigned duties to create a Director of Strategic Planning position to begin efforts to address the issues cited above. The Deputy Cash Manager started in fiscal 2024 and strategic planning initiatives include the development of a request for proposal as an initial phase of a multi-phase project to identify and address the strategic needs of the Treasury.

Cause: The current systems do not contribute to segregation of duties, and staffing is insufficient to adequately segregate the functions with the required redundancy needed in various positions. Current use of Excel lacks required access, data integrity, and other systemic controls to safeguard the recording of the State’s short-term investment activity. There is a lack of sufficient technology and personnel resources needed to manage compliance with investment diversification policies and statutory collateralization requirements.

Effect: There is an inability to (1) maintain proper segregation of duties in key Treasury operations, (2) evaluate and monitor financial and operational controls, and (3) effectively monitor compliance with diversification and permitted investment requirements, as well as collateralization policies, for the State’s cash and investments.

RECOMMENDATIONS

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|-----------|---|
| 2023-010a | Contract for a study of Treasury operations to identify potential modern technological and contract service solutions consistent with the size and complexity of current operations. |
| 2023-010b | Ensure the State’s ERP system implementation includes the State’s treasury function and the resources that will be needed to integrate the cash management functionality within the System. |
| 2023-010c | Consider the personnel resources necessary to enhance internal controls (i.e., segregation of duties, financial, operational, and IS security controls), and reduce business continuity risks associated with current personnel levels. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-011

(significant deficiency – repeat finding – 2022-011)

VOLUME OF ACCOUNTING SYSTEM JOURNAL ENTRIES

There is an excessive volume of journal entries recorded within the accounting system. This volume weakens controls over the appropriate authorization and classification of expenditures and limits transparency regarding the underlying transactions.

Background: More than 11,000 journal entries were processed during fiscal 2023 in the accounting system. An additional 36,000 journal entries were used to record receipts/revenues.

Criteria: Initiation and approval of journal entries is typically restricted to a small number of higher-level accounting staff to record specific financial reporting related entries or to make corrections.

Condition: A significant volume of journal entries is required due to the lack of a fully integrated ERP system. For example, journal entries are utilized to:

- Allocate costs to multiple programs and activities. These journals primarily adjust expenditures based on the results of various disparate federal cost allocation systems and agency time reporting systems that are utilized throughout the State;
- Record receipts due to the lack of a revenue and receivable module in the current State accounting system; and
- Adjust natural accounts of expenditures recorded in governmental funds to facilitate capital asset recording in the government-wide financial statements.

Journal entries typically are considered higher risk from an internal control perspective as approval level controls require understanding and appropriate review of complex transactions to be effective. As the volume increases, the time to adequately review and approve what are often material transactions also increases, threatening the effectiveness of control procedures.

Cause: Insufficient cost allocation functionality in the current accounting system necessitates a high volume of journal entries to allocate administrative costs. Since accounting personnel in all departments and agencies need to process receipts through journal entries, the ability to initiate and approve journal entries is more widespread than would be typically seen in most large accounting systems. In addition, while agency finance personnel are knowledgeable about program and agency activities, they are often less familiar with governmental accounting and financial reporting requirements.

Effect: Controls are weakened through the large volume of high-dollar transactions that are recorded through journal entries, which increase the possibility that a misstatement could occur and not be detected in the normal course of operations.

RECOMMENDATIONS

- 2023-011a Ensure the statewide ERP system includes appropriate cost allocation functionality, including payroll distributions, and an integrated revenue/receipt functionality to significantly reduce the volume of journal entries needed to maintain the accounting system and support financial reporting.
- 2023-011b Enhance review and oversight of material journal entries to ensure appropriate recording of transactions and avoid misstatement of the financial statements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-012

(significant deficiency – repeat finding – 2022-012)

PREPARATION OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The State needs to minimize manual processes required to prepare the government-wide financial statements.

Background: The State accounting system maintains distinct accounting records to support the preparation of the government-wide (full accrual) financial statements. The full accrual set of books is populated through consolidation entries of the monthly activity from the modified accrual set of books, capital asset transactions throughout the fiscal year, and conversion entries to record noncurrent assets and liabilities and to reclassify fund-level activity as needed. A significant amount of manual processing, mostly in Excel workbooks, is required to compile data needed to post consolidation entries.

Criteria: Trial balances from the accounting system should not require significant modification to generate accurate financial statements. Controls should be operational to ensure that all transaction activity is recorded consistently in both sets of books and required updates to account mappings are made when needed. Preparation of the government-wide financial statements should include adequate review to ensure results are consistent with expectations.

Condition: While the fiscal 2023 draft government-wide financial statements required several audit adjustments to ensure proper and accurate presentation, the financials were significantly improved over the prior year with staff at the Office of Accounts and Control having more experience. Reconciliations, included as a required component of the basic financial statements, to identify and explain the differences between the government-wide and fund-level financial statements required some adjustment but were also improved. Adjustments in fiscal 2023, were largely attributed to (1) net position reclassifications, (2) revenue categorization differences between operating and capital grants, (3) misstatements in reported capital assets, and (4) reporting long-term liabilities and receivables.

Cause: Most misstatements related to errors in process or classification which occur in conjunction with manual processes inherent in the State’s current preparation of the government-wide financial statements.

Effect: Possible material misstatement of the State’s financial statements.

RECOMMENDATIONS

- 2023-012a Enhance procedures for preparing the government-wide financial statements to ensure consistent and accurate recording of transaction activity. Minimize manual processes to the extent possible when preparing the financial statements.
- 2023-012b Expand training in governmental financial reporting for Accounts and Control staff to continue enhancing staff development in this specialized area.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-013

(significant deficiency – repeat finding – 2022-014)

DIVISION OF MOTOR VEHICLES – CONTROLS OVER REVENUE COLLECTIONS

Controls can be improved over the recording of license, registration and surcharge fees collected by the Division of Motor Vehicles (DMV) and deposited in the Intermodal Surface Transportation (IST) Fund.

Background: In fiscal 2023, the DMV collected \$106.5 million in revenues (excluding sales taxes) of which \$85.6 million was remitted to the IST Fund’s Highway Maintenance Account.

Criteria: DMV must have controls in place to ensure the completeness of revenue reflected within the IST Fund. RI General Law chapter 39-18.1 designates certain fees to be deposited in the IST Fund for transportation purposes.

Condition: DMV lacks effective controls to ensure that all revenues collected by the DMV for deposit within the IST Fund have been recorded. RI Department of Transportation (RIDOT) should have procedures in place to provide reasonable assurance that the appropriate fees have been earmarked for the IST Fund and have been received and recorded as revenue. This should include documentation of the fee structure identified by the RI General Laws, the surcharge amount being applied to each DMV transactions code, and how the DMV computer system, RIMS, is programmed to identify such amounts for the IST Fund. RIDOT and the DMV should periodically assess the reasonableness of the actual revenue recognized for recording in the IST Fund. We identified the following control deficiencies:

- There is no crosswalk of the fee structure identified by the RI General Laws for licenses, registrations, surcharges, etc. and how RIMS is programmed to identify such amounts.
- The current reconciliation performed between the State accounting system (RIFANS) and RIMS does not include all fees collected by the DMV.
- Manual write offs are not recorded in RIMS; they are maintained outside of the system. Manual write offs should be recorded within RIMS to maintain a log of the adjustments and to facilitate RIMS/RIFANS reconciliation.
- Identifying an estimated deposit date for DMV proceeds within RIMS reports will assist in fully reconciling RIMS reported activity with the State accounting system.

DMV began working through the recommended reconciliations requested in prior years, however, corrective action was not completed in fiscal 2023 and remains in progress. To be an effective control over financial reporting, the department reconciliation needs to be completed prior to the fiscal closing by the State.

Cause: Controls to ensure the completeness of the DMV revenues earmarked for transportation purposes within the IST Fund require improvement. DMV should consider ways that the RIMS system can enhance monitoring of compliance with statutory revenue requirements and assist the agency in completely reconciling with RIFANS.

Effect: Potential for misstatements in the financial statements not being detected in a timely manner.

RECOMMENDATIONS

- 2023-013a Ensure the timely completion of monthly and annual reconciliations between RIFANS and RIMS to ensure that recorded revenue is supported by RIMS data.
- 2023-013b Create a crosswalk between the fees charged in RIMS and the section of the Rhode Island General Laws authorizing the fee.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-014

(material weakness – repeat finding – 2022-015)

INTERMODAL SURFACE TRANSPORTATION (IST) FUND – FINANCIAL REPORTING

Controls can be enhanced over the presentation of IST Fund financial statements to ensure consistent and accurate reporting of fund activity in accordance with generally accepted accounting principles.

Background: The IST Fund accounts for transportation related activities of the State, including the federal highway construction program, transportation bond proceeds, and designated revenues collected by the Division of Motor Vehicles. The IST Fund financial statements, although generated by the State accounting system, are the responsibility of the RI Department of Transportation (RIDOT).

Criteria: Controls over the preparation of financial statements should ensure consistent and accurate financial reporting. RIDOT management is responsible for ensuring that controls over financial reporting are in place and operating effectively.

Condition: We identified several misstatements in the 2023 IST Fund financial statements that required adjustment. Those misstatements related to the reporting of fund balance, federal revenue and expenditures, and accounts payable. In addition, adjustments were also required to correct several account classifications on the IST Fund financial statements to ensure consistent presentation with GAAP. Account reconciliations are currently lacking to ensure accurate reporting of federal revenue and expenditures in the IST Fund. In fiscal 2023, federal revenue and expenditures were overstated by \$20 million and \$24 million, respectively, at the fiscal close, requiring adjustment.

Cause: Identified misstatements resulted from deficiencies in current financial reporting processes relating to manual procedures designed to compensate for deficiencies in the accounting system. Examples include the allocation of fund balance and the accumulation of accounts payable transactions from the RIDOT Financial Management System (FMS). These manual processes can be prone to error and lack controls to ensure completeness. In addition, most of these accounting processes are performed by the more experienced accounting staff at RIDOT, reducing the likelihood that independent reviews will be performed. Most of the exceptions noted may have been identified if RIDOT had been performing a more detailed review of account balances in conjunction with the fiscal close.

Effect: Account balances within the IST Fund financial statements could be misstated.

RECOMMENDATIONS

- 2023-014a Ensure the transactions identified through the reconciliation of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of revenue, expenditures, and fund balance components on the financial statements.

2023-014b Implement controls, including account reconciliations and more detailed supervisory review of financial statement accounts, to ensure the accuracy of recorded amounts in the financial statements. Management reviews of financial statements should also be performed to ensure proper classification and presentation.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-015

(material weakness – repeat finding – 2022-016)

TRANSPORTATION INFRASTRUCTURE REPORTING

Controls over the identification of transportation infrastructure assets have been improved but can be further enhanced to ensure the accuracy of such amounts. Controls should be improved to record the disposal of infrastructure assets when retired or replaced.

Background: RIDOT enhanced its process to identify transportation infrastructure assets which use the RIDOT Financial Management System (FMS) to identify each project and ensure that total project costs (e.g., design and construction costs) are included in the capitalized amount. Since the source of the information used to identify capitalized infrastructure is FMS and the financial statements are based on RIFANS (as recorded by the Office of Accounts and Control), the data used must be reconciled between the two systems.

Projects are assigned to one of nine infrastructure codes established to identify the type (road, bridge, etc.) and the estimated useful life of the asset which drives depreciation expense.

Criteria: Generally accepted accounting principles (GAAP) require recording the State’s investment in infrastructure assets to be reflected on the government-wide financial statements. Such amounts should be capitalized and depreciated consistent with the State’s adopted accounting policies. Amounts are recorded as construction in progress until placed in service, at which time depreciation commences. Infrastructure disposals should be recorded when assets are replaced or permanently taken out of service.

GAAP also requires that capital assets be evaluated for impairment when events or changes in circumstances suggest that the service utility of a capital asset may have significantly and unexpectedly declined.

Condition: The cost and related accumulated depreciation associated with infrastructure assets that have been replaced or are no longer in service have not been removed from reported infrastructure amounts. The State asserts that these assets are fully depreciated thus not resulting in a significant misstatement of reported net infrastructure, however, a process for removal to support that assertion by management needs to be implemented. A reasonable process to identify and record infrastructure disposals is also needed to ensure accurate note disclosure of infrastructure assets.

RIDOT utilizes a report from its FMS to report infrastructure additions to the Office of Accounts and Control annually. The FMS report does not reflect accrued expenditures, while RIFANS reported amounts include accruals reported for financial reporting purposes. The impact of the prior year accrual reversals in RIFANS was not properly accounted for when recording infrastructure additions for fiscal 2023 and resulted in construction in progress being overstated by \$59.8 million. Material adjustments were recorded to correct balances at June 30, 2023. RIDOT needs to properly account for accruals reported in RIFANS when recording infrastructure additions for financial reporting.

In conjunction with its review of asset disposals, RIDOT should consider whether it has current transportation infrastructure assets recorded that may be impaired and require proper accounting recognition in accordance with government accounting standards.

Cause: Controls over RIDOT’s infrastructure asset identification and disposal processes are not sufficient to ensure accurate reporting of capitalized infrastructure amounts.

A process to evaluate and remove estimated costs relating to retired/replaced infrastructure has not been implemented. The consideration and documentation of impaired infrastructure assets should also be performed.

RIDOT does not review infrastructure assets reported in the State’s financial statements to ensure that balances are consistent with supporting documentation and RIFANS.

Effect: Infrastructure assets and related depreciation expense may be materially misstated.

RECOMMENDATIONS

2023-015a Enhance controls over the recording of infrastructure assets by reconciling RIDOT departmental records of construction in progress and infrastructure assets to amounts reported in the State’s financial statements.

2023-015b Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service. Include in that process consideration of whether any of the State’s recorded transportation infrastructure has been impaired consistent with GAAP criteria.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-016

(significant deficiency – repeat finding – 2022-018)

COMPREHENSIVE INFORMATION SYSTEMS SECURITY – ADDITIONAL RESOURCES NEEDED TO ADDRESS CURRENT RISK ASSESSMENT

See related Federal Award Finding 2023-054.

The State updated its current cybersecurity readiness and has begun to identify risk mitigation priorities and the resources needed to implement necessary corrective action.

Background: The Division of Enterprise Technology Strategy and Services (ETSS) within the Department of Administration (DOA) has responsibility for the State’s varied and complex information systems. This includes ensuring that appropriate security measures are operational over each system and the State’s information networks. Information security (IS) is critically important to ensure that information technology (IT) dependent operations continue uninterrupted, and that sensitive data accumulated within State operations remains secure with appropriately controlled access.

Periodic comprehensive technology risk assessments are key to uncovering underlying vulnerabilities in the environment as well as providing guidance on where to best spend limited assets to reduce risk. The State’s most recently updated assessment of its cybersecurity readiness was completed in June 2022. The assessment noted improvements by the State in several areas and also identified and prioritized a significant number of critical improvements required to mitigate current security risks. Critical improvements will require substantial resources to be devoted by the State.

During our audit we focused on the following mission critical systems due to their impact on the State’s financial reporting: RIFANS, STAARS, RIBridges, MMIS, DMV- RIMS, and DLT benefit and revenue systems. We also reviewed the IS over the State’s network environment which is critical to the State’s operations and negatively impacts application security if not maintained at an acceptable industry level standard. Our detailed findings, in most instances, mirrored the findings of the recent cybersecurity assessment.

ETSS has continued to implement a variety of system and network improvements that will enhance management capabilities (e.g., policy enforcement) and improve overall IS. Unfortunately, the State does not have sufficient resources dedicated for the size and complexity of State operations and risk mitigation is not progressing quickly enough.

Criteria: IT risk assessment policies and procedures must be documented (National Institute of Standards and Technology – NIST RA-1). Risk assessments should be performed every three years or whenever there are significant changes (e.g., new system or network implementations) (NIST RA-3). Risk assessments are vital to managing and mitigating risks, maintaining compliance (i.e., IRS and HIPAA requirements), prioritizing IT spending, and supporting business continuity.

The oversight and management of the State’s IS relies upon the implementation of ETSS’s comprehensive information IS plan, which includes detailed policies and procedures that are designed to safeguard all systems and data contained within the State’s IT environment.

Assessments of compliance to IT policies and procedures for all critical IT systems and data should be performed on a periodic basis as part of the risk assessment.

Condition: The State has continued to update and enhance its IS policies and procedures which is a continuous effort for any large entity. Ensuring effective communication and implementation of these policies will continue to require additional IS resources and training. Evaluating compliance with policies and procedures across the entity to identify and mitigate risks remains a significant challenge due to a lack of resources. While the State has improved technology in recent years to identify and report on specific risks, the personnel needed to respond to the increased volume of risks reported has remained insufficient. The updated IT cybersecurity assessment provided validation of the State’s improvements in several areas when compared to previous assessments, however, it also validated that the pace of improvement is too slow and resources are insufficient to mitigate current risks.

The State needs a comprehensive plan to identify the amount of dedicated IS resources appropriate to the State’s size and complexity. The plan should include a formalized risk assessment to identify the risks deemed most critical to operations and security. The plan should identify the resources necessary (additional or repurposed positions to address current operational needs) and the mechanism to ensure proper funding of those resources over time. The State should consider IS to be an operational cost rather than something that requires only periodic investment.

A formalized plan should include risks by priority level, a corrective action or remediation plan, and anticipated costs and resources so that State management can adequately plan to address critical areas in a timely manner. The State should consider external resources to expedite the completion of this formalized assessment. Layering this effort on the State resources responsible for maintaining current operations and security is not practical.

During fiscal 2023, the State contracted with a firewall and networking service provider to bring additional resources to these vital IS functions. These contracts supplement resources dedicated to the implementation, support, and maintenance of the critical IS functions. As with all contract functions, the State is still responsible for oversight and monitoring of these functions which is resource dependent.

Cause: Current resources are insufficient to maintain IS over the State’s IT infrastructure, systems, and data for an entity the size of the State.

Without a formal risk-based prioritization approach, ensuring that resources (funding and personnel) required to support the number of system implementations, network improvements, and security monitoring and improvements in process concurrently will be difficult to manage. Further, insufficient resources will increase the chances of project delay and failure as well as impacting the State’s ability to manage the continuity and security of existing IT operations.

Effect: Critical systems and data may be exposed to security vulnerabilities and cyberattacks when comprehensive information security risk assessments are not performed routinely. This could impact the State’s ability to ensure continued operation of mission critical systems and the security and integrity of the data within those systems.

RECOMMENDATIONS

- 2023-016a Using the recent cybersecurity assessment and existing audit recommendations, develop a comprehensive plan to address the current IS risks to State operations. This plan should be risk-based and include the necessary resources, corrective actions, and prioritization needed to ensure timely mitigation by the State.
- 2023-016b Continue to update formalized risk assessments periodically (with annual updates to adjust security priorities) with the results documented and communicated to management. These assessments should include consideration of IS issues resulting from audits, reviews of Service Organization Control reports, and internal assessments to include IS concerns for all of the State’s critical systems.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-017

(material weakness – repeat finding – 2022-019)

PROGRAM CHANGE CONTROLS

The State does not follow uniform enterprise-wide program change control procedures for the various IT applications operating within State government. This increases the risk that unauthorized or inappropriate changes could be made to IT applications without detection.

Background: Program change controls are a critical component of any system development life cycle. These controls ensure that only authorized changes are made to programs (along with user acceptance testing) before being promoted into the production environment. Additionally, program change control procedures prevent and detect unauthorized program modifications from being made. Almost all custom-developed computer applications require changes and/or updates throughout their production lifecycles. Consequently, these customized, home-grown applications require a formalized change management system to ensure that only authorized changes are made.

While some agencies have formally implemented program change controls, a standardized statewide approach has not been implemented.

Criteria: The State’s change management process should be standardized so that all movement of code, modifications, testing, acceptance, and implementation provide management with a tracking history and record of approvals. This leads to consistent outcomes, efficient use of resources, auditability, and enhanced integrity of the application systems. Automated tools facilitate control over the change management process, reduce human error, and allow the process to be consistent, predictable, and repeatable.

ETSS should develop procedural guidance to detail the correct use of change management software and mandate internal control practices and procedures, thus ensuring a documented, monitored, auditable, and repeatable process.

Condition: The State lacks a uniform enterprise-wide program change control management process for the various IT applications operating within State government. This leads to inconsistent methods, as well as noncompliance and circumvention of ETSS’s change control policies and procedures. For many of the State’s critical systems, automated change control procedures were lacking to substantiate that only authorized and proper changes had been implemented.

While the State’s implementation of standardized technology within program change controls remained lacking, the State did implement a Change Advisory Board (CAB) to oversee new projects and major changes. The CAB represents an improvement in the consideration, approval, and management of program changes previously lacking.

Cause: Various methods are used to control program change management which rely mostly upon manual and semi-automated procedures that incorporate emails, memoranda, and other paper-based forms to document application changes.

Effect: A lack of a uniform enterprise-wide program change control management process increases the risk that unauthorized or inappropriate changes could be made to IT applications without detection.

RECOMMENDATIONS

- 2023-017a Develop and implement procedures detailing specific requirements for program change control and disseminate and train ETSS support staff in its proper execution.
- 2023-017b Determine the appropriate combination of operational, procedural and/or technical adjustments required to use change management software to result in adequate program change control for the entire enterprise.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-018 ***(significant deficiency - repeat finding – 2022-020)***

PERIODIC SYSTEM ACCESS AND PRIVILEGE REVIEWS

The State’s current practices for periodic logical access and privilege reviews at both the application and network levels need improvement.

Background: Within information systems security, identity, credential, and access management represents the programs, technologies, and personnel used to create trusted digital identity representations of individuals and other entities to provide authorized access to entity resources.

Criteria: While it is critical to set initial system access for an employee to the minimum necessary to perform the job function, it is also crucial to ensure that their access level remains current and appropriate over time since job functions may change.

Per NIST 800-53, “The need for certain assigned user privileges may change over time to reflect changes in organizational mission and business functions, environments of operation, technologies, or threats. A periodic review of assigned user privileges is necessary to determine if the rationale for assigning such

privileges remains valid. If the need cannot be revalidated, organizations take appropriate corrective actions.”

Condition: Periodic review of granted system access (privileges) is not consistently or uniformly performed for the majority of applications utilized throughout State government. Special attention should be paid to review system access for individuals granted administrator or “super user” access to ensure that such access is required and terminated in a timely manner. State network access should also be reviewed to ensure timely termination when system users leave employment (State or Contractor), are transferred to a new position, or no longer require system access.

During fiscal 2023, ETSS organized identity access management separately under its governance structure to facilitate a more consistent management approach across the entity.

Cause: Lack of consistent and uniform review of system access (privileges) across most State applications.

Effect: Improper or unauthorized access to State systems or networks which could impact service availability, data integrity, and/or security.

RECOMMENDATIONS

- | | |
|-----------|---|
| 2023-018a | Implement periodic, verifiable privilege reviews for all applications and networks. Prioritize critical financial applications and those that contain sensitive data. |
| 2023-018b | Communicate policies and procedures for privileged user access reviews to be performed by assigned agency IT staff periodically (no less than annually). Implement specific training in conjunction with the communication of policies and procedures to ensure conformity across the entity. |

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-019

(significant deficiency – repeat finding – 2022-021)

DATABASE LOGGING AND ACTIVITY MONITORING

The State’s current practices for database logging and activity monitoring at the database level needs improvement.

Criteria: Just as it is essential to have logging and monitoring at the application level for key financial and sensitive data to guard against unauthorized transactions and errors, it is equally important to have database logging and monitoring in place to help guard against unauthorized changes occurring at the database level outside of the scope of application controls.

Proper database logging, monitoring, and alerting is identified as an important step in securing the database by both the Information Systems Audit and Control Association (ISACA) and other IT security professionals as an industry best practice.

Condition: Database logging and monitoring for most State applications is not adequate across the entity. While the State has begun implementing processes to improve in this area, consistent application of controls and additional resources are needed.

Cause: Lack of an implemented uniform practice for database logging and activity monitoring.

Effect: The lack of database logging and monitoring for improper activity makes it more likely that key databases will be vulnerable to malicious attacks without detection. Risk to data integrity may result from unauthorized database changes that go undetected.

RECOMMENDATIONS

- 2023-019a Complete implementation of a consistent and effective database logging and monitoring process across all major State applications. Prioritize applications/databases that contain critical financial and sensitive data.
- 2023-019b Communicate policies and procedures for database logging and monitoring to assigned agency IT staff. Implement specific training in conjunction with the communication of the policies and procedures to ensure consistent application across the entity.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-020

(significant deficiency – repeat finding – 2022-022)

DISASTER RECOVERY TESTING

The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery policy and testing.

Background: Periodic tests of the disaster recovery plan are a vital component of an overall business continuity plan to increase the likelihood that critical systems can be restored should a disaster disable or suspend operations at the State’s data center. ETSS has a designated disaster recovery facility in New Jersey (operated by a vendor). During fiscal 2023, the State continued the process of modernizing its disaster recovery hardware and procedures. While this represents progress that will benefit the State going forward, no disaster recovery testing was performed during the fiscal year.

Criteria: Industry best practices stipulate that disaster recovery testing be performed twice a year to accommodate the ever-changing IT systems environment. The State should perform a full disaster recovery test for critical applications at least annually.

Condition: A list of major systems has been developed and the restoration priority has been established. In addition, further progress is needed to test all critical functionality of major systems and their applications. With the State continuing its modernization of disaster recovery hardware and procedures, no testing was performed during fiscal 2023 with the most recent test of disaster recovery procedures being partially completed in fiscal 2021. The State completed its planned infrastructure modernization in July 2023 which should allow for disaster recovery testing to resume in fiscal 2024.

Cause: The State’s current modernization of its disaster recovery hardware and procedures in fiscal 2023 limited its disaster recovery testing. The State’s last disaster recovery test in fiscal 2021 did not fully validate the system functionality, a necessary requirement of a successful disaster recovery exercise.

Effect: Incomplete disaster recovery testing reduces the assurance that all mission critical systems can be restored, should a disaster disable or suspend operations.

RECOMMENDATION

2023-020 Establish a repeatable level of system restoration and incorporate business continuity planning within periodic disaster recovery testing.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-021

(significant deficiency - repeat finding – 2022-023)

INCIDENT RESPONSE TRAINING

The State needs to further enhance its coordination and training to improve its incident response capabilities in the event of a data breach.

Criteria: A strong and well-designed incident response program is required for the State to effectively respond to incidents such as a data breach initiated from outside the State network or an insider attack on agency infrastructure and systems. Per NIST 800-61, a key step in establishing an incident response capability includes “staffing and training the incident response team”. This includes designated agency staff as well as ETSS personnel.

ETSS has an Incident Response Plan and has trained their staff on their various responsibilities, but also requires the agencies to be involved depending on the nature of the incident. This coordination is required under the shared services IT security model (ETSS and individual agencies) employed by the State which requires both parties to be prepared. Depending on the nature of the incident, the agency response may need to include business continuity plan activation.

Condition: During the fiscal 2023 audit, we noted that agency level incident response training still varies widely from implemented and verifiable, to not occurring. Formal incident response training is essential so that all staff are clear on their roles and responsibilities in the event of an IT security incident (e.g., data breach).

Cause: Additional focus is needed to ensure that all designated agency personnel are properly trained and prepared to respond in the event of an incident affecting agency systems.

Effect: The lack of consistent statewide incident response training increases the risk that the State will not properly respond, in a coordinated manner, to an IT security incident. Proper response to detected IT security incidents is critical to safeguarding the State’s data and continuity of operations.

RECOMMENDATION

2023-021 Identify all agency personnel roles relating to incident response and implement verifiable training for all agency personnel based on their respective roles.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-022

(significant deficiency – repeat finding – 2022-024)

RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM - ASSESS THE RESOURCES AND SYSTEMS NECESSARY TO EFFECTIVELY ADMINISTER THE OPEB SYSTEM

The resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled should be assessed. This would improve controls over the administration of the benefit programs and the process to accumulate data necessary for periodic actuarial valuations of the OPEB plans for both funding and accounting purposes.

Background: The Rhode Island State Employees’ and Electing Teachers OPEB System (the System), acts as a common investment and administrative agent for post-employment health care benefits provided by six plans covering state employees and certain employees of the Board of Education. In fiscal 2023, required employer and employee contributions to OPEB plans approximated \$47 million, with \$31 million in retiree benefits paid. OPEB assets totaled more than \$587 million at June 30, 2023.

When the State began to advance fund its retiree health benefits, OPEB trusts were established for each of the plans and a formalized governance structure was established by statute; however, no dedicated personnel were specifically tasked with administering the System and no administrative systems were implemented at that time, or subsequently, to capture and control membership data for the various OPEB plans. Instead, membership data, the determination of eligibility for benefits and any required retiree copays are administered through a variety of processes which largely lack the controls needed to administer plans of this size and complexity.

The System’s functions are managed through various units within State government. The Department of Administration’s Office of Employee Benefits (OEB) currently determines eligibility and manages member benefits for the State Employees, Teachers, Judges, State Police and Legislator plans. The Human Resources Department at the University of Rhode Island separately determines eligibility, calculates benefits, and manages member subsidy receivables for the Board of Education plan. The Office of Accounts and Control handles the accounting and financial reporting aspects of the System and coordinates the actuarial valuations. The Office of the General Treasurer oversees the investment activity of the System.

Census data for each plan is provided to the System’s actuary to prepare required actuarial valuations of the plans. Each plan has unique benefit eligibility and healthcare coverage provisions.

Criteria: As the System grows and matures, the administrative infrastructure supporting the System should be assessed to ensure adequate resources and systems with appropriate controls are in place to manage the System effectively.

Maintaining membership data and determining the eligibility for benefits and required co-pays should be managed through systems and processes with adequate controls to ensure that membership data is reliable, benefits are accurately and consistently determined in accordance with plan provisions, and census data is maintained to facilitate extraction for actuarial valuations. Duties should be appropriately segregated to ensure that no one individual is responsible for determining eligibility and required copays, enrolling the individual for coverage, collecting and accounting for copay amounts, and maintaining plan census data.

The State improved certain reporting on OPEB enrollment by ensuring that all pre-65 retirees were registered in the State’s Workterra software platform which the State also utilizes to administer active employee benefits. This improvement provides systemic reporting of pre-65 enrollees and assists in ensuring their timely transition to Medicare and post-65 OPEB benefits. State employees, once enrolled in Medicare, are enrolled in Via Benefits which establishes a health savings account (HSA) for the retiree. The State funds a predetermined amount for the retiree who can utilize the funds to pay health claims or

purchase Medicare gap insurance coverage. The State, however, lacks a complete system that it considers to be the official record of System enrollment.

Condition: We identified control deficiencies over the various disjointed processes used to administer the OPEB plans as follows:

- Insufficient resources have been allocated and centralized to administer the System effectively. Knowledge of key System benefit provisions, administrative operations and operating procedures are dispersed amongst too many separate units of State government without effective coordination.
- The accumulation of census data provided to the actuary for plan valuation purposes is derived from multiple sources and requires analysis of other external source data to establish the active and retiree plan members for each plan. Controls are inadequate to prevent duplicate or inaccurate census data from being provided to the actuary. The State lacks a documented comprehensive reconciliation of all System members and retirees that ensures completeness and accuracy of reported census data to the State’s actuary.
- Inadequate segregation of duties exists between eligibility determinations, benefit calculations, copay receivable billings and collections, healthcare plan enrollment, and maintenance of the plan census information.
- Periodic reconciliations between the plans’ records and healthcare providers enrollment data are not documented.
- Procedures for identifying and terminating coverage for deceased members, spouses and dependents are inconsistent and can be improved.
- Documentation and monitoring of user entity controls relating to functions contracted to service organizations (health insurance provider (Blue Cross / CVS Caremark), health benefits administration system (WORKTERRA), Health Savings Account (HSA) Administrator (VIA Benefits)).
- Monitoring and analysis on OPEB liabilities reported for retirees over age 65 – requires determining estimate of percentage of HSA commitment that is ultimately utilized by retirees over the course of their retirement.

Cause: The State and System have not implemented System specific administrative processes and computer applications to effectively support the overall administration of the OPEB System, accumulate plan census data, manage and control the eligibility, copay determination, and plan enrollment functions. Existing processes used to support healthcare plan enrollment for active employees have generally been used to support the OPEB System but lack certain functions and controls that are unique to and requisite for the administration of the OPEB System.

Effect: Inadequate controls over key plan administrative functions could impact the reliability of amounts (e.g., member co-pays and member benefits) reported on the System’s financial statements as well as the accuracy of census data used by the actuary to determine each plan’s annual actuarially determined contribution amount and the net OPEB liability or asset for each plan.

RECOMMENDATIONS

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|-----------|--|
| 2023-022a | Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled. |
| 2023-022b | Implement a member benefit computer application to accumulate and manage plan membership data to support the overall administration of the OPEB System with enhanced controls. |

- 2023-022c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.
- 2023-022d Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-023

(significant deficiency – repeat finding – 2022-026)

EMPLOYEES’ RETIREMENT SYSTEM OF RHODE ISLAND (ERSRI) – OVERSIGHT OF THE DEFINED CONTRIBUTION PLAN

Background: The Employees’ Retirement System of the State of Rhode Island (System) oversees a defined contribution (DC) plan for members which is part of the overall “hybrid” pension benefits, in conjunction with defined benefit plan benefits, for most covered employees. The DC plan is administered totally by the Teachers Insurance and Annuity Association of America (TIAA) and the System is reliant on information provided by TIAA for financial reporting purposes. No independent records are maintained by the System for the DC plan activities.

As expected, total assets of the DC plan have grown considerably since plan inception and members are beginning to withdraw funds to meet their retirement objectives. Total assets in the DC plan at June 30, 2023 totaled \$1.7 billion.

Criteria: The System should have sufficient information to support effective compliance monitoring and financial reporting for the DC plan. Management is responsible for the accuracy of the System’s financial reporting.

Condition: The System does not receive information on the employer remittances of employer and employee contributions to the DC plan and therefore has limited information to ensure employer compliance with the DC plan provisions. Contribution compliance monitoring should be included within the risk-assessment process to determine effective controls are in place.

Our testing in fiscal 2023 continued to note limited instances where employer remittances to the plan administrator incorrectly coded employer and employee contribution amounts in reverse. Since the System utilizes reporting by the plan administrator for financial reporting, incorrect employer coding results in misstatements in the financial statements. While we noted some improvement over fiscal 2022, the exceptions noted continue to support a deficiency in internal control over financial reporting for the DC plan.

As the plan matures and investment assets continue to grow, the System should assess and strengthen their oversight of the DC plan to ensure (1) compliance by the plan administrator with contracted plan provisions, (2) employer compliance with plan provisions, and (3) the accuracy of reported DC plan activity in the financial statements. This should include consideration of relevant risks and the development and formalization of an oversight/monitoring plan to meet this objective. The monitoring plan should include how the plan administrator’s annual Service Organization Control (SOC) Report is utilized by the System as oversight of critical defined contribution plan activities. Ensuring documentation of critical user entity controls (i.e., reviewing plan reports and ensuring reconciliation to internal records and/or plan documents) and how those controls are performed should also be documented within the plan.

Additionally, consideration should be given to modifying the existing contribution and benefit system for the defined benefit plans to also include the employer data for the DC plan before transmission to TIAA.

This would facilitate monitoring of contribution data and provide independent corroboration of amounts reported by TIAA as employer and employee contributions to the plan. In the short-term, requiring employers to provide more data elements (i.e., employee wages subject to contribution) in their submissions to the plan administrator coupled with additional reporting by the plan administrator could enhance the System’s monitoring of employer compliance with DC plan provisions.

Other plan administration areas that should be addressed in the plan to strengthen internal controls include periodic (at least monthly) analytical reviews of investment growth and performance, contributions to and distributions from the plan and fees paid. The analytical reviews should include documentation of follow-up and resolution when actual results differ from expectations.

Cause: At the inception of the DC plan, the plan design, enacted by legislation, provided for employer and employee contribution data to flow directly from the employer to TIAA without any data capture by ERSRI.

Effect: The System lacks sufficient accounting and contribution data to monitor compliance with contribution requirements and to validate reporting by TIAA.

RECOMMENDATIONS

- 2023-023a Perform a risk assessment for the DC plan and identify areas where internal controls and oversight can be strengthened.
- 2023-023b Consider modifying the existing contribution and benefit system for the defined benefit plans to capture employer (employee and employer contributions) data for the DC plan or implement other procedures to enhance monitoring of employer compliance with the plan provisions.
- 2023-023c Formalize a DC monitoring plan to protect member plan balances, ensure compliance by the plan administrator, and enhance controls over financial reporting of the plan within the System’s overall financial reporting.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-024 (material noncompliance – repeat finding – 2022-030)

RHODE ISLAND CONVENTION CENTER AUTHORITY – RESTRICTIVE COVENANTS

Criteria: Bond indentures require that the Authority fund the Operating Reserve requirement of the restrictive covenants for the RI Convention Center (RICC) and the Amica Mutual Pavilion (AMP).

Condition: During the year ended June 30, 2023, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures.

Context: The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.

Cause: The Authority does not have sufficient cash flow to fund the Operating Reserve.

Effect: As a result of this fund not being funded, the Authority is in noncompliance with certain bond indentures.

RECOMMENDATION

2023-024 The auditors recommended that the Authority fund the Operating Reserve.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-025

(significant deficiency – repeat finding – 2022-035)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – CASH RECONCILIATIONS

Criteria: Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.

Condition: During the performance of audit procedures on the Authority’s cash reconciliations, the auditors noted that the operating cash account had a continuing variance between the reconciliation and the general ledger for all of fiscal year 2023.

Cause: Cash reconciliations were not being done on a timely basis.

Effect: Monthly reconciliations with the operating cash account showed continuing variances for all of fiscal year 2023.

RECOMMENDATION

2023-025 The auditors recommended that the Authority develop as part of its internal control process to include a set of controls to require the operating account be reconciled within a few days of the end of the month and all variances to be researched and resolved.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-026

(significant deficiency – repeat finding – 2022-036)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – FARE REVENUES

Criteria: The Rhode Island Public Transit Authority should reconcile the daily farebox report and GFI Software daily summary report, as well as deposits to the related documentation.

Condition: During our current year testing of fare revenue policies and procedures, we noted all the days selected had variances (some immaterial and some more than 1% of revenue) between the daily farebox report and GFI daily summary report. We also noted immaterial variances between deposits and the related documentation and discrepancies in the coin deposits to the bank.

Cause: The Authority’s internal control did not have adequate policies or procedures in place to ensure the reconciliation of records timely and reviewing reporting from GFI system in comparison to deposits to correct these variances going forward.

Effect: Daily reconciliations with the farebox reports and the GFI daily summary are consistently showing variances which, if not corrected going forward, could result in material variances.

RECOMMENDATION

2023-026 The auditors recommended that the Authority enhance internal control policies and procedures to correct this process going forward.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-027

(material weakness – new finding)

RHODE ISLAND RESOURCE RECOVERY CORPORATION – CONFLICT OF INTEREST

Criteria: Employees of Rhode Island Resource Recovery Corporation (the “Corporation”) are provided a copy of the Corporation’s employee handbook and conflict of interest policy and are required to sign to acknowledge their receipt of both documents. In addition, public officials and employees of the State of Rhode Island are required to abide by the State’s code of ethics policy. These policies and procedures state that in the case of a related party transaction occurring, it should be documented, in writing, with the appropriate level of management and an affected employee should recuse themselves from voting or participating in any ongoing business with the related party.

Condition: The Corporation’s employee handbook, conflict of interest policy, and State ethics policy are part of the Corporation’s internal control framework. During our inquires of management and those charged with governance, it was discovered that there was a related party transaction that violated the Corporation’s conflict of interest policies and procedures, and the State’s code of ethics policies and procedures. This transaction occurred in a prior audit period.

Cause: Management was not aware of their responsibilities to document the existence of the related party relationship or recuse themselves from ongoing business with the related party.

Effect: The internal control procedures designed and implemented for related party transactions were not effective in the circumstance described above.

RECOMMENDATION

2023-027 The auditors recommended that the Corporation review and improve the standard operating procedures for conflicts of interest and perform formal training for existing employees and include the training as part of on-boarding for new employees.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-028

(significant deficiency – new finding)

RHODE ISLAND COLLEGE – INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: Rhode Island College (“College”) is responsible for financial reporting in the form of financial statements that present fairly, in all material respects, the respective financial position, changes in financial position, and, statement of cash flows.

Condition: The College made an error in recording the lease receivables and deferred inflows of resources in FY22. The College believed that the amendment to the lease was in place during FY22. The original lease from 2009 preceded most members of management and the College became aware of the modification of lease terms after the issuance of the FY22 audit report and should not have recorded this lease.

Cause: The College did not have a formal process in place to review executed contracts to determine if the contracts were expired or amended.

Effect: The delays of implementing the new accounting standard led to delays in the financial reporting process.

RECOMMENDATION

2023-028 The College should implement a formal policy regarding expiring contracts and amended contracts to mitigate issues similar to this in the future.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-029

(material weakness – repeat finding – 2022-027)

CENTRAL FALLS SCHOOL DISTRICT – LACK OF CONTROLS OVER FINANCIAL REPORTING

Criteria: Management of the District is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles. This includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

Condition: The District did not reconcile many general ledger accounts throughout the year on a timely basis. Material adjustments to year- end balances and current year activity were necessary for the financial statement to be fairly presented in accordance with generally accepted accounting principles.

Cause: The District does not have policies and procedures in place to ensure for accurate and timely recording of daily transactions to reconcile general ledger accounts on a periodic basis to provide for the accurate and timely preparation of the financial statements and related disclosures.

Effect: The District’s financial statements required significant adjustments at year end in these financial statement area. The lack of policy and procedures increases the risk of material misstatement in the financial statements, either due to error or fraud.

RECOMMENDATION

2023-029 The District should develop policy and procedures to reconcile its activity and accounts on a monthly basis. Specifically, the general ledger cash accounts should be reconciled to their related bank accounts including deposits in transit and outstanding checks. Receivables due from federal and State governments should be reconciled to the individual grant records on a monthly basis. This plan should include the development of a comprehensive policies and procedures manual; appropriate controls related to authorization and review of recorded transactions; timely recording of transactions, reconciliation and reviews of reconciliations so as to detect and correct errors in a timely manner, and a comprehensive review of the District’s organizational structure to ensure adequate levels of supervision and clear reporting paths for all staff involved.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Table of Findings by Major Program		
Program / Cluster Title	Assistance Listing No(s).	Applicable Findings
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2023-031, 2023-032, 2023-033
National Guard Military Operations and Maintenance (O&M) Projects	12.401	None
Qualified Participating Entities (QPE) Risk Sharing	14.189	None
Housing Voucher Cluster	14.871	None
Unemployment Insurance	17.225	2023-034, 2023-035, 2023-036
Airport Improvement Program	20.106	None
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526	None
Emergency Rental Assistance Program	21.023	2023-030, 2023-037, 2023-038
Homeowner Assistance Fund	21.026	2023-038
Coronavirus State and Local Fiscal Recovery Funds	21.027	2023-030, 2023-038, 2023-039
Student Financial Assistance Cluster	84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364	2023-040, 2023-041, 2023-042
Title I Grants to Local Education Agencies	84.010	2023-043, 2023-044
Career and Technical Education – Basic Grants to States	84.048	2023-044, 2023-045, 2023-046, 2023-047, 2023-048
Education Stabilization Fund	84.425	2023-044
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2023-030, 2023-033, 2023-049, 2023-050
Temporary Assistance for Needy Families	93.558	2023-051, 2023-052, 2023-053, 2023-054
Low-Income Home Energy Assistance	93.568	2023-055
CCDF Cluster	93.575, 93.596	2023-053, 2023-054, 2023-056
Children’s Health Insurance Program	93.767	2023-054, 2023-057, 2023-058, 2023-059, 2023-060, 2023-061, 2023-062, 2023-063
Medicaid Cluster	93.775, 93.777, 93.778	2023-054, 2023-058, 2023-059, 2023-060, 2023-061, 2023-062, 2023-063, 2023-064, 2023-065, 2023-066, 2023-067
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2023-030, 2023-050, 2023-068

Finding 2023-030 (material noncompliance / material weakness – repeat finding – 2022-039 and 2022-060)

EMERGENCY RENTAL ASSISTANCE PROGRAM – 21.023

Federal Awarding Agency: U.S. Department of the Treasury (TREAS)

Federal Award Fiscal Years: 2021 to 2025

Federal Award Number: ERAE0006

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027

Federal Awarding Agency: U.S. Department of the Treasury (TREAS)

Federal Award Fiscal Years: 2021 to 2025

Federal Award Number: SLFRP0136

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2019 to 2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Awarding Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Years: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

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

Background: The State relies on grantee agencies to perform subrecipient monitoring, when required, and ensure compliance with federal regulations. There is no statewide monitoring of subrecipient activities to ensure compliance with federal regulations.

Criteria: 2 CFR §200.332(d) “Requirements for pass-through entities” requires that all pass-through entities must “monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.” That monitoring must include (1) reviewing financial and performance reports, (2) following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means, (3) issuing a management decision for audit findings pertaining to the Federal award.

2 CFR §200.332(a)(1) requires pass-through entities to clearly identify certain Federal award identification information in the subaward (e.g., subrecipient unique entity identifier, Federal Award Identification Number, Assistance Listing number and title, et al.).

Condition: For the federal programs cited above, State pass-through agencies did not perform subrecipient monitoring activities required by federal regulations. Our testing evaluated whether the grantee agency obtained and reviewed subrecipient financial and performance reports, i.e., Single Audit reports, when applicable, or performed other monitoring activities to comply with federal regulations. Based on test results, specific to agency review of Single Audit reports, the following programs were deemed to be in material noncompliance with subrecipient monitoring requirements:

Emergency Rental Assistance Program (21.023)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
19	14	10	10	0

Coronavirus State and Local Fiscal Recovery Fund (21.027)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
15	15	15	14	0

Epidemiology and Laboratory Capacity for Infectious Diseases (93.323)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
66	25	11	11	0

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
51	51	36	36	0

In addition to the noncompliance related to review of subrecipient audit reports noted above, we identified the following deficiencies:

- *Emergency Rental Assistance Program and Coronavirus State and Local Fiscal Recovery Funds* – The Pandemic Recovery Office (PRO) along with the Department of Housing, through a memorandum of understanding with PRO to administer portions of these programs, executed various subawards with local non-profit organizations. Procedures were in place to review and approve monthly invoice packages for adherence to program requirements and contract budgets, and consistency with key performance indicator data submitted by the subrecipients. However, no on-site monitoring was performed in fiscal 2023 and periodic meetings with subrecipients were not documented.
- *Epidemiology and Laboratory Capacity for Infectious Diseases* – Subawards executed by the Department of Health did not adequately identify required Federal award identification information.

Cause: The State did not conduct subrecipient monitoring activities required to materially comply with federal regulations.

Effect: Noncompliance with federal compliance requirements by subrecipients could occur without being identified by the State in a timely manner.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-030 Improve policies and procedures statewide to ensure compliance with federal regulations for subrecipient monitoring.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-031

(other noncompliance / significant deficiency – new finding)

WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN – 10.557

Federal Awarding Agency: United States Department of Agriculture (USDA), Food and Nutrition Service

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 224RI705W1003, 224RI705W1006, 234RI705W1003, 234RI705W1006

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirements: Allowable Costs/Cost Principles

CONTROLS OVER REGULATIONS FOR CERTAIN MAXIMUM MONTHLY ALLOWANCES

RIDOH controls over the determination of monthly benefit allowances within the program need to be enhanced to ensure participants' monthly commodity thresholds comply with federal regulations.

Background: The Special Supplemental Nutrition Program for Women, Infants and Children (WIC) is a federally funded nutrition program. The program's mission is to safeguard the health of low-income women, infants, and children (up to the age of 5) who are at nutritional risk. The program provides nutritious foods to supplement diets, information on healthy eating, breastfeeding promotion and support, and referrals to health care. The Food and Nutrition Service (FNS) provides federal grants to State agencies, which are responsible for the administration of the WIC Program at the State level. Crossroads is the WIC eligibility management information system that provides case management, vendor management and fiscal management of WIC funds.

Criteria: Uniform Guidance federal regulation 7 CFR §246.10(e)(9) Table 1 Footnote 7, notes that State agencies must provide at least the Full Nutritional Benefit (FNB) authorized to non-breastfed infants up to the maximum monthly allowance (MMA) for the physical form of the product specified for each food package category.

Condition: We reviewed a random sample of forty monthly benefit issuances within the Crossroads System and noted three instances where the infant formula benefit issuance exceeded the infant formula MMA. In the three exceptions noted, the cost of additional formula units issued and expended approximated \$130 during fiscal 2023. We evaluated the likely noncompliance caused by the inaccurate system determination of authorized infant formula benefits for the fiscal year. This evaluation determined that while additional questioned costs likely resulted, the excess formula benefit did not result in material noncompliance relating to allowable costs.

Cause: RIDOH misinterpreted the regulation for the program (to properly calculate the MMA for infant formula) for a period which included fiscal year 2023. RIDOH interpreted the regulations using the MMA of 870 fluid ounces reconstituted powder for the rounding up method, rather than the FNB of 806 fluid ounces. Therefore, the Crossroads System was rounding up the MMA to 870 fluid ounces reconstituted powder, resulting in the over-issuance of benefits for the related eligibility period.

Effect: RIDOH exceeded the MMA benefit for certain infant formula benefit issuances for eligible program participants.

Questioned Costs: \$130

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-031 Review and correctly implement (if required) regulations for issued food benefit packages in accordance with required federal regulations.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-032

(significant deficiency – new finding)

WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN – 10.557

Federal Awarding Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service
Federal Award Fiscal Years: 2022 and 2023
Federal Award Numbers: 224RI705W1003, 224RI705W1006, 234RI705W1003, 234RI705W1006
Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirements: Allowable Costs/Cost Principles; Eligibility

INFORMATION SYSTEMS SECURITY CONSIDERATIONS RELATING TO THE CROSSROADS MANAGEMENT INFORMATION SYSTEM

Controls over logical access to the Special Supplemental Nutrition Program for Women, Infants and Children’s (WIC) Management Information System (Crossroads) can be enhanced to ensure the timely removal/deactivation of user access privileges upon termination of employment at participating local agencies or clinics. RIDOH should monitor complementary user entity controls performed by its subcontractor in conjunction with its oversight of information systems security for the Crossroads System.

Background: Program specific data and other information for eligible participants of the State’s WIC program is maintained within the Crossroads System. RIDOH contracts the maintenance and operation of the system to a third party and that vendor contracts with a Web Services Provider to host the application. The Crossroads System is utilized by RIDOH and other local agencies and clinics that provide WIC services. RIDOH receives a Service Organization Control (SOC) report for the Web Services Provider that it utilizes in conjunction with its monitoring of information systems security over the system.

Criteria: The State Division of Enterprise Technology Strategy and Services (ETSS) promulgates the State’s information systems security policies and procedures. ETSS policies specific to logical access controls include policy 4.2, Account Management, which requires State agencies to monitor the use of information system accounts. This policy requires user accounts to be deactivated or terminated within one week when a user transfers or terminates employment. Agencies are also required to annually review information system accounts for compliance with account management requirements and to semi-annually review privileged accounts. Privileged and non-privileged accounts should be deactivated after 60 and 90 days of inactivity, respectively.

Management has responsibility for the adequacy of the design and operation of an entity’s control structure, including functions performed by external parties. This responsibility also includes documenting and reviewing designated user entity controls which the service organization assumes are in place and operating effectively for the proper and secure use of the contracted entity’s services.

Condition: WIC officials are responsible for authorizing and managing access to the Crossroads System. The policy for removing individuals from the Crossroads System mandates that the local agency or clinic notify WIC staff of the user(s) requiring access removal/revocation. The system automatically revokes access when a user does not access the system for 90 days.

All participating local agencies and clinics that utilize the Crossroads System are required to contact WIC staff to initiate user deactivation from the System upon terminating employment. In circumstances where a user agency does not request access revocation for an employee upon termination, WIC officials are relying on the system to deactivate these users after the allotted 90 days. WIC officials are not currently monitoring system access to ensure that access is terminated in a timely manner when a user is no longer employed or authorized to use the system. WIC’s current practices do not comply with the State’s policies and procedures for managing system user access and are not considered IT security best practices. Our evaluation of system access identified five (5) individuals who had not logged in for 60+ days. These individuals were no longer employed and should not have remained able to access the system.

While WIC officials review the SOC report for the Web Services Provider, the complementary user entity controls (CUEC) responsibilities included in the report are delegated to the contractor that ensures the maintenance and operation of the system. Due to the importance of securing the system, which administers eligibility for WIC as a federal program, WIC officials should have procedures in place to monitor and document the contractor’s performance of designated CUECs.

Cause: Controls over logical access to the Crossroads System do not comply with ETSS’s adopted policies and procedures. Lack of monitoring of contractor responsibility for performance of user entity controls.

Effect: Users can continue to access the system after employment termination which could result in malicious activity or unauthorized changes that impact program benefits. Nonperformance of user entity controls by the contractor could compromise security over the Crossroads System.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|---|
| 2023-032a | Enhance controls to ensure that the Crossroads System’s user access privileges are deactivated by RIDOH immediately upon a user’s separation from the associated local agency or clinic’s employment. |
| 2023-032b | Monitor and document contractor performance of user entity controls identified in the SOC report for the Web Services Provider. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-033

(other noncompliance / significant deficiency – repeat finding – 2022-059)

WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN – 10.557

Federal Awarding Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 224RI705W1003, 224RI705W1006, 234RI705W1003, 234RI705W1006

Administered by: Rhode Island Department of Health (RIDOH)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2019-2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirements: Allowable Costs/Cost Principles

TIME AND EFFORT REPORTING

RIDOH can enhance controls over time and effort reporting to ensure accurate allocations and reimbursements from federal programs.

Background: RIDOH has built a robust, yet complex, time reporting worksheets for employees to allocate their time spent on various activities during the week. Reconciliation of the hours worked versus the hours charged to the State’s payroll system and accounting system is performed on a quarterly basis. Amounts recorded are adjusted accordingly to ensure charges in the accounting system are consistent with actual time charged to various programs.

Criteria: 45 CFR §75.430(i)(1) and 2 CFR §200.430(i)(1) require that “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.”

Condition: Our review of personnel costs identified the following deficiencies that weaken controls over the allowability of personnel expenditures:

- Amounts allocated to federal programs for personnel costs were not consistently supported by properly signed and reviewed timesheets. While RIDOH was able to provide timesheets for all selected pay periods, for the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program, 6 of the 80 selected weekly timesheets lacked a supervisor signature. This was considered a control deficiency, but not noncompliance since the employee reported time and effort which supported allocation to the ELC program.
- One individual noted in our ELC payroll sample (4 weekly time sheets) did not have their recorded payroll adjusted through the subsequent quarterly entry to accurately reflect work performed on federal programs. This resulted in payroll costs being overallocated to the ELC program (questioned costs - \$3,355).
- For both ELC and the Special Supplemental Nutrition Program for Women, Infants and Children (WIC), we noted time and effort recorded to generalized timesheet category codes (i.e., Administrative Support, Finance and Operations, ICS – Incident Command System) lacked sufficient detail (i.e., underlying activity performed in support of related category code) to support its specific federal program allocation. Questioned costs could not be determined due to the lack of time and effort detail reported.

Cause: Policies and procedures were ineffective to ensure amounts claimed and reimbursed by federal programs for personnel costs were reflective of the actual work performed on the various programs/projects

listed. The State’s lack of sufficient timesheet detail prevented direct verification of recorded timesheet activities to the underlying charges on federal programs.

Effect: Personnel costs reimbursed from federal awards could be unallowable due to insufficient support and documentation.

Questioned Costs: \$3,355 (ELC – 93.323)

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-033 Enhance weekly reporting of time and effort to improve documentation and support for personnel costs charged to federal programs.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-034 (other noncompliance / material weakness – repeat finding – 2022-041)

UNEMPLOYMENT INSURANCE – 17.225

Federal Awarding Agency: U.S. Department of Labor (DOL), Employment and Training Administration

Federal Award Fiscal Year: Not Applicable

Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund

Administered by: Department of Labor and Training (DLT)

Compliance Requirement: *Eligibility*

CONTROLS OVER UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

Controls over the processing of unemployment insurance claims were insufficient to prevent ineligible unemployment insurance benefit payments.

Background: Individuals applying for unemployment benefits must comply with certain eligibility requirements to qualify for and maintain benefits through the program. States need to rely on systems and technology to administer unemployment insurance programs and ensure that individuals meet the various program requirements to receive benefits.

The system used by DLT to process unemployment insurance (UI) benefits utilizes outdated technology. This legacy system is mainframe-based and has reached end of life with a need for replacement. During the pandemic, the State enhanced application processing by implementing new “cloud-based” technologies designed to handle significant applicant volume and to employ controls to validate applicant identity and prevent program fraud. In contrast, the legacy benefit administration and payment system lacks the integration and controls inherent in modernized unemployment insurance systems and represents a risk to business continuity. During fiscal year 2023, benefit payments exceeded \$150 million.

Criteria: Management is responsible for establishing and maintaining effective internal controls to process and disburse unemployment insurance benefits consistent with federal program guidelines.

Unemployment Insurance (UI) is funded by a tax on employers. UI is for individuals who earn wages from an employer who is required by law to pay the UI tax. UI work search requirements dictate that all unemployment insurance claimants are required to be actively seeking work. To receive UI benefits, eligibility requirements include:

1. Applicants to be unemployed through no fault of their own OR that their work hours MUST have been reduced.
2. All unemployment insurance claimants are required to actively seek work.
3. For non-exempt claimants, per U.S. DOL “Basic Registration” into EmployRI is required at the time the initial UI claim is filed and “Full Registration” occurs once the claimant is active in the system by completing a work search activity (e.g., posts a resume, completes a job search, etc.).
4. Per RI DLT Memorandum of UI Résumé Project (REF: 2019-UI-PROC-1517) “UI customers are required under Rule 1.18(F)(4) and (G) to post a résumé by the 6th week of benefit payments.”

Collections on overpayments due to error, ineligibility, or fraud must be reported and credited to the appropriate source that funded the unemployment insurance benefits.

Condition: While our testing found that unemployment insurance payments complied with most program eligibility requirements, noncompliance with certain requirements (specifically related to work search requirements) was noted. We tested a random sample of 60 individual benefit payments totaling \$400,826 in fiscal 2023. In conjunction with our testing, the following exceptions were deemed to be in noncompliance with eligibility requirements that resulted in ineligible benefit payments (sample payments for ineligible individuals totaled \$1,413):

- 1 of 60 (2%) was not denied/sent to adjudication for ineligible termination of employment. Scanned documentation (form UI425) in the Onbase Imaging system from the employer stating claimant was discharged/fired from employment for violating company policy, however, AS400 states claimant’s reason of termination was for Lack of Work.
- 1 of 60 (2%) recorded the claimant’s name incorrectly in multiple screens of the UI mainframe system (AS400), OnBase Imaging system, and the EmployRI system (Evidence of identity verification due to case record deficiencies was lacking).
- 2 of 60 (4%) were not registered in the EmployRI system.
- 5 of 60 (8%) did not have a résumé in the EmployRI system.

Actual questioned costs during our audit period totaled \$30,943 for these individuals.

In addition, we identified the following deficiencies in work requirement documentation during our testing that we deemed to be documentation deficiencies with State UI requirements. However, these deficiencies were not deemed to represent ineligible benefit payments:

- 31 of 60 (52%) had incomplete résumés in the EmployRI system. Each résumé had between 20%-60% completion rates and remained offline.
- EmployRI system does not accurately record résumé modification dates in the system. The system changes the modification date upon viewing a résumé losing the audit trail of when it was last modified.

Beyond the above control considerations, DLT’s current mainframe system has reached end of life and poses significant business continuity risks to unemployment insurance benefit operations. Planning to modernize DLT’s systems is underway and should consider how enhanced and more integrated system controls over eligibility can be employed.

Cause: DLT’s internal control procedures were not sufficiently effective to ensure that unemployment benefit payments were made only to eligible individuals. DLT has not implemented compensating controls for the UI mainframe’s lack of functionality. The lack of integration between the current mainframe and other support applications (i.e., Onbase imaging and EmployRI systems) limits DLT’s ability to implement automated controls to enhance compliance with certain UI requirements. DLT does not have adequate controls in place to detect noncompliance with work search requirements (i.e., EmployRI registration).

Effect: UI benefits paid to ineligible individuals that did not comply with program eligibility requirements.

Questioned Costs: \$30,943

Valid Statistical Sampling: Yes

RECOMMENDATIONS

- 2023-034a Implement compensating controls to identify non-compliance with program requirements.
- 2023-034b Ensure that on-going considerations for the modernization of the unemployment benefit program administration system maximize automated processes designed to enhance controls over eligibility requirements.

Auditee views: *The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2023-035 (material noncompliance / material weakness – repeat finding – 2022-042)

UNEMPLOYMENT INSURANCE – 17.225

Federal Awarding Agency: U.S. Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Year: Not Applicable
Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund

Administered by: Department of Labor and Training (DLT)

Compliance Requirement: *Special Tests and Provisions – UI Program Integrity - Overpayments*

UNEMPLOYMENT INSURANCE PROGRAM INTEGRITY – OVERPAYMENTS

The Department of Labor and Training (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.

Criteria: Federal law provides that (1) States are required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments and deposit the funds in the State’s account in the Unemployment Trust Fund, and (2) States are prohibited from providing relief from charges to an employer’s UC account when overpayments are the result of the employer’s failure to respond timely or adequately to a request for information.

Pub. L. No. 112-40, enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of the Federal Unemployment Tax Act (FUTA) to improve program integrity and reduce overpayments. (See UIPL Nos. 02-12, and 02-12, Change 1.)

In compliance with federal law, the State enacted these requirements into State law effective October 1, 2013, including a 15% penalty on overpayments due to claimant fraud (RIGL 28-42- 62.1(a)(4)) and a prohibition on relieving the employer’s account of charges relating to any benefit overpayments made if the employer was at fault for failure to respond timely or adequately to a department request for information relating to the claim (RIGL 28-43-3(2)(viii)).

Condition: During fiscal 2023, DLT was not properly identifying and handling overpayments, including, as applicable, assessment of the 15% penalty on claimants who commit fraud, and not relieving an employer’s account of charges for overpayments when their untimely or inaccurate responses cause

improper payments. The significant amount of fraud experienced during the pandemic coupled with the system not assessing the required penalties on these overpayments continued to result in material noncompliance with federal regulations during fiscal 2023. Overpayments must be established and communicated to the recipient to initiate collection. DLT is aware of the requirement and the need for programming modifications to its current system or planned modernization.

Cause: DLT has not implemented the UI system programming required to impose penalties for overpayments due to fraud.

Effect: Noncompliance with federal and State laws as well as lost revenue on penalties not assessed.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-035 Adopt procedures to: (1) impose and collect a 15% penalty on benefit overpayments of claimants who commit fraud (RIGL 28-42-62.1(a)(4)) and (2) prohibit providing relief to an employer account when an overpayment is the result of the employer's failure to respond timely or adequately to a request for information by the State agency (RIGL 28-43-3(2)(viii)).

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-036

(material weakness – new finding)

UNEMPLOYMENT INSURANCE – 17.225

Federal Awarding Agency: U.S. Department of Labor (DOL), Employer Tax Unit

Federal Award Fiscal Year: Not Applicable

Federal Award Number: Not Applicable – Direct Payments with Unrestricted Use Funded through U.S. Treasury Trust Fund

Administered by: Department of Labor and Training (DLT)

Compliance Requirement: Special Tests and Provisions – Employer Experience Rating

CONTROLS OVER EMPLOYER EXPERIENCE RATING

Controls over the processing of employer tax were insufficient to identify changes in tax rates and improper disbursement of refunds.

Background: Certain benefits accrue to states and employers by having a federally approved experience-rated UI tax system. All states currently have an approved system. For the proper administration of the system, the DLT maintains accounts, or subsidiary ledgers, on State UI taxes received or due from individual employers, and the UI benefits charged to the employer. The employer's "experience" with the unemployment of former employees is the dominant factor in the DLT computation of the employer's annual State UI tax rate. The computation of the employer's annual tax rate is based on State UI law (26 USC 3303).

Experience rating systems are generally highly automated systems. DLT relies on its old mainframe system to determine experience ratings for employers. When employers appeal their employer tax rate, DLT will evaluate the appeal and, if required, evaluate and redetermine the experience rating for that employer. This process is highly dependent on manual processes and key personnel within the Employer Tax Unit.

Criteria: Management is responsible for establishing and maintaining effective internal controls to collect and process employer taxes consistent with federal program guidelines including appropriate procedures to ensure employers pay the correct tax rate and tax payments are received timely.

Condition: While our testing found that experience rates determined or adjusted by DLT during fiscal 2023 were proper, internal control procedures could be further enhanced to improve the documentation of tax rate changes and identification of errors that could result during current manual processes. Changes in the employer tax rate result in a refund or bill, and these changes are approved and updated by a single individual. Refund lists are manually reviewed and recalculated by another individual; however, refund thresholds reduce the amount of review performed and evidence of the review is not adequately documented.

DLT's manually intensive processes lack formalization, result in inadequate segregation of duties, and are prone to error. DLT's mainframe system has reached end of life, is reliant on key employees for effective operation, and poses significant business continuity risks to unemployment insurance operations. Modernization of DLT's system should prioritize enhancements to create proper segregation of duties and reduce manual processes to ensure accuracy of rate changes prior to disbursement of tax refunds.

Cause: Control deficiencies exist over the determination of employer experience ratings that are utilized in UI employer tax rate calculations. DLT's current mainframe requires manual processing of employer experience rating adjustments which are susceptible to error and lack documentation. The department is aware of the system limitations and has communicated concern over its lack of IT support to keep the system running in the future.

Effect: Potential noncompliance if employer experience ratings are not determined in accordance with program requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|--|
| 2023-036a | Implement and document compensating controls to identify non-compliance with program requirements to prevent and detect changes in tax rates and improper disbursement of refunds. |
| 2023-036b | Ensure that the future modernization of UI technology ensures that adjustments to employer experience ratings are more automated, clearly documented, and less reliant on key employees to ensure effective operation. |

Auditee views: *The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2023-037

(other noncompliance / significant deficiency – new finding)

EMERGENCY RENTAL ASSISTANCE PROGRAM – 21.023

Federal Awarding Agency: U.S. Department of the Treasury (TREAS)

Federal Award Fiscal Years: 2021 to 2025

Federal Award Number: ERAE0006

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

Compliance Requirement: Allowable Costs/Cost Principles

**INSUFFICIENT DOCUMENTATION TO SUPPORT COSTS INCURRED FOR LEGAL SERVICES
CHARGED TO THE EMERGENCY RENTAL ASSISTANCE PROGRAM**

Documentation and monitoring procedures were inadequate to support allowable legal services that were prepaid to a contractor on a quarterly basis.

Background: The Pandemic Recovery Office (PRO) within Rhode Island Department of Administration executed a memorandum of understanding with the Rhode Island Department of Housing (formerly the Office of Housing and Community Development) to administer certain aspects of the Emergency Rental Assistance (ERA) Program. In fiscal 2023, a contract agreement was signed between the Department of Housing and a vendor to provide legal services for eviction defense to program participants. The vendor contract included an exhibit detailing the anticipated (budgeted) personnel and fringe costs, subcontract amounts, and other non-personnel related costs (computers, supplies, etc.) supporting the contract amount.

Criteria: Uniform Guidance cost principles dictate that in order to be allowable under Federal awards, costs must be adequately documented (2 CFR §200.403(g)).

Condition: The vendor providing legal services to program participants submitted invoices (reviewed as significant transactions during our audit period) to the Department of Housing on a quarterly basis. However, these invoices were submitted at the beginning of the quarterly period (e.g., invoice for the period of March 1, 2023 to May 31, 2023 was dated on March 9, 2023). The invoice amount equated to one fourth of the total contract amount.

Since this program activity was structured as a vendor agreement and not a subaward, the Department of Housing should have obtained supporting documentation of time and effort performed by the vendor during the invoice period to validate the quarterly amount advanced to the vendor. The lack of supporting documentation for these program expenditures constituted a deficiency in internal control over compliance and noncompliance with Uniform Guidance requirements for adequate documentation.

While the transaction amounts to this vendor were deemed significant, program disbursements made based on vendor contracts were infrequent. Most ERA disbursements were administered as subawards and our review of controls over subawards was found to be in place and operating effectively.

Cause: Monitoring procedures were inadequate to ensure the contractor utilized the funds provided to support program objectives.

Effect: Program funds could have been used by the contractor for unallowable activities and/or unallowable costs.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-037 Obtain documentation from the legal services contractor to ensure that quarterly time and effort complied with the underlying vendor contract.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-038

(significant deficiency – new finding)

EMERGENCY RENTAL ASSISTANCE PROGRAM – 21.023

Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: ERAE0006

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

HOMEOWNER ASSISTANCE FUND – 21.026

Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Number: HAF0142

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027

Federal Awarding Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Years: 2021 to 2025
Federal Award Numbers: SLFRP0136

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

Compliance Requirement: Reporting

FEDERAL FINANCIAL AND PERFORMANCE REPORTING

Controls were not adequate to ensure complete and accurate program reporting.

Background: The Pandemic Recovery Office subgranted with the Rhode Island Housing and Mortgage Finance Corporation (RI Housing), a component unit of the State, to administer certain aspects of the Emergency Rental Assistance (ERA) and Homeowner Assistance Fund (HAF) programs. Certain required data elements, including a significant portion of program expenditures, are generated at RI Housing and reported back to the PRO for inclusion in the required program reporting.

Criteria: The U.S. Treasury has prescribed financial and performance reporting requirements for pandemic recovery programs through electronic submission. Reporting requirements for ERA and HAF include certain key demographic information to showcase the use of funds to aid eligible program participants.

State Fiscal Recovery Funds (SFRF) quarterly reports include detail on each project's current period and cumulative obligations and expenditures, which should be adequately supported by accounting records. The annual performance report is required to be made publicly available and the report should detail each SFRF-funded project, identifying the funding amount, project expenditure category, and description of the project.

Condition: The PRO does not have adequate procedures in place to ensure that required reports were complete and accurate.

For the SFRF program, the State was required to complete quarterly reports that included both financial and program data and an annual performance report, which includes expenditure and program progress data for each project under the program. The quarterly reports include expenditure and subaward data for

individual projects, as well as cumulative data. We selected two quarters and the annual report for testing and noted the following issues:

- Instances where quarterly (i.e., June 2023) and cumulative expenditures per project did not agree to the State accounting system; and
- The annual performance report did not include the project accounting for the PRO administrative expenditures.

For the ERA and HAF programs, required reports include both financial data and performance indicators, principally demographic information of the program participants receiving benefits. As a significant portion of ERA and the majority of HAF are administered by a component unit of the State, this demographic information is forwarded to PRO for inclusion in the report, as are the agency’s supporting files. PRO reviews the files and forwards questions back as needed as part of their quality control process before the reports are completed and submitted. We noted the following issues:

- Required demographic information for one selected quarter could not be verified as completed. PRO did not save a copy of the report at the time of submission, and due to an issue with the federal grantor agency’s system, a completed copy of the submitted report could not be retrieved for testing.
- Underlying support for demographic information provided by the component unit agency did not adequately support the information reported. We noted instances in which the amounts reported did not agree to the data included in the report, or did not include all required elements. The review of reports performed by PRO staff did not identify these reporting deficiencies.
- Expenditure and subaward amounts in ERA quarterly reports did not appear to be reported correctly. We noted several instances in both quarters tested where subaward amounts reported varied from the actual subaward agreements. Additionally, total current and cumulative expenditures reported did not agree to the total of expenditures detailed within the reports.

Cause: Lack of adequate procedures for reconciling reported data to underlying support, including adequate oversight of information provided by the component unit agency.

Effect: Reports may not be accurate or include all required information.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|--|
| 2023-038a | Modify procedures for completing and documenting report data submitted to ensure that reports are properly reconciled to supporting documentation. |
| 2023-038b | Resubmit corrected reports, as needed. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-039

(other noncompliance / significant deficiency – new finding)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027

Federal Awarding Agency: U.S. Department of The Treasury (TREAS)

Federal Award Fiscal Years: 2021 to 2025

Federal Award Number: SLFRP0136

Administered by: Rhode Island Department of Administration, Pandemic Recovery Office (PRO)

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

TIME AND EFFORT REPORTING

The Pandemic Recovery Office’s time and effort reporting for the State Fiscal Recovery Fund (SFRF) did not provide adequate detail to fully support certain personnel costs charged to the program.

Background: PRO instituted time reporting worksheets for employees to allocate their time spent on SFRF-related activities during the week. On a weekly basis, the agency compares its “Master Timesheet” to each employee’s timesheet for the purpose of recording an adjusting journal entry. This entry is recorded to adjust payroll expenditures in accordance with actual time spent on program activities.

Criteria: 2 CFR §200.430(i)(1) requires that “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.”

Condition: Our review of payroll costs identified the following deficiencies that weaken controls over the allowability of personnel expenditures:

- During the examination of payroll allocations charged to the program, we identified that one employee’s payroll costs continued to be charged in full to SFRF for 5 pay periods subsequent to their departure from the PRO. PRO did not identify and adjust for this exception during fiscal 2023 (questioned costs - \$34,533).
- PRO maintains a Master Timesheet for all its employees and asserts that only individuals listed on the Master Timesheet are eligible to submit payroll charges against SFRF. We noted one employee charged to the program for whom, upon review of the employee time records, no work hours under the SFRF program were reported. While it was explained that this employee was partially dedicated to performing SFRF activities within the Division of Purchasing, no time sheet documentation was provided in support of SFRF activities (questioned costs - \$13,132).
- During the review of timesheets for PRO supervisory approval, it was noted that several employee timesheets received approval from their supervisors one, two, and in some instances, three days prior to the conclusion of the pay period. This observation raises concerns regarding the timeliness and accuracy of time reporting, potentially impacting the integrity of payroll processing and adherence to internal controls over timekeeping procedures. According to the PRO, this is due to the Department of Administration’s routine request for submission of timesheets prior to the end of the period. If PRO identifies an instance that requires an amendment to the original timesheet, an amended timesheet will be submitted subsequently.

Cause: Insufficient controls over the claiming of personnel expenditures to ensure adequate controls are in place to ensure compliance with federal requirements (i.e., adequate documentation of time and effort).

Effect: Personnel expenditures could be unallowable due to a lack of adequate support and/or inaccurate allocation of expenditures to the SFRF program.

Questioned Costs: \$47,655

Valid Statistical Sampling: Yes

RECOMMENDATIONS

- 2023-039a Conduct regular reconciliation and monitoring of payroll charges to agency records to improve documentation and support for personnel costs charged to federal programs.
- 2023-039b Modify current policies relating to timesheet collection to ensure that supervisory reviews of time and effort reporting are accurate and complete.

Auditee views: *The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2023-040

(other matter / significant deficiency – new finding)

STUDENT FINANCIAL ASSISTANCE CLUSTER – 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Years: 2022 to 2023

Federal Award Number: Not Applicable

Administered by: Rhode Island College (RIC)

Compliance Requirements: Special Tests & Provisions – Gramm-Leach-Bliley Act

RHODE ISLAND COLLEGE – GRAMM-LEACH-BLILEY ACT

Criteria: The Gramm-Leach-Bliley Act (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data. (16 CFR §314) The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act (16 CFR §313.3(k)(2)(vi)).

Condition: Under an institution’s Program Participation Agreement with the Department of Education and the Gramm-Leach-Bliley Act, schools must protect student financial aid information, with particular attention to information provided to institutions by the Department or otherwise obtained in support of the administration of the federal student financial aid programs.

Context: During our testing of the College’s information technology, we noted the following items in the College’s written security program did not meet the following compliance requirements:

- Ensure that the written information security program describes the use of a data inventory that includes how the institution identifies and manages data, personnel, devices, systems and facilities.
- Ensure that the written information security program identifies the use of multi-factor authentication for individuals accessing sensitive information across systems.
- Ensure that the written information security program includes an adopted change management policy with procedures documented accordingly.
- Ensure that the written information security program is evaluated and adjusted based on monitoring results, risk assessments and penetration tests.
- Ensure the written information security program has been updated within the audit period.

Cause: The College has continued to make progress in updating the College’s written security program to become compliant with all requirements; however, due to capacity and demands on the information technology individuals, this is still a work in process.

Effect: The student personal information could be vulnerable.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-040 We recommend that the College designate an individual to oversee the information security function and work to update the College’s written security program to ensure compliance with all the standards.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-041

(other matter / significant deficiency – new finding)

STUDENT FINANCIAL ASSISTANCE CLUSTER – 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Years: 2022 to 2023

Federal Award Number: P268K232175

Administered by: Rhode Island College (RIC)

Compliance Requirements: Special Tests & Provisions

RHODE ISLAND COLLEGE – RECONCILIATIONS OF THE DIRECT LOAN PROGRAM

Criteria: The Code of Federal Regulations, 34 CFR §685.300(b)(5) requires the College on a monthly basis, to reconcile the institutional records with the Direct Loan funds received from the Secretary and the Direct Loan disbursement records submitted to and accepted by the Secretary.

Condition: Direct loan reconciliations between the COD, G5 and student accounts were not being performed in a timely manner for the year.

Context: Direct loan reconciliations were not all created timely during the year due to staffing issues that occurred during the year, therefore were not created on time.

Cause: The College’s management had turnover in key positions during the year that increased the issues related to this issue of timely reconciliations.

Effect: College is not complying with internal policy and federal requirements to ensure funds are properly reconciled in a timely manner.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-041 The College should ensure all necessary employees receive proper training, support, and time to follow the College's policies and federal requirements related to monthly reconciliations.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-042

(other matter / significant deficiency – new finding)

STUDENT FINANCIAL ASSISTANCE CLUSTER – 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Years: 2022 to 2023

Federal Award Number: Not Applicable

Administered by: University of Rhode Island (URI)

Compliance Requirements: Special Tests & Provisions – Gramm-Leach-Bliley Act

UNIVERSITY OF RHODE ISLAND – GRAMM-LEACH-BLILEY ACT

Criteria: The Gramm-Leach-Bliley Act (GLBA) (Public Law 106-102) requires financial institutions to explain their information-sharing practices to their customers and to safeguard sensitive data. (16 CFR §314) The Federal Trade Commission considers Title IV-eligible institutions that participate in Title IV Educational Assistance Programs as “financial institutions” and subject to the Gramm-Leach-Bliley Act (16 CFR §313.3(k)(2)(vi)). Entities must establish and maintain effective internal control over federal awards (2 CFR §200.303).

Condition: Institutions are required to develop, implement, and maintain a comprehensive information security program that is written in one or more readily accessible parts. GLBA requires the information security program to have defined elements as defined at 16 CFR §314.4. During audit testing, it was noted the University did not have all the required elements.

Context: During our testing of the University’s information security plan, we noted the following:

- The University has a draft written information security plan titled 2.01 URI Information Security Program that is currently in draft form and has not been approved and formally implemented.

Cause: Policies and controls did not ensure the draft comprehensive information security program was finalized and implemented on a timely basis.

Effect: The University did not have a written final approved information security program in compliance with GLBA in place as of June 30, 2023.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-042 We recommend that the University approve and formally implement its information security program.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-043

(other noncompliance / significant deficiency – repeat finding – 2022-055)

TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – 84.010

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2023

Federal Award Number: S010A220039 – 22A

Administered by: Rhode Island Department of Education (RIDE)

Compliance Requirement: Special Tests and Provisions – Oversight and Monitoring Responsibilities with Respect to Charter Schools with Relationships with Charter Management Organizations

SPECIAL TESTS AND PROVISIONS – OVERSIGHT AND MONITORING RESPONSIBILITIES WITH RESPECT TO CHARTER SCHOOLS WITH RELATIONSHIPS WITH CHARTER MANAGEMENT ORGANIZATIONS

RIDE does not have any specific procedures to assess the risk posed by conflicts of interest, related party transactions, or insufficient segregation of duties between the Charter School and Charter Management Organization (CMO).

Criteria: As grantees, State Education Agencies (SEAs)/Local Education Agencies (LEAs) are responsible for overseeing and monitoring subrecipients, including charter schools with relationships with Charter Management Organizations (CMOs). The SEA/LEA must: (1) evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring (2 CFR §200.332(b)); and (2) monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved (2 CFR §200.332(d)).

Additional requirements applicable to nonfederal entities receiving federal funds include: (1) the Code of Federal Regulations (CFR) requirements regarding conflicts of interest, (2) guidance regarding related-party transactions in generally accepted accounting principles, and (3) the GAO Green Book and COSO framework guidance regarding segregation of duties applicable to charter schools with relationships with CMOs.

Condition: RIDE’s policies, procedures, and internal control for reviewing charter schools with relationships with Charter Management Organizations (CMOs) is the same for all LEAs. Those policies and procedures do not include any specific procedures to assess the risk posed by conflicts of interest, related party transactions, or insufficient segregation of duties between the Charter School and CMO.

Cause: RIDE currently has two Charter Schools with a relationship with a CMO and they did not modify their policies, procedures, and internal controls to address the Federal requirements related to the relationship.

Effect: RIDE is not in compliance with federal regulations.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-043 Enhance the policies, procedures, and internal controls over monitoring LEAs, Charter Schools, and Charter Schools with relationships to CMOs to include assessing the risk posed by conflicts of interest, related-party transactions, or insufficient segregation of duties between the Charter School and CMO.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-044

(significant deficiency – repeat finding – 2022-056)

TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – 84.010

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2023

Federal Award Number: S010A220039 – 22A

Administered by: Rhode Island Department of Education (RIDE)

CAREER AND TECHNICAL EDUCATION – BASIC GRANTS TO STATES – 84.048

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2023

Federal Award Number: V048A220039 - 22A

Administered by: Rhode Island Department of Education (RIDE)

EDUCATION STABILIZATION FUND – 84.425B, 84.425C, 84.425D, 84.425U, 84.425W, 84.425V

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Years: 2020 and 2021

Federal Award Numbers: S425B200026, S425C210028, S425D210046, S425U21046-21A, S425V210010, S425W210041-21A

Administered by: Rhode Island Department of Education (RIDE)

Compliance Requirement: Activities Allowed or Unallowed

ACTIVITIES ALLOWED OR UNALLOWED

Information technology (IT) security controls over the Acelegrants system need improvement to protect reliability of the system data used to administer federal compliance.

Background: The Local Education Agencies (LEAs) generate and submit their Consolidated Resource Plan (CRP) to the Rhode Island Department of Education (RIDE) through the Acelegrants System – an application provided by a third-party vendor. Using this information, RIDE allocates the State’s allotted funding for the Title I Grants to Local Education Agencies, Education Stabilization Fund, and Career and Technical Education- Basic Grants to States programs amongst the LEAs. Additionally, the LEAs submit their requests for federal reimbursement through Acelegrants. The State allocation of Title I federal funding is reliant on the data reported in Acelegrants.

Criteria: Management should ensure that systems critical to the administration of federal programs comply with IT security industry standards and best practices. The State has adopted such practices through its Division of Enterprise Technology Strategy and Services for agencies to comply with. IT security industry standards and best practices dictate that proper access management is essential for any application processing electronic data. Access management should be in place within the Acelegrants application to ensure the proper protection and integrity of RIDE data. A critical part of access management is to ensure the timely adjustment of access privileges or removal of system access altogether for users who either transfer or terminate employment. In addition, it is vital that oversight of the vendor activities is maintained for the agency to be able to rely on the software application vendor for system security and availability.

Condition: Our evaluation of RIDE’s information systems security management noted several areas in need of improvement. Efforts are needed to provide a comprehensive approach to critical system security requirements that addresses the following:

- Access Management:
 - There was no documented process to either request or track user account changes (including additions, deletions, and privilege changes).
 - Due to a lack of a formal user account request and tracking process, it could not be determined whether user access was appropriate or removed timely. Our review of user access, as of April 2023, noted a significant number of inactive users, several with inactivity for more than a year, whose access had not been removed.
 - There was no documented periodic review of either user access or privileges to validate whether the granted access was still appropriate during fiscal 2023.
- SOC 2 Complementary User Entity Controls – There was no documented evidence of agency assessment or consideration of complementary user entity controls that were specified in the vendor provided SOC 2 report.
- Vendor Management – There was no evidence provided of agency IT vendor management oversight to ensure vendor conformance with industry standards and best practices. The agency has no method to document and review the SOC 2 report provided by the vendor.

Our follow-up on user access and privileges after year-end suggested that RIDE made progress in updating privileges and removing user access. However, RIDE did not document that process in a manner that allowed for evaluation. Although RIDE also developed policies and procedures relating to controls over user access and the consideration of complementary user entity controls relating to Accelegrants, these policies and procedures were not implemented until fiscal year 2024.

Cause: Lack of dedicated agency resources and documentation relating to information systems security and the consideration of complementary user entity controls.

Effect: Limited monitoring of user access results in a weakening of application and data security which undermines data integrity in program administration.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|---|
| 2023-044a | Enhance internal controls and timeframes to ensure prompt termination of system access when employees leave or change functions. Document occurrences of timely reviews of access privileges to determine if access is appropriate. |
| 2023-044b | Review vendor identified complementary user entity controls specified in the vendor SOC 2 report and maintain the agency response as to relevance and how they are being addressed. |
| 2023-044c | Implement basic agency IT Vendor Management oversight to ensure conformance with industry standards and best practices. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-045

(significant deficiency – new finding)

CAREER AND TECHNICAL EDUCATION – BASIC GRANTS TO STATES – 84.048

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2023

Federal Award Number: V048A220039 - 22A

Administered by: Rhode Island Department of Education (RIDE)

Compliance Requirement: Eligibility

ELIGIBILITY

RIDE did not calculate the correct Career and Technical Education (CTE) allocation for Local Education Agencies (LEA).

Criteria: Section 131(a) of Perkins V (20 USC 2351) requires the State Education Agency (SEA) to distribute funds to Local Education Agencies (LEA) in two tranches as follows:

- The first tranche accounts for 30% of the grant award and is allocated based on the population of individuals aged 5 through 17 residing in the school district as a percentage of the total individuals aged 5 through 17 in all school districts.
- The second tranche accounts for 70% of the grant award and is allocated based on the population of individuals aged 5 through 17 who are from families below the poverty level residing in the school district as a percentage of the total individuals aged 5 through 17 who are from families below the poverty level residing in all school districts.

Condition: RIDE calculated the allocation of grant awards for the 30 percent tranche based on the methodology used for individuals whose families are below the poverty level as opposed to the population of the school district. This caused 29 LEAs to be allocated less than required by federal regulations and 11 LEAs being allocated more than allowed by federal regulation. This misallocation amounted to \$318 thousand of the \$6.7 million grant award. The incorrect allocation did not result in noncompliance since no LEA provider spent their entire allocation and RIDE was able to recalculate and allocate the correct amounts to each provider.

Cause: The department used a spreadsheet to calculate the allocations to each school district. The spreadsheet did not include the allocation percentages for the 30% tranche (i.e., allocation of grant funding based on the school district population of individuals aged 5 through 17). Oversight was lacking to identify the allocation error in a timely manner.

Effect: Noncompliance with federal rules and regulations relating to the allocation of grants to Local Education Agencies.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-045 Enhance internal controls over the allocation of CTE grants to LEAs to ensure the allocations are calculated in accordance with federal regulations.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-046

(material noncompliance / material weakness – new finding)

CAREER AND TECHNICAL EDUCATION – BASIC GRANTS TO STATES – 84.048

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2022

Federal Award Number: V048A210039 - 21A

Administered by: Rhode Island Department of Education (RIDE)

Compliance Requirement: Eligibility

ELIGIBILITY

RIDE did not reallocate unspent Career and Technical Education (CTE) grants in accordance with Section 133(b) of Perkins V.

Criteria: Section 133(b) of Perkins V (20 USC 2353) requires the State Education Agency (SEA) to reallocate unspent funds in the academic year based on Section 131(a) of Perkins V (20 USC 2351) which requires the State Education Agency (SEA) to distribute funds to Local Education Agencies (LEA) in two tranches as follows:

- The first tranche accounts for 30% of the grant award and is allocated based on the population of individuals aged 5 through 17 residing in the school district as a percentage of the total individuals aged 5 through 17 in all school districts.
- The second tranche accounts for 70% of the grant award and is allocated based on the population of individuals aged 5 through 17 who are from families below the poverty level residing in the school district as a percentage of the total individuals aged 5 through 17 who are from families below the poverty level residing in all school districts.

Condition: The department’s reallocation of unspent fiscal year 2022 CTE grants (\$2.7 million) during fiscal year 2023 was not performed in accordance with Section 133(b) of Perkins V. The department in essence allowed the LEAs to keep and spend the funds until the expiration of the 27-month obligation period. This caused 22 LEAs to be allocated less than required by federal regulations and 14 LEAs being allocated more than allowed by federal regulation.

Cause: The CTE Board of Trustees implemented rules regarding unspent funds to rollover to the LEAs until the expiration of the 27-month obligation period which did not comply with federal rules and regulations.

Effect: Noncompliance with federal rules and regulations causing an improper allocation of grants to Local Education Agencies.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2023-046a Amend the reallocation of unspent funds during the academic year in accordance with Section 131(a) of Perkins V.

2023-046b Enhance controls and revise policies over the allocation of CTE grants to LEAs, to ensure the reallocations are calculated in accordance with federal regulations.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-047

(other noncompliance / material weakness – new finding)

CAREER AND TECHNICAL EDUCATION – BASIC GRANTS TO STATES – 84.048

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2023

Federal Award Number: V048A220039 - 22A

Administered by: Rhode Island Department of Education (RIDE)

Compliance Requirement: Matching, Level of Effort, Earmarking

LEVEL OF EFFORT – SUPPLEMENT NOT SUPPLANT

RIDE did not ensure the Local Education Agencies (LEAs) supplemented and not supplanted federal funding for Career and Technical Education (CTE).

Criteria: The State Education Agency (SEA) and its subrecipients may use funds for career and technical education activities that supplement, and not supplant, non-federal funds expended to carry out career and technical education activities (Section 211(a) of Perkins V (20 USC 2391(a))).

Condition: RIDE does not have documentation supporting its efforts to ensure compliance with Supplement Not Supplant. Currently, the department reviews the LEAs federal budget information related to CTE through Accelegrants prior to the allocation of grants funds. This information does not include State or local funds being used for the program, which limits RIDE’s ability to ensure compliance with supplement not supplant.

Cause: Absence of adequate policies, procedures, and documentation to ensure compliance with federal requirements.

Effect: The LEA(s), and consequently the department, may not be in compliance with federal regulations.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-047 Enhance internal controls over LEA supplement not supplant requirements by creating policies and procedures designed specifically for the CTE program. Additionally, ensure adequate documentation is maintained by the department to support such compliance.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-048

(other noncompliance / material weakness – new finding)

CAREER AND TECHNICAL EDUCATION – BASIC GRANTS TO STATES – 84.048

Federal Awarding Agency: U.S. Department of Education (ED)

Federal Award Fiscal Year: 2023

Federal Award Number: V048A220039 - 22A

Administered by: Rhode Island Department of Education (RIDE)

Compliance Requirement: Subrecipient Monitoring

STATE MONITORING OF ELIGIBLE RECIPIENTS

RIDE did not conduct an annual evaluation of local adjusted levels of career and technical education activity performance for eligible recipients, nor did it implement improvement plans for subrecipients that failed to meet at least 90 percent of agreed upon local level of performance for any of the core indicators of performance.

Criteria: Each state must evaluate annually, using the local adjusted levels of performance described in Section 113(b)(4) of Perkins V (20 USC 2323(b)(4)), the career and technical education activities of each eligible recipient receiving funds under Sections 131 and 132 of Perkins V (Section 123(b)(1) of Perkins V (20 USC 2343(b)(1))).

The state determines whether a subrecipient failed to meet at least 90 percent of an agreed-upon local level of performance for any of the core indicators of performance described in Section 113(b)(4) of Perkins V for all CTE concentrators and, if so, requires the subrecipient to develop and implement the improvement plan required by Section 123(b)(2) of Perkins V (20 USC 2343(b)(2)).

The state must require eligible subrecipients to include the levels of performance for each of the core indicators of performance in their local applications as required by Section 113(b)(4)(A)(ii) and disaggregated performance reporting as required by Section 113(b)(4)(B)(ii) of Perkins V.

Condition: RIDE did not perform an evaluation of local level of performance for core indicators required by federal regulations.

Cause: Absence of policies and procedures to ensure compliance with federal requirements.

Effect: Noncompliance with federal rules and regulations.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2023-048a Develop and promulgate policies and procedures for the evaluation of subrecipient performance and the development and implementation of subrecipient improvement plans in compliance with federal requirements.

2023-048b Ensure subrecipients include the levels of performance for each of the core indicators of performance in their local applications as required by Section 113(b)(4)(A)(ii) and disaggregated performance reporting as required by Section 113(b)(4)(B)(ii) of Perkins V.

2023-048c Enhance internal controls over subrecipient monitoring to ensure compliance with state monitoring of eligible recipients.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-049 (other noncompliance / significant deficiency – repeat finding – 2022-038)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2019 to 2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Reporting

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.

Criteria: The Federal Funding Accountability and Transparency Act (Public Law 109-282; as amended by Section 6202 of Public Law 110-252), as codified in 2 CFR Part 170, requires recipients of grants and cooperative agreements to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition: Subaward information entered into the FSRS, made publicly available via USASpending.gov, was not inclusive of all subawards made for certain programs audited during fiscal 2023. In our testing of compliance with FFATA, we noted the following exceptions:

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
30	30	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$3,256,359	\$3,256,359	\$0	\$0	\$0

While the State has conducted training for the various departments and agencies, procedures at the department level to ensure FFATA reporting requirements are met have not been implemented.

Cause: Controls and monitoring efforts have not been established to ensure compliance with FFATA reporting requirements.

Effect: RIDOH did not sufficiently comply with the reporting requirements of FFATA.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2023-049 Establish policies and procedures to ensure accurate and timely reporting of subawards in accordance with FFATA.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-050

(significant deficiency– repeat finding – 2022-052)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2019 to 2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Awarding Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Years: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

CONTROLS OVER PANDEMIC-RELATED EXPENDITURES ALLOCABLE TO MULTIPLE FUNDING SOURCES OR FEDERAL AWARDS

The State had insufficient controls to ensure expenditures were not reimbursed from more than one funding source or award under federal programs with similar pandemic response related objectives. Reconciliation of accounting records to align program revenues with federal revenues received were not fully completed at fiscal year-end.

Background: The State has received an unprecedented amount of federal assistance to respond to the effects of the global health pandemic. Included in this assistance were funds received from the FEMA Stafford Act Disaster Grants program and the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program, among others. Certain costs were eligible for reimbursement under multiple programs and funding sources. Expenditures were often applied to one funding source and then subsequently adjusted to another funding source as federal guidelines changed and the end of the period of availability drew near for multiple awards. Due to the length of the pandemic, adjustments of program expenditures between federal programs or other funding sources overlapped fiscal years at times.

Criteria: Expenditures may only be reimbursed from one funding source or federal award.

Condition: Due to changing federal guidelines and the evolving State response to the pandemic, costs were sometimes charged to one funding source and then later moved to another funding source. When expenditures are reclassified or reallocated within the RIFANS accounting system, journal entries are used to move the aggregate dollar activity, however, the original transaction (expenditure/disbursement) remains in the account originally charged, offset by a credit. This process complicates the identification of the underlying expenditures reimbursed by the federal award and increases the risk that expenditures could be reimbursed from more than one federal award.

During fiscal 2023, we noted the following adjustments to financial activity supporting the cited control deficiency:

- Approximately \$1.0 million in expenditures were adjusted from ELC to FEMA, and another \$1.8 million from restricted funding sources to ELC.
- Approximately \$2.1 million was adjusted from various federal programs and non-federal accounts to FEMA’s Disaster Grants program and another \$6.6 million from FEMA’s Disaster Grants program to various federal programs and other non-federal expenditure accounts.

The State implemented a reconciliation process to account for, and adjust as necessary, federal program activity to align accounting records with actual final funding sources of the activities. Journal entries were

processed in fiscal 2023 to adjust expenditures between federal and non-federal funding sources for prior and current year activity. While there was a significant decrease in the magnitude of the adjustments compared to prior years, reconciliations for all State agencies and departments were not fully completed at June 30, 2023.

Cause: Due to the rapid response required during the pandemic, the existence of multiple federal funding sources, and continually evolving federal guidance, costs were moved and adjusted in the accounting system to various funding sources, which increased the risk that a cost could be reimbursed from more than one funding source or federal award.

Effect: Potential duplicate reimbursement of expenditures from more than one funding source or federal award. Potential of charging costs for unallowable activities to federal programs as the expenditure detail is not maintained when expenditures are adjusted in the accounting system.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2023-050a Ensure reconciliations and any required adjustments are complete to demonstrate that eligible pandemic-related program costs were not reimbursed from more than one funding source.
- 2023-050b Determine whether any program costs were reimbursed by multiple fundings sources. Return any related funds to the appropriate federal grantor.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-051 *(other noncompliance / material weakness – repeat finding – 2022-061)*

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: G2201RITANF and G2301RITANF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Eligibility

CONTROLS OVER ELIGIBILITY FOR THE TEMPORARY ASSISTANCE FOR NEEDY FAMILIES (TANF) PROGRAM

Internal controls are lacking to ensure that TANF eligibility is supported by documentation required by program regulations. Documentation deficiencies, specifically relating to applicant residency, resulted in noncompliance with TANF eligibility requirements for fiscal 2023.

Background: RIBridges is the State’s federally approved computer system used to manage multiple health care and human service programs. It was designed to allow for integrated eligibility across programs, enhanced client accessibility, and periodic validation of client-attested data through multiple electronic interfaces.

Criteria: Federal regulation 45 CFR §260.20 requires that a family be needy in order to be eligible for TANF assistance and job preparation services. 45 CFR §205.60(a) requires “the State agency will maintain or supervise the maintenance of records necessary for the proper and efficient operation of the plan, including records regarding applications, determination of eligibility, the provision of financial assistance, and the use of any information obtained under §205.55, with respect to individual applications denied, recipients whose benefits have been terminated, recipients whose benefits have been modified, and the dollar value of these denials, terminations and modifications. Under this requirement, the agency will keep individual records which contain pertinent facts about each applicant and recipient. The records will include information concerning the date of application and the date and basis of its disposition; facts essential to the determination of initial and continuing eligibility (including the individual’s social security number, need for, and provision of financial assistance); and the basis for discontinuing assistance.” The State’s policies and procedures require that documentation used to verify eligibility be maintained in the case file. Federal regulations define appropriate sources of documentation to verify TANF applicant data when determining TANF eligibility.

Proof of residency is a requirement for TANF eligibility. According to the RI State Plan, acceptable documentation for proof of residency includes rental receipt, lease agreement, utility bills, medical bills, bank statements, payroll statement, mortgage statement, car registration, city or town tax statement, and/or school records.

Condition: Documentation in RIBridges was insufficient to support eligibility in certain cases tested. Evaluations of exceptions relating to case documentation deficiencies, questioned costs, and consideration of noncompliance with eligibility requirements are based on documentation of critical household eligibility factors (income, residency, citizenship, valid social security number, birth certificates). If documentation omission was isolated in a case record and did not impact the substantial eligibility of the household, it was treated as an exception for control deficiency considerations only.

Sample 1 – Monthly household benefit payments reported by RIBridges during fiscal 2023.				
<i>Note: Case evaluation performed of the most recent application or redetermination prior to the benefit period sampled. If a case is deemed ineligible due to a critical documentation deficiency, questioned costs are reflected for the entire period of eligibility.</i>				
Population – 37,614 cases, \$24,024,906 in benefits paid				
Sample Size	Number of Exceptions	Exception type	Error Rate	Known Questioned Costs
68	7	<i>Critical documentation deficiencies</i> – failure to support household residency.	10.3%	\$39,517
	1	<i>No documentation of recertification</i> – Six-month interim documentation was not present in the electronic case file or case notes.	1.4%	\$2,636
	21	<i>Limited documentation deficiencies</i> – case record indicative of control deficiencies but not deemed critical to household eligibility.	30.9%	N/A

Exceptions resulting in eligibility being unsupported by case record (8 Exceptions – 11.7% error rate):

- None of the required documentation supporting household residency was included in the case record for 7 sample households.
- Signed recertification documents not scanned to the system (4 instances). For 3 of the cases without a completed recertification, the case file notes mention their completion. In 1 instance there was no

documentation or case note (this case was included in reported questioned costs) supporting recertification.

Exceptions – nonconformance with established eligibility process and/or control procedures (control exception without impact on eligibility):

- Identification documents for all household members or other supporting case documents not scanned to the system (21 instances).

Documentation deficiencies for critical eligibility requirements were noted in 11.7% of the cases we tested in fiscal 2023. While applicant attested information, in most cases, supported applicant eligibility for TANF, the lack of required critical supporting documentation and the significant number of other documentation deficiencies noted were deemed to be a material weakness in internal control over TANF eligibility. While our projection of test results did not rise to the level of material noncompliance with TANF eligibility requirements, significant noncompliance resulted from documentation deficiencies.

Cause: Lack of supporting documentation included in the TANF case record and insufficient procedures to ensure that critical case documentation is included in the case record prior to eligibility being approved for the applicant.

Effect: Noncompliance with TANF eligibility requirements and/or documentation requirements mandated by DHS policy. Ineligible benefit payments claimed to the TANF program.

Questioned Costs: \$42,153

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-051 Improve policies and procedures to ensure that all required eligibility compliance requirements for TANF are documented within RIBridges.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-052 (other noncompliance / significant deficiency – new finding)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Year: 2023

Federal Award Number: G2301RITANF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Activities Allowed or Unallowed

CONTROLS OVER TRANSFERS TO THE SOCIAL SERVICE BLOCK GRANT (SSBG)

DHS transferred an amount to the SSBG program that exceeded the federally allowed 10 percent of the TANF award for fiscal 2023.

Criteria: The TANF block grant law provides that states may transfer up to 10 percent of their TANF grant to the SSBG (Title XX) program.

Condition: As of June 30, 2023, DHS had been awarded \$70,339,314 for FFY 2023. The amount recorded in the state’s accounting system in the two accounts assigned to transfers was \$7,213,005, which exceeded the 10% limit by \$179,074.

Cause: Failure to monitor the amount transferred to SSBG to ensure compliance with federal regulations.

Effect: Noncompliance with the SSBG transfer limit at June 30, 2023.

Questioned Costs: \$179,074

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-052 Monitor compliance with the federal 10% transfer limit prior to each transfer to the SSBG program.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-053

(significant deficiency – new finding)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Year: 2023

Federal Award Number: G2301RITANF

Administered by: Rhode Island Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: G2201RICCDF and G2301RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Reporting

CONTROLS OVER FINANCIAL REPORTING

Federal reports for both TANF and Childcare did not agree to underlying documentation.

Criteria: Federal reports should include all activity of the period, be supported by applicable accounting or performance records, and be fairly presented in accordance with governing requirements.

Condition: Three out of four TANF and two of four Childcare quarterly financial reports contained errors in at least one line item that went undetected by DHS. The summary documents provided as support did not agree to the underlying data.

Cause: DHS did not perform quarterly reconciliations of federal reports to the State accounting system. In addition, supervisory review of federal reports was not documented.

Effect: Federal reporting errors were made and not identified and corrected.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-053 Maintain documentation for each report as submitted. Perform a secondary review to ensure that reports agree to supporting documentation and reconcile to the accounting system.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-054

(significant deficiency – repeat finding – 2022-040)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: G2201RITANF and G2301RITANF

Administered by: Rhode Island Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: G2201RICCDF and G2301RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – ADP Risk Analysis and System Security Review

COMPREHENSIVE DEPARTMENTAL AUTOMATED DATA PROCESSING (ADP) RISK ANALYSIS AND SYSTEM SECURITY PROGRAM

See related Financial Statement Finding 2023-016.

The State continued to enhance systems security oversight over systems used to administer multiple federally funded programs. Certain internal control deficiencies should be addressed to improve the State’s monitoring of information systems security over RIBridges and the Medicaid Management Information System (MMIS).

Criteria: Federal regulation 45 CFR §95.621 requires State agencies to review the ADP system security of installations used in the administration of HHS programs on a biennial basis or when a significant change to the security or system(s) occurs. At a minimum, State agencies must establish and maintain an ADP security plan and implement a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems.

EOHHS and DHS are charged with managing and securing ADP systems, which administer various federal HHS and State programs (e.g., Medicaid, TANF, etc.). These programs had eligibility, benefit determinations, and payments processed mainly by two systems – MMIS and RIBridges. State agencies (EOHHS, DHS, and the Department of Administration’s Division of Enterprise Technology Strategy and Services – ETSS) were required to determine appropriate ADP security requirements based upon recognized industry standards for each system, optimally within a comprehensive plan.

Condition: The State continued to enhance its systems security oversight of the MMIS and RIBridges systems to ensure compliance with federal regulations for ADP risk analysis and system security reviews. The following internal control deficiencies were noted during our audit and should be addressed to further improve the State’s monitoring of information systems security over the RIBridges and MMIS systems.

MMIS – EOHHS oversees the IT security requirements of the MMIS. EOHHS largely utilizes independent service organization control (SOC) reports to meet their security and risk monitoring activities for the MMIS. However, the ADP system security plan should be improved by ensuring that the coverage provided by the SOC reports is supplemented with other documented monitoring procedures (e.g., frequent monitoring of system access, timely removal of system access upon user termination, and improved documentation of user entity controls). The SOC report identifies several complementary user entity controls that EOHHS is responsible for implementing and ensuring that they are operating effectively. Examples of areas in need of improvement include the reliability and consistency of data transmitted from RIBridges to the MMIS, and improved monitoring of system access by the MMIS system contractor.

RIBridges – The State now relies on several contractor/external party reviews to monitor IT system security over the RIBridges system. These include the following:

- Attestation reports relating to the RIBridges contractor, Deloitte Consulting, and Deloitte’s subcontractor (NTT Data) that has been delegated certain IT security functions over the system (contracted to be biennial);
- MARS-E (Minimum Acceptable Risk Standards for Exchanges) evaluations applicable to Health Insurance Exchanges required by federal regulations – these reviews are performed annually with the audit scope rotating over a three-year period;
- Internal Revenue Service Safeguard Reviews – IT security reviews over State systems and applications that utilize federal tax information; and
- Independent Verification & Validation (IV&V) monitoring services which the State has incorporated certain IT security monitoring functions (e.g., vulnerability scanning and analysis, participating in regular IT security meetings).

In fiscal 2023, the attestation reports only covered a three-month period to evaluate controls over key IT security areas. The short audit period did not allow all controls to be evaluated during the audit period as some were not required to be performed. Going forward, the State will need to consider and document how its expected audit coverage will be coordinated with the RIBridges risk assessment to ensure that critical risk areas are included in reviews planned for that period (since attestation engagements are not contractually required annually). Additional scope may be required within the MARS-E evaluation in years where attestation reports of the contractor and subcontractors responsible for IT security requirements within RIBridges are unavailable. Such formalized annual audit/review plans, in addition to improved documented consideration of the results of audit/review reports, will improve documentation of the State’s monitoring of IT security over RIBridges.

Cause: Certain deficiencies in the State’s current IT security practices relating to ADP Risk Analysis and System Security Review need improvement to enhance systems security.

Effect: Certain collective deficiencies could undermine IT security over the RIBridges and MMIS systems.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2023-054a Improve monitoring of MMIS system access, removal of system access upon user termination, and consideration and documentation of user entity controls.
- 2023-054b Utilize risk assessment results annually to document how expected audit coverage will ensure that critical risk areas are included in the scope of work for assessments planned for that year.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-055

(significant deficiency – new finding)

LOW-INCOME HOME ENERGY ASSISTANCE – 93.568

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2201RILIEA and 2301RILIEA

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: *Eligibility*

EVALUATION OF CONTROLS OVER FUNCTIONS PERFORMED BY EXTERNAL SYSTEM

See related Financial Statement Finding 2023-002.

DHS can improve its consideration of controls over functions performed by the Hancock System by obtaining proper Service Organization Control (SOC) reports provided by the outside vendor. These are necessary and consistent with management’s responsibility for the overall adequacy of the design and operation of internal control.

Background: The Low-Income Home Energy Assistance Program’s (LIHEAP) Hancock application is a cloud-based system that enables state offices to administer income eligible heating and energy assistance programs. The application is maintained by a vendor and is utilized both at the State level and within community action agencies.

Criteria: Management has the responsibility to ensure the adequacy of the design and operation of key controls over the operation of the program to ensure compliance with LIHEAP regulations. A Service Organization Control (SOC) report provided by the vendor is one means, in part, of meeting management’s responsibility. Alternatively, monitoring and assessment procedures should be performed by DHS with assistance from the State’s Enterprise Technology Strategy and Services (ETSS).

Per ETSS Policy 10-20: Passwords will have a minimum of eight (8) characters in length for standard user accounts and a minimum of fourteen (14) characters in length for privileged user accounts and passwords will not be identical to any of the previous twenty-four (24) passwords.

Per ETSS Policy 10-10: The agency will disable non-privileged accounts after 90 days of inactivity and privileged accounts after 60 days of inactivity.

Condition: DHS has not performed assessments of the accuracy and reliability of the system in determining eligibility and related benefits or considered information technology risks for the application. The system is integral to the operation of the program and to maintain compliance with federal program requirements. The vendor provides a SOC 2 Type 2 report, however, a review of this report and

consideration of exceptions and recommended complementary user entity controls was not completed by the department.

Additionally, Hancock LIHEAP system user passwords are only required to have a length of 6 characters and are allowed to repeat after 3 changes, which is not in compliance with the State's Enterprise Password Policy. The agency also has not performed user access reviews nor disabled accounts with more than 90 days of inactivity in accordance with the State's Enterprise Access Policy.

Cause: DHS has not performed sufficient monitoring of operating effectiveness and information technology risk assessment for the Hancock LIHEAP application. The agency has not completed a review of the SOC 2 Type 2 report or considered the exceptions and recommended complementary user entity controls presented in it. The password requirements and account management, specifically users who have not accessed the system in 90 days, do not comply with the State's policies and procedures.

Effect: Inattention to maintaining proper user access controls could result in unauthorized access to the system and potential fraud and noncompliance with program requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|---|
| 2023-055a | Ensure that service organization controls (SOC) reports are reviewed timely, and that proper documentation and review of the complementary user entity controls were performed using the existing Accounts and Control review form. |
| 2023-055b | Adhere to the State's ETSS Policy and require password length to be 8 characters for standard users and 14 characters for privileged user accounts. Adhere to the State's ETSS Policy and do not allow passwords to be identical to any of the previous 24 passwords. |
| 2023-055c | Perform periodic reviews of users and disable access to non-privileged accounts after 90 days and privileged accounts after 60 days. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-056 (other noncompliance / material weakness – repeat finding – 2022-062)

CCDF CLUSTER – 93.575, 93.596

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: G2201RICCDF and G2301RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Eligibility

CONTROLS OVER CHILD CARE ELIGIBILITY

Controls over Child Care program eligibility, specifically relating to ensuring that required documentation is included in case records in support of eligibility determinations needs improvement.

Background: RIBridges is the State’s federally approved computer system used to manage multiple health care and human service programs. It was designed to allow for integrated eligibility across programs, enhanced client accessibility, and periodic validation of client attested data through multiple electronic interfaces. RIBridges determines eligibility for a childcare subsidy and the amount of parental co-pay based on family income and family size. Payments to licensed childcare providers are made through RIBridges. RIBridges is the official source of recipient eligibility documentation for the Child Care program.

Criteria: Lead agencies must have in place procedures for documenting and verifying eligibility in accordance with federal requirements, as well as the specific eligibility requirements selected by each State in its approved plan. A lead agency is the designated State, territorial or tribal entity to which the CCDF grant is awarded and that is accountable for administering the CCDF program. Lead agencies shall establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF childcare services (45 CFR §98.45(k)). Lead agencies may exempt families below the poverty line from making copayments and shall establish a payment rate schedule for childcare providers caring for subsidized children (45 CFR §98.45(k)(4)).

Condition: Documentation supporting Child Care program eligibility was not found in 3 of 40 sample cases reviewed, resulting in a 7.5% error rate. While this error rate did not represent material noncompliance with Child Care eligibility requirements, it did represent a material weakness in internal controls resulting in significant program noncompliance. The complete details of our testing are presented in the following table:

<p><i>Sample 1 – Provider payments for enrolled children reported by RIBridges during fiscal 2023</i></p> <p><i>Note: Case evaluation performed of the most recent application or redetermination prior to the benefit period sampled. If a case is deemed ineligible due to a critical documentation deficiency, questioned costs are reflected for the entire period of eligibility.</i></p> <p>Population – 298,285* payments to childcare providers, \$56,858,377 in net benefits paid</p>				
Sample Size	Number of Exceptions	Exception type***	Error Rate	Known Questioned Costs
40	3	Exceptions related to nonconformance with established eligibility process and/or control procedures, including documentation deficiencies.	7.5%	\$14,904
<p><i>* The population represents the number of payments made to childcare providers from all sources. The total benefits paid were funded 53% by Child Care, 31% by TANF and 16% from State funds.</i></p> <p><i>**Questioned costs, when applicable and determined, represent the amounts of Child Care funds paid to providers in cases with a critical documentation deficiency or cases that should have been terminated. Since the State does not identify TANF funding at the Child Care payment level, questioned costs relating to TANF were not determinable.</i></p> <p><i>***Documentation deficiencies included 1 case where household income was not validated in the RIBridges case record and 2 cases where documentation of annual recertification were not included in the RIBridges case record.</i></p>				

Improved controls including systemic controls that require validation of critical documentation requirements, monitoring to ensure that cases are recertified annually, and worker training or quality control aids should be considered.

Cause: RIBridges does not prevent a case from being approved for eligibility when required documentation is omitted. Failure to document critical eligibility requirements (i.e., income validation, annual recertification) resulted in noncompliance due to unsupported eligibility.

Effect: Noncompliance with Child Care program eligibility requirements.

Questioned Costs: \$14,904

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-056 Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-057 (other noncompliance / material weakness – repeat finding – 2022-064)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: *Eligibility*

CONTROLS OVER ELIGIBILITY DETERMINATIONS WITHIN THE CHILDREN’S HEALTH INSURANCE PROGRAM (CHIP)

Operational and system deficiencies, including eligibility processing modifications implemented due to PHE regulations and policy modifications, resulted in noncompliance with federal regulations relating to CHIP eligibility.

Background: Medical benefit expenditures claimed to CHIP totaled \$152.3 million in fiscal 2023. Most benefit expenditures represented managed care capitation payments. Certain modifications to program eligibility requirements remained in place as the public health emergency (PHE) declaration remained in effect for most of fiscal 2023.

Criteria: Eligibility requirements for CHIP are detailed in the State Plan. Recipient eligibility requirements generally include children under age 19 with household income less than 261% of the federal poverty level (FPL). Coverage of pregnant women and unborn children of non-citizens is also available under CHIP for members with household income less than 253% of FPL. Enhanced funding under CHIP is available only for children without existing health coverage. Children with existing health coverage are eligible for Medical Assistance.

Condition: Controls over CHIP eligibility determinations, except for the PHE limitations described above, were largely unchanged during fiscal 2023. While most CHIP eligibility was identified through RIBridges, EOHHS identified additional CHIP claiming (approximately \$2.7 million) through querying the MMIS for members meeting CHIP characteristics but not coded as CHIP eligible by RIBridges. Utilizing two separate claiming mechanisms continues to weaken controls over CHIP eligibility.

For fiscal 2023, we tested a sample of 60 CHIP eligible members (capitation payments totaling \$148,500, federal share - \$106,920, for the members tested) for compliance with program eligibility requirements. Total capitation claimed to CHIP totaled \$118.2 million (federal share - \$85.1 million) during fiscal 2023. Our testing noted the following noncompliance and documentation deficiencies with eligibility requirements for CHIP:

- Documentation supporting income (e.g., electronic State Wage & Information Collection Agency (SWICA) validation or applicant submitted documentation (i.e., paystubs)) was lacking in 3 out of 60 cases. Our review of SWICA data provided by the RI Department of Labor and Training noted income which would have determined 2 of the 3 cases ineligible had it reported properly in RIBridges. These exceptions are being classified as income documentation deficiencies in these cases only (not questioned or considered noncompliance) as PHE restrictions would have allowed these cases to remain eligible in fiscal 2023 regardless of the excess income determination.
- A member voluntarily withdrew from the CHIP program but was not disenrolled from the program in 1 out of 60 cases (questioned costs - \$710).

In addition to noncompliance reported above, the State continued to claim CHIP enhanced reimbursement for children with existing third-party health insurance coverage. Our analysis of members charged to CHIP against a file of validated health insurance coverage provided by the Medicaid fiscal agent, found 643 members charged to CHIP that had verified other private insurance for the entire fiscal year. Capitation payments made in fiscal 2023 for those members totaled \$1,326,407 (questioned costs - \$955,013). During fiscal 2023, the State implemented system changes to RIBridges, designed to prevent children with existing health coverage from being coded CHIP eligible; however, it was not possible to evaluate the effectiveness of this system functionality since changes in eligibility during the PHE, in many instances, were not being communicated to the MMIS.

Program controls to ensure that CHIP children are aged out of CHIP do not ensure that CHIP claiming meets federal requirements. An analysis of children charged to CHIP during fiscal 2023 age 19 or older noted 3,070 individuals with benefits claimed to CHIP. While most of these individuals likely remained eligible for CHIP under PHE restrictions that required states to maintain eligibility during the PHE period, our analysis identified 37 individuals that turned 19 before the start of the PHE and no longer qualified for CHIP claiming. Capitation paid during fiscal 2023 for these 37 individuals totaled \$124,855 (questioned costs - \$89,896).

In conjunction with audit work performed during fiscal 2023 to evaluate the effectiveness of systemic processes in RIBridges designed to identify Medicaid/CHIP members no longer residing in the State, we determined that the system functionality to follow-up on Public Assistance Reporting Information System (PARIS) notifications was not operating as designed. PARIS notifies States when a member has begun receiving benefits in another state or territory. The State opted to pause the functionality due to a lack of operational capacity to adhere to CMS 9912 Final Rule, which required the State to pursue additional reasonable measures during the PHE before terminating the individual's enrollment. With systemic controls paused, controls over member residency during our audit period were found to be ineffective. The amount of capitation paid for CHIP members no longer residing in the State was not determinable during our audit period.

Lastly, we identified instances where non-qualified, non-citizen children that were eligible under a State coverage program titled "Cover All Kids" had been coded with CHIP aid categories during periods within fiscal 2023. Our analysis found that the coding error likely impacted 177 cases within CHIP during fiscal 2023. Since the duration of the coding error varied, ineligible costs could not be determined.

Cause: Noncompliance with CHIP eligibility requirements was caused by CHIP specific programming deficiencies within RIBridges (e.g., interface validations not operating as designed, failure to limit claiming for children with third-party health insurance coverage) or insufficient documentation supporting eligibility within the case record (i.e., lack of income documentation).

Effect: Noncompliance with federal requirements relating to recipient eligibility for CHIP.

Questioned Costs: \$1,045,619

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2023-057a Address and correct the RIBridges system deficiencies (e.g., citizenship and income validation, TPL consideration) which weaken controls and result in noncompliance with federal regulations regarding CHIP eligibility.

2023-057b Identify ineligible CHIP costs and return to the federal grantor.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-058

(other noncompliance / significant deficiency – new finding)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

INTERNAL CONTROLS OVER COST ALLOCATION

Internal controls over administrative costs allocated to the Medical Assistance and CHIP programs need to be improved to ensure that costs allocated to the programs comply with federal regulations.

Background: Administrative expenditures incurred by various State agencies involved in the administration of Medicaid and CHIP programs (e.g., EOHHS, Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH), Department of Children, Youth, & Families (DCYF)) are allocated to the programs through federally approved cost allocation systems. All administrative expenditures determined allowable for claiming to the programs are reported to EOHHS which claims the expenditures on federal reports. Agencies adjust administrative expenditures reported in the State accounting system periodically to align with the administrative costs determined through their respective cost allocation systems.

Criteria: Management is responsible for implementing and maintaining internal controls to ensure administrative costs are charged in accordance with federal regulations.

Condition: While all State agencies administering Medical Assistance and CHIP programs utilize federally approved cost allocation plans, internal controls are not sufficiently documented and monitored to ensure expenditures allocated to federal programs are accurate and in compliance with federal regulations. Recommended controls found to be specifically lacking included:

- Documented reconciliations between costs allocated to federal programs and the State accounting system were lacking or untimely;
- Most agency cost allocation systems are operated by one individual, thus supervisory review and monitoring of the process is lacking and not formalized; and
- Most agencies do not conduct any monitoring to ensure that administrative expenditures being allocated to federal programs meet the requirements of federal Uniform Guidance.

During our audit, certain findings were not identified in a timely manner due to the above control deficiencies:

- EOHHS did not reconcile quarterly cost allocation results with the State accounting system in a timely manner; and
- BHDDH’s adjustment of cost allocation resulted in significantly overstated federal expenditures in the State accounting system due to staff errors.

While both findings impacted federal expenditures reported in the State’s Schedule of Expenditure of Federal Awards, the impact on federal expenditures claimed on the CMS-64 Report is not known and under review by both agencies.

Cause: Deficiencies in internal control over administrative expenditure claiming to Medicaid and CHIP.

Effect: Potential noncompliance with federal requirements relating to allowable costs.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-058 Improve internal controls over administrative claiming to federal programs, including documentation of policies and procedures and improved supervision and monitoring of the cost allocation process.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-059 (material noncompliance / material weakness – repeat finding – 2022-065)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Managed Care Financial Audit

MANAGED CARE FINANCIAL AUDIT

The State is not currently in compliance with federal requirements to obtain audited financial reports from its managed care organizations (MCO) in accordance with 42 CFR §438.3(m).

Criteria: Federal regulations require States to comply with the following contract and program integrity safeguards when administering Medicaid managed care programs:

- 42 CFR §438.3(m) *Audited financial reports.* “The contract must require MCOs, PIHPs, and PAHPs to submit audited financial reports specific to the Medicaid contract on an annual basis.

The audit must be conducted in accordance with generally accepted accounting principles and generally accepted auditing standards.”

- 42 CFR §438.602(e) *Periodic audits*. “The State must periodically, but no less frequently than once every 3 years, conduct, or contract for the conduct of, an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO, PIHP or PAHP.”

Condition: Federal program integrity requirements requiring audits of MCO financial reports have not been implemented by the State. This requirement is effective for MCO contract periods on or after July 1, 2017 (fiscal 2018). While the State has included language for audit requirements within recent MCO contracts, the financial report audit requirement has not been complied with.

The State continued to improve its compliance with these federal requirements during fiscal 2023 by contracting for its first study of encounter data validation. The encounter data validation study was designed to identify incomplete data, perform missing data quality checks, and assess the frequency and impact of late encounter data submissions. This study identified several areas where encounter data quality and consistency can be improved moving forward. The study of encounter data quality coupled with EOHHS’s internal efforts to reconcile submitted encounter data with the Financial Data Cost Reports (FDCR) submitted by the plans has significantly improved financial accountability within managed care.

Cause: Failure to implement federal requirements for stated effective date.

Effect: Material noncompliance with federal regulations relating to managed care financial audit requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|--|
| 2023-059a | Implement policies and procedures to comply with federal regulations for audits of MCO financial reports. |
| 2023-059b | Address deficiencies identified by the contracted encounter data study by ensuring corrective action is taken by the MCOs. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-060

(other noncompliance / material weakness – repeat finding – 2022-066)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Provider Eligibility

MEDICAID MANAGED CARE ORGANIZATIONS – PROVIDER ELIGIBILITY

Controls over the screening, enrollment, and revalidation of providers within the Medicaid program should be improved to ensure compliance with federal requirements relating to provider eligibility.

Criteria: 42 CFR §455.410, *Enrollment and screening of providers*, requires:

- (a) The State Medicaid agency must require all enrolled providers to be screened under this subpart.
- (b) The State Medicaid agency must require all ordering or referring physicians or other professionals providing services under the State plan or under a waiver of the plan to be enrolled as participating providers.
- (c) The State Medicaid agency may rely on the results of the provider screening performed by any of the following:
 - (1) Medicare contractors.
 - (2) Medicaid agencies or Children's Health Insurance Programs of other States.
- (d) The State Medicaid agency must allow enrollment of all Medicare-enrolled providers and suppliers for purposes of processing claims to determine Medicare cost-sharing (as defined in section 1905(p)(3) of the Act) if the providers or suppliers meet all Federal Medicaid enrollment requirements, including, but not limited to, all applicable provisions of 42 CFR part 455, subparts B and E. This paragraph (d) applies even if the Medicare-enrolled provider or supplier is of a type not recognized by the State Medicaid Agency.

42 CFR §455.412, *Verification of provider licenses*, requires that the State Medicaid agency (SMA) must:

- (a) Have a method for verifying that any provider purporting to be licensed in accordance with the laws of any State is licensed by such State.
- (b) Confirm that the provider's license has not expired and that there are no current limitations on the provider's license.

42 CFR §455.436, *Federal database checks*, requires that the State Medicaid agency must do all of the following:

- (a) Confirm the identity and determine the exclusion status of providers and any person with an ownership or control interest or who is an agent or managing employee of the provider through routine checks of Federal databases.
- (b) Check the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the Excluded Parties List System (EPLS), and any such other databases as the Secretary may prescribe.
- (c) (1) Consult appropriate databases to confirm identity upon enrollment and reenrollment; and (2) Check the LEIE and EPLS no less frequently than monthly.

Condition: The State made substantial progress in ensuring compliance with federal requirements relating to the screening, enrollment, and revalidation requirements for providers of managed care organizations during fiscal 2023. While materially complying with these federal requirements, our audit noted the following control deficiencies relating to provider eligibility that need to be addressed:

- Licensing for providers of behavioral healthcare services and home and community-based services to members with developmental disabilities are, by statute, the responsibility of the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH). BHDDH, in conjunction with evaluations of provider health and safety standards, relicenses providers biennially. Inconsistent with most Medicaid providers, EOHHS, as the Medicaid agency, does not receive annual license data from BHDDH resulting in a weakness in control for this segment of providers.
- Licensing for providers of residential services (inclusive of psychiatric services) to children in the State’s custody is, by statute, the responsibility of the Department of Children, Youth, and Families (DCYF). DCYF, in conjunction with evaluations of provider health and safety standards, relicenses providers annually. Inconsistent with most Medicaid providers, EOHHS, as the Medicaid agency, does not receive annual license data from DCYF resulting in a weakness in control for this segment of providers.
- We tested a random sample of 120 providers (both fee-for-service and managed care providers) to ensure that providers were properly enrolled in accordance with federal regulations. We identified 5 managed care providers that were not enrolled in accordance with federal regulations (questioned costs - \$54,043).
- Encounter data submitted by managed care organizations is not currently validated for provider enrollment upon acceptance. Implementing this additional edit when processing encounter data would improve controls over compliance.
- For claims representing care furnished to a beneficiary by an out-of-state furnishing provider, the SMA may pay a claim to a furnishing provider that is not enrolled in the reimbursing state’s Medicaid plan, in limited circumstances. In these circumstances, the State is required to meet several requirements including verification that the provider is enrolled in good standing in Medicare or another state’s Medicaid program. The State is not currently performing such validation for out-of-State providers with limited claiming activity.
- Federal regulations require States to check federal databases for providers excluded from participating in federal programs monthly as part of provider eligibility requirements. While the State currently checks for exclusion upon initial enrollment, re-enrollment, or if other provider organizational changes are reported, the State does not perform monthly checks.

Cause: Weaknesses in internal controls over provider eligibility that collectively undermine compliance with federal regulations.

Effect: Potential noncompliance with federal regulations relating to eligibility of providers in managed care networks.

Questioned Costs: \$54,043

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-060 Enhance internal controls over provider eligibility by addressing deficiencies cited that collectively undermine compliance with federal regulations.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-061

(material weakness – repeat finding – 2022-067)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2022 and 2023
Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2022 and 2023
Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

CONTROLS OVER MANAGED CARE CAPITATION PAYMENTS AND CONTRACT SETTLEMENTS

See related Financial Statement Finding 2023-005.

Capitation payments to managed care organizations (MCOs) represent approximately 65% 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.

Background: Medicaid expenditures for members enrolled in managed care during fiscal 2023 approximated \$2.2 billion (monthly capitation payments paid to participating MCOs). This comprised managed care coverage for 321,662 Medicaid eligible members - approximately 86% of total Medicaid enrollees at June 30, 2023. These capitation payments related to the following managed care programs within the State’s Medicaid program:

Program Name	Enrollment (June 2023)	Expenditures (Capitation in millions)
Rite Care (Core, CSHCN, Foster Care)	184,050	\$851
Rhody Health Partners (certain adults with disabilities)	14,166	\$337
Integrated Care Initiatives (Medicare/ Medicaid Dual Eligibles)	13,305	\$166
Medicaid Expansion (low-income adults under 138% FPL)	110,141	\$873
Total	321,662	\$2,227

Each of these programs has different population eligibility characteristics, capitation rate structures, and covered in-plan services. However, these programs operate under similar contract structures for purposes of financial settlement with Medicaid.

Recognizing the significance of managed care services within the Medicaid program and the need to strengthen fiscal integrity and accountability controls over these services, the Centers for Medicare & Medicaid Services (CMS) overhauled managed care regulations in fiscal 2020. The revised regulations are designed to strengthen fiscal transparency and integrity of managed care services provided in the Medicaid and CHIP programs.

Since managed care services provided within the RI Medicaid and CHIP programs involve complex rate setting and contract settlement provisions, the reliability and completeness of the mandated data provided by managed care organizations to the State is vital to fiscal integrity and accountability controls.

Criteria: As allowed under federal regulations, the State administers its managed care programs through contracts with MCOs which share the risk regarding financial gain or loss derived from the final contract settlements for the fiscal year. Contract settlements represent significant financial transactions within the Medicaid and CHIP programs and are subject to the provisions of 2 CFR Part 200 (Uniform Guidance). In conjunction with Uniform Guidance requirements, management is responsible for maintaining internal controls that ensure the allowability of federal costs. For benefit costs associated with managed care, the accuracy of contract settlements requires that costs be documented (by submitted encounter data) and in compliance with contractual requirements (e.g., allowable services, net of credits or reimbursements).

Condition: The following findings document control deficiencies and noncompliance with federal requirements which contribute to weakened controls over the allowability of managed care expenditures within Medicaid and CHIP:

- Finding 2023-005, *Medicaid Program Complexity Affects Financial Reporting and Overall Program Controls* – Highlights the need for system improvements to allow better financial accountability for managed care premiums and to enhance the processing of encounter data in support of the managed care contract settlement process.
- Finding 2023-059, *Managed Care Financial Audit* – CMS inclusion of managed care financial audit requirements relating to managed care were designed to improve controls over financial activity and the underlying data reported by managed care organizations which become the basis for contract settlements with the Medicaid and CHIP programs. The State’s noncompliance with these federal requirements results in weakened controls over the administration of managed care activity.

Addressing the above findings will improve (1) final contract settlements with the MCOs and (2) the reliability of data utilized in developing prospective capitation rates.

In addition to the reliability of the data provided by managed care organizations to the State, ensuring that reported medical expenditures are supported by valid encounter data is an important control over the contract settlement process. In conjunction with our review of fiscal 2022 managed care contract settlements completed after the one-year claim runout period, we reviewed the percentage of reported managed care expenditures by plan versus submitted encounter data by plan. The following table provides context regarding the amount of medical expenditures that were not supported by submitted encounter data in fiscal 2022 contract settlements.

Plan	Managed Care Expenditures	Encounter Data Expenditures	Expenditures Supported (%)
MCO – 1	\$912.1 million	\$887.8 million	97.3%
MCO – 2	\$521.0 million	\$516.9 million	99.2%
MCO – 3	\$76.2 million	\$72.5 million	95.1%

Managed care contract settlements, in addition to ensuring that reported medical expenditures are complete and accurate, are highly dependent on reported capitation paid to managed care organizations. During our audit, we noted several areas where controls over capitation can be enhanced by improving controls that ensure timely termination of managed care enrollment when members pass away or relocate out of State.

The current Medicaid Management Information System (MMIS) is over two decades old and was programmed as a medical claims processing system. The system was not programmed with the functionality needed to process capitation adjustments and edit encounter data sufficiently for managed care activity, which represents the majority of Medicaid benefit expenditures.

Cause: Control deficiencies exist relating to final contract settlements with managed care organizations (MCOs) and managed care capitation payments.

Effect: Potential for inaccurate reimbursements to MCOs for contract services provided to Medicaid enrollees.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-061 Improve controls over compliance requirements for the allowability of federal expenditures by addressing internal control deficiencies (including system limitations for managed care capitation adjustments and editing encounter data) that specifically impacts financial settlements with managed care organizations.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-062 (significant deficiency – repeat finding – 2022-068)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Reporting

FEDERAL REPORTING

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

Criteria: Federal regulations require that expenditures for federal programs be accurately reported on Form CMS-64. The RIFANS accounting system is the State’s official record of federal program expenditures, and therefore, should be the basis for federal reports. Forms CMS-64 and CMS-21 are required for the quarterly filing of benefit and administrative expenditures for the Medicaid and CHIP programs. Additionally, the CMS-425 Report is required quarterly to reflect the cumulative disbursement of program expenditures from authorized grant awards (by federal fiscal year) for the respective programs.

Condition: Reviews of federal reports for fiscal 2023 noted the following reporting deficiencies:

- Approximately \$2.7 million in CHIP expenditures were claimed to Medicaid initially and determined retroactively to be CHIP eligible and reclassified on federal reports between the two federal programs. The untimely adjustment of expenditures between the Medicaid and CHIP programs results in timing differences and reporting adjustments that complicate the reconciliation of federal reports to RIFANS for both programs.

- Reconciling administrative expenditures to the State accounting system was not performed consistently by the State’s other health and human service (HHS) agencies charging administrative expenditures to Medicaid. Various HHS agencies utilize six separate and distinct cost allocation plans to allocate administrative expenditures to Medicaid. The lack of a comprehensive administrative costs reconciliation between the CMS-64 Report and the State accounting system prevents quantifying differences between federal expenditures claimed in federal reports and amounts reported in the State’s Schedule of Expenditures of Federal Awards.
- Nursing facility taxes and hospital licensing fees were reported quarterly in accordance with CMS-64 Report requirements. However, EOHHS needs to consider whether other healthcare-related taxes meet the requirements for reporting on the CMS-64 Report to ensure the completeness of reports filed. The OAG specifically inquired regarding premium taxes that are factored into Medicaid managed care rates to determine if that health insurer tax should also be reported on the CMS-64 Report.

Cause: Untimely adjustments of expenditures between the Medicaid and CHIP programs weaken controls over federal reporting for both programs. Lack of complete reconciliation of Medicaid administrative expenditures to the State accounting system represents a weakness in internal control over federal reporting. Procedures to ensure the consistent and complete reporting of healthcare-related taxes and fees on the CMS-64 Report are lacking.

Effect: Increased risk of inaccurate federal reporting.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|--|
| 2023-062a | Eliminate untimely expenditure adjustments between Medicaid and CHIP by addressing RIBridges programming deficiencies which prevent CHIP eligibility from being completely determined and coded through the State’s integrated eligibility system. |
| 2023-062b | Require all HHS agencies to submit reconciliations of their quarterly administrative claiming (as determined through approved cost allocation methodologies) to reported expenditures in RIFANS on a quarterly basis. |
| 2023-062c | Conduct an analysis of healthcare-related fees and taxes levied by the State to determine if other healthcare-related taxes require reporting in the CMS-64 Report. |

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-063

(significant deficiency – repeat finding – 2022-069)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5021 and 2305RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER THIRD-PARTY LIABILITY (TPL) IDENTIFICATION FOR MEMBERS COVERED UNDER MANAGED CARE

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

Background: The State utilizes a vendor in conjunction with its MMIS operations to identify TPL coverage for Medicaid (and CHIP) eligible members. For members enrolled in managed care, the managed care organizations (MCOs) are responsible for identifying TPL coverage. By contract, MCOs must notify the State of identified TPL within 5 business days of discovery. In response to prior year reporting of this issue, the State began more actively sharing identified TPL information with the MCOs.

Criteria: 42 CFR §433.138 requires that States (as defined in their approved State Plan) must take reasonable measures to determine the legal liability of the third parties responsible for paying for services furnished under the State Plan. Federal regulations indicate the minimum required measures that the State must include in their State Plan. Rhode Island’s State Plan TPL procedures are largely focused on TPL identification processes for fee-for-service claiming within the Medicaid program. The State’s contracts with MCOs include requirements for the identification and reporting of TPL for covered members.

With most Medicaid beneficiaries enrolled in managed care, ensuring the completeness and effectiveness of TPL identification by the MCOs is important to ensure compliance with federal regulations. Actual claims paid by the MCOs become the basis for final contract settlements; therefore, failure to identify other responsible insurance (TPL) prevents timely cost avoidance during claims processing and increases overall contract costs for the Medicaid program.

Condition: During fiscal 2023, we performed certain analytical procedures on MCO encounter data to identify instances where Medicaid recipients (members with Medicaid eligibility for the entire year) had verified TPL coverage that was consistent with their Medicaid managed care coverage to determine the extent to which MCOs were paying for claims that could be cost avoided. We selected a random sample of encounter claims where the State reported verified TPL coverage (positive) and a random sample of encounter claims where the State did not report verified TPL coverage (negative). We confirmed a sample of positive and negative sample items with the MCOs to evaluate the percentage of State verified TPL that the MCOs had successfully identified. Our test results for fiscal 2023 showed notable improvement from prior years. While one MCO reported 100% accuracy in their sample results, two MCOs each reported a 15% error rate (missing TPL coverage for 3 out of 20 members included in our sample).

Our continued analysis of federal requirements for TPL identification and cost avoidance in fiscal 2023, while showing significant improvement, supports the need for continued monitoring and validation procedures by EOHHS. EOHHS should continue to obtain a validated TPL insurance coverage file for Medicaid members annually and share validated TPL coverage with the MCOs. EOHHS should also request Medicaid member TPL coverage from the MCOs annually to validate that the MCOs are utilizing the data provided by the State.

Cause: Insufficient monitoring of TPL identification and cost avoidance by managed care organizations to ensure compliance with federal regulations.

Effect: Possible noncompliance with federal regulations requiring cost avoidance or recovery of costs when third-party liability coverage is available. Overpayment of capitation and MCO contract settlement costs.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATION

2023-063 Share and match identified TPL coverage with the MCOs annually. Periodic matching with MCO enrollment files would ensure that TPL coverage is consistently being applied throughout the Medicaid and CHIP programs.

Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2023-064

(other noncompliance / material weakness – new finding)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Eligibility

CONTROLS OVER MEDICAID ELIGIBILITY

Operational and control deficiencies during fiscal 2023 resulted in noncompliance with federal regulations relating to Medicaid eligibility.

Background: RIBridges, the State’s computer system used to manage multiple federally funded human service programs, determines eligibility for Medicaid. The COVID-19 public health emergency (PHE), which continued until May 2023, restricted States from modifying recipient eligibility during the PHE, except for certain circumstances (i.e., death, relocation out of State, voluntary member withdrawal).

Criteria: Medicaid eligibility requirements are detailed in the State Plan (Section 1115 Global Waiver).

42 CFR sections 435.940 through 435.960, which detail income and eligibility verification requirements for Medicaid, require State-administered public assistance programs to establish procedures for obtaining, using, and verifying information relevant to determinations as to eligibility and the amount of assistance. Section 1902(a)(4) of the Act allows the HHS Secretary to prescribe methods of administration found necessary for the proper and efficient operation of a State’s Medicaid plan.

42 CFR §435.916 requires the periodic renewal of recipient Medicaid eligibility. The 12-month renewal period mandated for MAGI-eligible recipients pertains to the majority of Medicaid and CHIP recipients in Rhode Island.

Condition: For fiscal 2023, we tested a sample of 60 Medicaid eligible members (capitation payments totaling \$240,129, federal share - \$172,893, for the members tested) claimed for compliance with program eligibility. Total capitation payments claimed to Medicaid totaled \$1.8 billion (federal share - \$1.3 billion) during fiscal 2023. Both systemic and operational deficiencies were noted during our testing resulting in noncompliance with eligibility requirements for the Medicaid program, specifically:

- Inconsistencies with the operation of the State Wage Information Collection Agency (SWICA) interface were noted in 2 out of 60 cases (questioned costs - \$2,007). Eligibility determinations in these cases were post-PHE and actual reported SWICA income would have made the members ineligible for Medicaid.
- A member was determined ineligible in RIBridges beginning 11/1/2019 (pre-PHE) but has remained continuously eligible on Medicaid (questioned costs - \$5,443).
- Documentation supporting income (e.g., electronic SWICA validation or applicant submitted documentation (i.e., paystubs)) was lacking in 4 out of 60 cases. Since we were able to perform alternative procedures to validate reported income to SWICA data provided by the Department of Labor and Training, these cases were not deemed to be noncompliance as reported household income would have made these members eligible for Medicaid.

As noted above, eligibility was determined to be incorrect or unsupported in 3 of 60 sample members tested (5% error rate). Total questioned costs identified during our testing were \$7,450.

In addition to noncompliance reported above, the State continued to claim Medicaid Expansion enhanced reimbursement (90% FMAP (Federal Medical Assistance Percentage)) for certain members older than 65 during fiscal 2023. While PHE requirements allowed members to remain eligible on Medicaid, states needed to redetermine eligibility for these members upon reaching age 65 to see if they were eligible for a different Medicaid eligibility category. In conjunction with our Medicaid eligibility testing, we tested a random sample of 23 Medicaid Expansion members over the age of 65 for redetermination by the State. Our testing found that 11 out of the 23 members tested turned age 65 prior to the PHE period beginning in March 2020, thus enhanced federal reimbursement should have ended upon turning age 65 (questioned costs - \$79,946). Since redetermination was not performed, we could not determine if the individual would have remained qualified for Medicaid. Our analysis identified 158 members based on date of birth that should have aged out of Medicaid expansion prior to the start of the PHE.

During our audit, utilizing the U.S. Department of Treasury’s “Do Not Pay” service, we evaluated the Medicaid enrollment file as of June 30, 2023 to determine the State’s timeliness of terminating eligibility for deceased members. The “Do Not Pay” service compared the Medicaid enrollment file to the Social Security Administration (SSA) Death Master File to determine if currently enrolled members were reported deceased to the SSA. This analysis identified 3,298 deceased members still active on Medicaid at June 30, 2023. The period by which the members remained active on Medicaid after reported death, the number of members, and the amount of capitation paid in fiscal 2023 subsequent to the month of death is summarized as follows:

Months Active After Month of Death	Number of Members	Capitation Paid After Month of Death (\$)
0-6 Months	822	\$ 598,483
7-12 Months	836	1,283,974
12+ Months	1,640	5,236,651
Total	3,298	\$ 7,119,108

Controls to ensure timely termination of Medicaid enrollment upon death still appear lacking to prevent capitation payments from being made for deceased members. While capitation can be recouped once identified, the length that payments are continuing is significant and could span managed care contract settlement periods. Under federal regulations, capitation payments for deceased members would be considered an ineligible payment of federal funds.

While we noted instances where RI Medicaid was recouping capitation once death was recorded in the MMIS for certain cases, the length of time that managed care capitation was continuing is indicative that system controls were not effective in terminating coverage in a timely manner. A detailed review of some of these cases noted that RIBridges was aware of the date of death, but eligibility was still active or pending closure. In many cases, the date of death reporting was not communicating to the MMIS resulting in continued capitation payments. The amounts included above had active eligibility at June 30, 2023 and capitation had not been recouped during fiscal 2023. Of the 3,298 members identified as deceased, 521 had reported dates of death older than two years. Based on our June 30, 2023 evaluation, estimated questioned costs for capitation payments made for deceased individuals totaled \$5,125,758, pending recoupment of capitation payments to managed care organizations and the transportation provider.

In conjunction with audit work performed during fiscal 2023 to evaluate the effectiveness of systemic processes in RIBridges designed to identify Medicaid/CHIP members no longer residing in the State, we determined that the system functionality to follow-up on Public Assistance Reporting Information System (PARIS) notifications was not operating as designed. PARIS notifies States when a member has begun receiving benefits in another state or territory. The State opted to pause the functionality due to a lack of operational capacity to adhere to CMS 9912 Final Rule which required the State to pursue additional reasonable measures during the PHE before terminating the individual's enrollment. With systemic controls paused, controls over member residency during our audit period were ineffective. The amount of capitation paid for Medicaid members no longer residing in the State was not determinable for our audit period.

Lastly, we identified some instances where non-qualified, non-citizen children that were eligible under a State coverage program titled "Cover All Kids" had been coded with Medicaid aid categories during certain periods within fiscal 2023. Our analysis found that the coding error likely impacted 373 cases within Medicaid during fiscal 2023. Since the duration of the coding error varied, ineligible costs could not be determined.

Operational and control deficiencies during fiscal 2023 resulted in noncompliance with federal regulations relating to Medicaid eligibility.

Cause: Noncompliance with Medicaid eligibility requirements was caused by specific programming deficiencies within RIBridges (e.g., failure to redetermine Medicaid Expansion members upon age 65, interface validations not operating as designed) or insufficient documentation supporting eligibility within the case record (e.g., lack of income documentation).

Effect: Noncompliance with federal requirements relating to recipient eligibility for Medicaid.

Questioned Costs: \$5,213,154

Valid Statistical Sampling: Yes

RECOMMENDATIONS

- 2023-064a Address and correct the RIBridges system deficiencies (e.g., SWICA interface, Medicaid Expansion age-out, Death reporting) which weaken controls and result in noncompliance with federal regulations regarding Medicaid eligibility.
- 2023-064b Enhance controls over the identification of deceased members and members that have relocated out-of-State to minimize ineligible benefit payments within the Medicaid program.
- 2023-064c Identify ineligible Medicaid costs and return to the federal grantor.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-065 (other noncompliance / significant deficiency – repeat finding – 2022-073)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: *Allowable Costs/Cost Principles*

SERVICES PROVIDED TO CHILDREN IN THE STATE’S CUSTODY BY THE DEPARTMENT OF CHILDREN, YOUTH, AND FAMILIES (DCYF) BILLED TO MEDICAID

Certain psychiatric residential treatment facility (PRTF) services provided to children in the State’s custody were not charged to Medicaid in fiscal 2023 in accordance with the methodology approved in the State Plan. Controls over other services provided to children in the State’s custody would be improved if processed through the Medicaid Management Information System (MMIS).

Background: EOHHS, the Single State Medicaid Agency, administers claiming to Medicaid from other health and human service State agencies (such as DCYF) through the execution of Interagency Service Agreements (ISAs). The ISA provides approval by the Single State Medicaid Agency that the proposed services are allowable and identifies requirements that the other agency must comply with to support the allowability of the claims to Medicaid. Services authorized by the ISAs should be claimed in accordance with approved State Plan requirements. PRTF services (which began in fiscal 2020) claimed by DCYF to Medicaid are an identified service within the ISA. The approval to claim these services based on an all-inclusive rate determined through a cost-based methodology was approved by the Centers for Medicare and Medicaid Services (CMS) in fiscal 2023.

Criteria: Reimbursing providers in accordance with an approved State Plan methodology is a requirement for considering the allowability of federal expenditures. The Medicaid State Plan stipulates a cost reimbursement methodology for establishment of reimbursement rates for PRTF service providers.

Condition: DCYF implemented psychiatric residential treatment facility (PRTF) services during fiscal 2020 to provide a current level of service to children in the State’s custody that was previously lacking. Previously, DCYF allocated claiming for all contracted youth placement providers to Medicaid based on a time study methodology (partial charging, previously based on underlying time study allocation for treatment and assessment component of service provided). PRTF placements were a change, in that certified and licensed facilities would be charged at 100% of the contracted per diem rate (set based on a cost reimbursement methodology) to Medicaid. Medicaid reimbursements have been made to DCYF since inception of PRTF services based on the new methodology (determined through provider budget

submission). CMS approved a State Plan amendment for a cost reimbursement methodology during fiscal 2023. PRTF services during fiscal 2023 continued to be reimbursed through an unapproved methodology. DCYF was reimbursed approximately \$5.4 million for PRTF services provided to children in the State’s custody during fiscal 2023.

During our audit, we also noted that approximately \$20 million in other services to children in the State’s custody (referred to as manual billings by DCYF) are being claimed to Medicaid through journal entries in the State Accounting System. Controls over these services would be greatly enhanced if these providers submitted claims directly to the MMIS for reimbursement. Allowing fee-for-service claiming to be reimbursed by Medicaid external to the MMIS significantly weakens program controls.

Cause: Medicaid reimbursements of PRTF services to DCYF during fiscal 2023 were not based on the specific cost reimbursement methodology approved in the State plan. Control weaknesses exist when Medicaid claiming is not processed through the MMIS.

Effect: Potential noncompliance with federal regulations for allowable costs/cost principles.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2023-065a Reprocess claims for PRTF services to ensure that the provider is reimbursed based on the allowable cost reimbursement methodology and return any ineligible amounts to the federal grantor.
- 2023-065b Ensure that allowable medical services provided by DCYF providers are billed directly to the MMIS and subject to all designed claims processing, recipient eligibility, and provider eligibility controls.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-066 *(significant deficiency – new finding)*

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2022 and 2023
Federal Award Numbers: 2205RI5MAP and 2305RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: *Allowable Costs/Cost Principles*

CONTROLS OVER STATE HOSPITAL CLAIMING

Controls need to be improved to ensure that claims from the State Hospital are reimbursed by Medicaid as the payer of last resort.

Criteria: Federal regulations require Medicaid to be the “payer of last resort.” This means that all third-party insurance carriers, including Medicare and private health insurance carriers, must be billed before Medicaid processes the claim.

Condition: Unlike similar providers that claim reimbursement to Medicaid, claims submitted by Eleanor Slater Hospital (ESH), a State-operated hospital, are not edited to ensure that ESH has sought reimbursement from Medicare before seeking reimbursement from Medicaid. Normal processing requires the provider to submit to Medicaid an “explanation of benefits” (EOB) from Medicare which shows that Medicare was billed and was not reimbursed or only partially reimbursed for the claim based on the individual’s remaining benefits. The amount of claims, if any, inappropriately reimbursed by Medicaid could not be determined.

Cause: Controls over State Hospital claiming were inadequate to ensure compliance with federal regulations requiring Medicaid to be the payer of last resort.

Effect: Ineligible reimbursements by Medicaid for Eleanor Slater Hospital claims for members with other insurance coverage (predominantly Medicare).

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-066 Ensure that claiming from Eleanor Slater Hospital is subject to edits for other insurance to ensure that Medicaid is the payer of last resort.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-067

(significant deficiency – new finding)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2022 and 2023

Federal Award Numbers: 2205RI5MAP and 2305RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER SPECIAL EDUCATION SERVICES PROVIDED BY LOCAL EDUCATION AGENCIES

Special education services monitoring needs more oversight to ensure that required corrective actions and certifications are obtained from local education agencies.

Criteria: The State has established policies and procedures relating to its oversight of special education services claiming by local education agencies (LEAs). These policies and procedures are detailed in EOHHS’s Direct and Administrative Services Guidebooks for LEAs. The guidebooks, among several requirements, mandates a) the submission of a quality assurance Medicaid Action Plan (LEA policies and procedures to ensure claiming meets federal requirements) and b) the quarterly submission of the Certification of Funds letters in accordance with the EOHHS/LEA Interagency Provider Agreement which attests to the provision of State match requirements by the local education agencies.

Condition: Our review of EOHHS’ monitoring of LEA special education services billed to Medicaid identified the following:

- 1 LEA in our sample of 4 providers (out of 42 providers) had not submitted the required Medicaid Action Plan until requested during our audit, and
- EOHHS could not provide documentation of quarterly Certification of Funds letters submitted from all 4 providers sampled.

While our testing found that EOHHS’ monitoring was substantially being performed during fiscal 2023, documentation of certain compliance areas was lacking. Since other monitoring procedures were found to be in place for the providers reviewed, we did not consider claiming reimbursed to these providers to represent noncompliance with federal regulations.

Cause: Monitoring special education services was impacted by staff turnover during fiscal 2023 and oversight by EOHHS did not detect the noncompliance with departmental policies and procedures.

Effect: Potential noncompliance with federal regulations regarding the allowability of special education services reimbursed by Medicaid.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2023-067 Enhance oversight of special education services by LEAs to ensure compliance with adopted policies and procedures.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2023-068

(significant deficiency – repeat finding – 2022-075)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Awarding Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Years: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Reporting

FEDERAL FINANCIAL REPORTS

RIEMA lacks controls over federal reporting to ensure that submitted federal reports are accurate and supported by the State accounting system.

Criteria: Consistent with Uniform Guidance requirements, the State is required to complete the SF-425, Federal Financial Report, quarterly for the grant on a cumulative cash basis. The FFR should be sufficiently supported by the State’s accounting records.

Condition: For fiscal 2023, we noted variances between the amounts reported on each of the quarterly SF-425 reports and obligations reported in FEMA’s grants portal. In certain instances, the differences reported in cash receipts were due to immaterial timing differences. However, for one quarter, we noted a significant timing difference of over \$4 million. Additionally, for the quarter ended June 30, 2023, we

noted a cumulative difference of \$315,429. While we found that RIEMA materially complied with federal reporting requirements, internal controls such as reconciling federal reports with the State accounting system were lacking to identify quarterly reporting errors.

Cause: RIEMA did not have procedures in place to ensure that federal reports were consistent with underlying supporting documentation (i.e., State accounting system).

Effect: Expenditures and cash receipts reported on the SF-425 were understated at year-end.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2023-068a Strengthen procedures for preparing federal financial reports to ensure that information reported is adequately supported and consistent with underlying records.

2023-068b Submit revised SF-425 to reflect corrected expenditures and drawdowns for fiscal 2023, as necessary.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Section E

Corrective Action Plans

(prepared by the State's management)





Finding 2023-001 – Corrective Action Plan

As stated in prior fiscal years, management agrees the State lacks formalized documentation and a comprehensive internal control structure statewide that complies with an accepted framework. Unfortunately, the Office of Accounts and Control does not have the resources to provide training to agency management about documenting internal controls. The Office has published internal control best practice guidance in the past in conjunction with the Office of Internal Audit. Further, the Office makes itself available for specific questions from the agencies.

The Office of Accounts and Control will try a phased approach to address this finding. The first step will involve the work underway with the ERP system. The ERP implementation brings an opportunity to embed internal controls within the software application. The Office of Accounts & Control (A&C) will highlight with the ERP vendor the need to train and provide documentation to State financial management about the automated system of internal controls.

Anticipated Completion Date: Ongoing

Contact Person: Alex Herald, Administrator of Financial Management, Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov

Finding 2023-002 – Corrective Action Plan

A&C has educated and provided training and resources to the State agencies to address this finding in prior fiscal years. A&C will provide relevant documentation to the Office of Internal Audit which will allow them to incorporate the review and testing of the controls within the audits they perform.

Anticipated Completion Date: Ongoing pending a coordinated effort with the Office of Internal Audit.

Contact Persons: *Training:* Alex Herald, Administrator of Financial Management, Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov
Audit Review: Andrew Manca, Chief Financial Officer III, Department of Administration, Office of Management and Budget, Office of Internal Audit
andrew.m.manca@audits.ri.gov

Finding 2023-003 – Corrective Action Plan

The State has engaged a system integrator, an independent validation and verification third party partner, and a data conversion specialist, in addition to our own subject matter experts to reduce the risks associated with control deficiencies and standardization of business processes across the stakeholder environment. Further, the State has augmented with external staffing to allow our subject matter experts to devote time to this project unobstructed. There are 48 state resources and 65 system integrator staff dedicated to this project.

Anticipated Completion Date: July 1, 2025

Contact Persons: Brian Tardiff, Chief Digital Officer / Chief Information Officer, Department of Administration, Enterprise Technology Strategy and Services
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State of Rhode Island

Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
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Jennifer Wilson, Personnel Administrator, Department of Administration, Office of Human Resources
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Finding 2023-004 – Corrective Action Plan

Management agrees with this recommendation. The State has started a Finance Council to discuss best approaches to financial functions that cross over multiple divisions. One of the focuses of this group was to define the roles and responsibilities of the oversight, monitoring, rate setting, and billing for the internal service funds. Further, A&C has hired an Administrator of Financial Management to document procedures and oversee the internal service funds. A&C will work to ensure monitoring of the internal service funds is completed on a timely basis, that billing rates are appropriate to prevent significant deficits and surpluses from accumulating and will communicate the necessary changes to respective parties.

Anticipated Completion Date: June 30, 2024

Contact Persons: Xiomara Soto, Administrator, Financial Management and Reporting, Department of Administration, Office of Accounts & Control
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Finding 2023-005 – Corrective Action Plan

EOHHS concurs with this finding and acknowledges that the continued and growing complexity of Medicaid program operations adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State's financial statements.

2023-005a – EOHHS has, in conjunction with our MES Planning Vendor, documented the existing MMIS processes for premium payments, capitations, and encounters as well as the “To Be” state of these processes related to the assessment of business needs. Additionally, a Gap Analysis was prepared to ensure needs were identified and incorporated accordingly into the procurement(s) for replacement systems that will perform in alignment with Rhode Island-specific needs and have the flexibility to achieve the Programs' objectives in these areas.

Anticipated Completion Date: Ongoing (unless specified above)



Contact Person: Maria Dawson, Interdepartmental Project Manager, Medicaid Enterprise Systems Planning & Implementation, Executive Office of Health and Human Services
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2023-005b – EOHHS is aware of many of the risks facing the program’s financial reporting, including manual payments, and has taken steps to simplify Medicaid-related financial activities and improve oversight as outlined below. The steps taken to-date and future steps to improve oversight are outlined below:

1. Risk Share Settlements

a. MCO risk share settlements are based on MCO submitted reporting and validated against accepted encounter claims in the MMIS. In FY20, the state implemented a requirement that the MCOs report quarterly through a new “Financial Data Cost Report” (FDCR) their membership, benefit expenses, including general ledger adjustments, sub-capitated arrangements, reinsurance arrangements, reserves, benefit expense recoveries and administrative costs for each Premium Rating Group. These expenses are reported at either the rate cell and category of service level, or at the product level (Rite Care/Expansion, etc.). This allows for the risk share reporting to be validated against other financial reporting and in alignment with rate setting activities.

- Annually, the MCOs must reconcile the information in its FDCR to their NAIC financial statements.
- EOHHS utilizes this FDCR data in rate setting as well as to monitor MCO financial performance throughout the year.
- EOHHS began utilizing the FDCR reporting for risk share settlement beginning with the final reconciliation for FY 2019.

2. Stop Loss Programs

a. EOHHS recognizes that stop loss payments result in additional manual payments, creating risk of error. As a result, in FY22, EOHHS eliminated its Hepatitis C stop loss program and its organ transplant stop loss program, eliminating manual payments made by the state to the MCOs. However, stop loss programs will remain where necessary; for example, through FY23, there was a COVID vaccine administration “non-risk” stop loss program where the state paid the full amount of vaccine administration reimbursement back to the MCO using 100% federal funds.

b. The state eliminated the COVID-19 vaccine administration “non-risk” payment, and subsequent manual payment, in FY24, by incorporating this payment into rates.

3. Limiting Manual Capitation Payments

a. EOHHS recognizes that retroactive capitation payments can result in additional manual payments, creating risk of error. For premiums paid monthly, the MMIS can systematically correct payments made within a three-month window – retroactively for the prior month, the current month, and prospectively for the future month. For capitation paid daily (RiteCare), corrections can only be systematically made within a two-month window – for the current month and prospectively for the future month. However, new processes were incorporated into the MMIS to allow for systematic adjustments to payments retroactively in two scenarios: 1) based on a Newborns Date of Birth and 2) based on a recipients Date of Death. These two scenarios contributed to the highest number of retroactive adjustments aside from rate changes. Any corrections outside of the systematic adjustment windows or aside from the Newborn and Death causes must still be processed manually unless additional system modifications are implemented.



To limit system modifications, but further reduce manual payments, throughout FY20, EOHHS developed an internal MCO contract project charter and workgroup with the express goal of ensuring that our contract amendments and MCO capitation rates would be completed timely and ensure that MCO rates are in the system at the start of the year, or soon thereafter to minimize any manual payments.

However, in recent FYs, including for FY22, FY23, and FY24, budget initiatives impacting rates in the enacted budgets passed at the end of June have led to a delay in the final rates or required retroactive rate adjustments to prior fiscal years. This process is out of EOHHS' control and has resulted in large manual payments. Some states input new fiscal year rates without final state budgets or signed contracts, but EOHHS has assessed that this creates its own risk and that the current approach is preferred.

As EOHHS works to modernize and modularize the current MMIS to the new MES, we have incorporated into our planning activities steps to ensure that updates made to the current MMIS to address the items noted above are then carried over into the MES. Additionally, any work to address this finding that has not yet been incorporated into the MMIS at the time of procurement of the new MES module(s) related to financial management will be included into the requirements of the solicitation(s) for that module(s).

Anticipated Completion Date: Ongoing (unless specified above)

Contact Persons: Maria Dawson, Interdepartmental Project Manager, Medicaid Enterprise Systems Planning & Implementation, Executive Office of Health and Human Services
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Chaz Plungis, Chief of Strategic Planning, Monitoring, and Evaluation, Medicaid Finance, Executive Office of Health and Human Services
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2023-005c – In December 2019, EOHHS and the fiscal agent implemented a monthly report recapping all Fiscal Agent Control Notes (FACNs) processed that month. EOHHS Finance also maintains a monthly log of all FACNs it approves, capturing all pertinent data, and reconciles this log with the fiscal agent's monthly FACN report. Any discrepancy is promptly researched and resolved. EOHHS is also reviewing the documentation required when FACNs are submitted for payment or recoupments, including how requests document Federal authorities in place. EOHHS intends to issue updated guidance to ensure consistency across all FACNs.

EOHHS has implemented "ServiceNow" with their fiscal agent for the purpose of more formally tracking system issues, incidents, password resets. The fiscal agent is in the process of testing functionality for non-financial FACNs, and the financial FACN and system modification request will be implemented at a later date. This tool will eliminate the FACN process as it is defined presently. To the extent that additional codes are needed to clarify the nature of various transactions, EOHHS will work with the fiscal agent to establish and utilize these new codes on a go-forward basis within the new ServiceNow tool. Due to the complexity of having a one stop "ServiceNow" center, this project is still in progress. Remaining ServiceNow functionality should be implemented by June 2024.

Anticipated Completion Date: Ongoing (unless specified above)

Contact Person: Allison Shartrand, Assistant Director Financial and Contract Management, Executive Office of Health and Human Services
allison.shartrand@ohhs.ri.gov



2023-005d – EOHHS, in conjunction with our MES Planning Vendor, is evaluating the existing non-claims based MMIS financial transactions and reason codes, and has documented the current business processes related to this work as well as the “To Be” state of those processes in the MES. In order to ensure these business needs are met, a Gap Analysis has been prepared related to the Financial Management work and that analysis will be incorporated accordingly into the procurement(s) for replacement systems that will perform in alignment with Rhode Island-specific needs and/or have the flexibility to achieve the Programs’ objectives in these areas.

Anticipated Completion Date: Ongoing (unless specified above)

Contact Person: Maria Dawson, Interdepartmental Project Manager, Medicaid Enterprise Systems Planning & Implementation, Executive Office of Health and Human Services
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Finding 2023-006 – Corrective Action Plan

2023-006a – EOHHS concurs with the findings related to the missing year-end accruals for BHDDH and DCYF. We acknowledge that there were omissions in our financial reporting as of June 30, 2023, and we are committed to rectifying these issues. EOHHS will partner with its sister agencies to ensure all year-end accruals affecting the Medicaid program are entered in a timely manner. This will include collaborating with each agency at year-end on the status of any anticipated accruals, offering staff assistance with preparation of these accruals, and inclusion in EOHHS’ interagency service agreements (ISAs) with each sister agency.

2023-006b – EOHHS is committed to improving our financial reporting and internal controls to ensure the completeness and accuracy of reported accruals relating to the Medicaid program. We will continue to work to address these issues. While EOHHS uses the most complete data available at year-end to prepare its accrual entries, certain expenditure categories inherently contain significant uncertainty. EOHHS believes the errors cited in the finding are due to a lack of data and not the estimation methods themselves. It is because of this known limitation with data availability that EOHHS partners with the OAG and Accounts and Control in the months following fiscal close to propose revisions to its accruals that incorporate more recent available data.

Two such areas are highlighted in the finding:

Pharmacy Rebates: As of 6/30, EOHHS’s fiscal intermediary has just issued invoices to drug manufacturers for pharmacy claims with service dates through 3/31. This delay stems from the time required for health plans to adjudicate claims, transmit them to EOHHS via the encounter data submission process, and have them accepted into the State’s MMIS. Only after MMIS acceptance can our fiscal intermediary invoice manufacturers for rebates. Consequently, EOHHS must estimate:

- Outstanding collections for invoices issued through 3/31.
- Invoiced and collection amounts for the quarter ending 6/30 for pharmacy claims with service dates between 4/1 and 6/30.

Note: The run-out of pharmacy claims is generally faster than other provider types, as reflected in the short three-month delay between the end of a fiscal quarter and when EOHHS’s fiscal intermediary issues invoices to pharmacy manufacturers based on claims data received from the plans.



Risk Share: Complete expenditure data for risk share arrangements is not available at year-end. As of 6/30, health plans have not paid and are unaware of all claims for dates of service through 6/30. As a result, the accrual for risk share tends to be the most volatile and challenging to predict with certainty given the potential changes between what the health plans expect and assume for reserves in their quarterly reporting to EOHHS and what eventually transpires.

EOHHS will explore ways to reduce this volatility in future accruals, which may include applying discounts to plan-reported IBNP reserves to attempt to control for conservatism in health plan-reporting.

EOHHS acknowledges the importance of issuing financial statements that comply with generally accepted accounting principles and thus welcomes suggestions for improvements to its methodological approaches to reduce the volatility in these areas.

Anticipated Completion Date: Ongoing

Contact Persons: Chaz Plungis, Chief of Strategic Planning, Monitoring, and Evaluation, Medicaid Finance, Executive Office of Health and Human Services
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Allison Shartrand, Assistant Director Financial and Contract Management, Executive Office of Health and Human Services
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Finding 2023-007 – Corrective Action Plan

We agree with this finding.

Over the last three years, significant progress has been made related to the accurate recording of federal expenditures at the state agency level, however as noted there is additional work to do to ensure compliance with Uniform Grant Guidance and for the ability for Accounts and Controls to monitor this activity to ensure compliance – ultimately resulting in an accurate SEFA report.

We expect steps like the implementation of a statewide grant management system (12/2022) and a modern ERP Finance system to replace RIFANS (expected 7/2025) will have a major impact on the ability of Accounts and Controls to monitor the accurate recording of federal expenditures. The current state financial system, RIFANS, lacks grant identification information making the direct connection between expenditure data and a federal grant challenging. The new grant management system has helped with this issue by generating a unique grant ID (RIGID) and pushing it to RIFANS, but it will not be until RIFANS is replaced that we will have the ability to monitor federal expenditures at the desired level.

In the interim period, we will continue to focus on agency adoption of the grant management system and reinforce compliance with Uniform Grant Guidance as we believe this puts the state in the best possible position, leading up the implementation of the new financial system, to address the issues outlined in this finding.

Anticipated Completion Date: Ongoing



Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring, and Evaluation, Grants Management Office, Office of Accounts and Control
steve.thompson@doa.ri.gov

Finding 2023-008 – Corrective Action Plan

We agree with this finding.

The statewide grant management system was implemented at the end of 2022. State regulation 220-RICR-20-00-2 requiring all new subawards to be issued through the grant management system took full effect on 07/01/23, since then we have seen a continued increase in state agencies using the grant system to manage their federal awards. As of early 2024 there are over 900 federal awards in the system and over 350 subawards have been issued from the system. We believe the most efficient way to address issues outlined in this finding is to increase state agency adoption of the grant management system and to integrate that system with the new modern ERP finance system that is currently being developed.

The lack of grant identification information (grant ID) in the current state financial system, RIFANS, makes the tracking of grant transactions extremely complicated and contributes to the difficulty in effectively implementing necessary internal controls. As noted in the finding, care must be taken to ensure the integration of the grant management system and the new ERP finance system is done in such a fashion to ensure the necessary internal controls are in place to accurately track revenue and expenditures on federal awards.

Specifically related to the issue of overstated federal revenue, Accounts & Controls issued the Interagency Agreements with Federal Funds (IAA-FF) Policy on 05/29/23. The policy provides detailed guidance on reporting of federal revenue when one agency passes federal funds to another state agency. It is intended to reduce the risk of federal revenue being overstated.

We anticipate significant progress on this finding after the ERP Finance system is live (expected 07/25) and integrated with the grant management system.

Anticipated Completion Date: Ongoing

Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring, and Evaluation, Grants Management Office, Office of Accounts and Control
steve.thompson@doa.ri.gov

Finding 2023-009 – Corrective Action Plan

Management agrees with the finding. In response to the recommendations:

2023-009a – Additional oversight of agency financial closing procedures to ensure the completeness and accuracy of recorded transactions would require system hierarchy changes at the agency level. This additional oversight will be improved in the implementation of the ERP system with improved business process alignment and approval process.

Anticipated Completion Date: October 2025



State of Rhode Island

Contact Person: Louise Sawtelle, Associate Controller, Department of Administration, Office of Accounts & Control
louise.sawtelle@doa.ri.gov

2023-009b – The Office of Accounts and Control has worked to document State policies and procedures relating to financial reporting as well as hold regular meetings with the agency financial management to educate on such policies.

Anticipated Completion Date: Completed

2023-009c – A&C will communicate the upcoming Government Finance Officers Association (GFOA) trainings to the State Chief Financial Officers so they may assign to their respective finance staff to attend applicable trainings. Agency management should hold themselves and their financial staff accountable to attend the applicable government financial reporting training to improve awareness of governmental financial reporting. The Office of Accounts and Control requires CPE annually from its staff and encourages GFOA training to the extent the budget allows for it.

Anticipated Completion Date: First communication April 1, 2024, and then ongoing.

Contact Person: Tara Mello, Associate Controller, Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov

Finding 2023-010 – Corrective Action Plan

2023-010a – Treasury staff have formulated and released an RFP seeking a consultant to inventory and assess cash related activity and to provide recommendations on technology and processes to improve this activity. Additionally, the consultant will analyze and offer recommendations regarding collateralization monitoring, banking relationships, and due diligence related to banking institution stability. It is expected that this work will begin in May/June 2024 and extend through fiscal year 2025, with the possibility of extending the engagement further.

2023-010b – To ensure effective integration of Treasury activity into the ERP system, a staff person has been assigned as the Banking/Settlement workstream lead with the ERP project team. The workstream lead participates in the array of meetings and activity associated with the project and engages with subject matter experts in various Treasury departments as needed to ensure domain expertise.

2023-010c – The Auditor General noted the General Treasurer's successful effort to obtain budgetary authority and hiring a Deputy Cash Manager for the team. This positive contribution shall require additional effort as the Cash Manager resigned in February 2024. The individual hired as the Deputy Cash Manager is being tasked with acting as the interim Cash Manager in the immediate future. It is anticipated that the opening created by the Cash Manager's departure shall be permanently filled early in fiscal year 2025. The cash team is also being relocated to the DOA facility in Providence, on a hybrid basis, to bring them in closer contact with Accounts and Controls and the Treasury investment team.

Anticipated Completion Date: Ongoing



State of Rhode Island

Contact Persons: Chris Civittolo, Director of Strategic Planning, Office of the General Treasurer
chris.civittolo@treasury.ri.gov
Eric Baggesen, Chief Investment Officer, Office of the General Treasurer
eric.baggesen@treasury.ri.gov

Finding 2023-011 – Corrective Action Plan

Management agrees with the recommendations. The recommendation regarding system capabilities to allocate costs will be addressed with the implementation of a new ERP system. The new system will be required to have functionality to allocate costs. A&C will continue to work on its review and oversight of material journal entries to ensure appropriate recording of transactions.

Anticipated Completion Date: July 1, 2025 for ERP system

Contact Persons: Tara Mello, Associate Controller, Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov
Martires Mullins, Administrator, Financial Management & Reporting Department of Administration, Office of Accounts & Control
martires.hernandez@doa.ri.gov

Finding 2023-012 – Corrective Action Plan

A&C agrees with these recommendations. A&C continues to work on improving its documentation of government-wide financial reporting policies and procedures. As policies and procedures are formalized, they are communicated and trained to the respective staff. Further, the process for preparing the government-wide financial statements will change with the ERP implementation and additional training will inform A&C staff of the improved business process.

Anticipated Completion Date: Ongoing

Contact Persons: Martires Mullins, Administrator, Financial Management & Reporting Department of Administration, Office of Accounts & Control
martires.hernandez@doa.ri.gov
Tara Mello, Associate Controller, Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov

Finding 2023-013 – Corrective Action Plan

2023-013a – The DMV agrees that a reconciliation of the revenues collected is needed and will work to reconcile the revenues collected on an annual basis, there are too many variables outside of the DMV's control which prevent us from reconciling monthly. The DMV is in the process of reconciling all funds collected during FY 2023.

2023-013b – The DMV agrees that a crosswalk is a beneficial document to have. The DMV is in the process of completing a crosswalk of fees charged in RIMS and the section of the Rhode Island General Laws.



Anticipated Completion Date: March 31, 2024

Contact Persons: Paul Dombrowski, Administrator, Financial Management, Division of Motor Vehicles
paul.dombrowski@dmv.ri.gov
Roger Demers, Chief of Legal Services, Division of Motor Vehicles
roger.demers@dmv.ri.gov

Finding 2023-014 – Corrective Action Plan

2023-014a – RIDOT will implement continuous checks throughout the fiscal year to ensure accurate reporting of the IST Fund, adhering to GASB Standards, and using proper Generally Accepted Accounting Principles. IT has developed a more in depth and detailed reporting of the Fund Balance to ensure a more accurate reporting and preparation through the year leading up to fiscal close.

2023-014b – General Ledger will meet continuously with Senior Management to implement new controls in the current financial systems to ensure proper identification and reconciliation during fiscal close. Developing new standards of these reconciliations will allow RIDOT to properly identify any misstatements prior to journal entry.

Anticipated Completion Date: December 31, 2024

Contact Person: Loren Doyle, Chief Operating Officer, Department of Transportation
loren.doyle@dot.ri.gov

Finding 2023-015 – Corrective Action Plan

2023-015a – RIDOT will continue to reconcile the infrastructure assets along with construction in progress through RIDOT's Financial Management System (FMS) to match the State's financial statements.

2023-015b – In previous fiscal year of 2022 and continuing into 2023 and beyond, RIDOT's Financial Management and Bridge Maintenance Divisions developed a method to determine the assets that were impaired, replaced and/or taken out of service. RIDOT will continue to work with the RI Department of Administration's Office of Accounts and Control to determine the proper life cycle depreciation of the assets in question.

Anticipated Completion Date: December 31, 2024

Contact Person: Loren Doyle, Chief Operating Officer, Department of Transportation
loren.doyle@dot.ri.gov



Finding 2023-016 – Corrective Action Plan

This activity is ongoing and cyclical in nature. Requests for funding for a Governance, Risk, and Compliance tool will be submitted for implementation in FY2024 which will support the maturation of the risk assessment and formal planning process. GRC Application has been procured and has working environment. Access is currently being refined and implemented with build out of risk module.

Anticipated Completion Date: Ongoing

Contact Person: Nathan Loura, Chief Information Security Officer, Department of Administration, Division of Enterprise Technology Strategy and Services
nathan.loura@doit.ri.gov

Finding 2023-017 – Corrective Action Plan

ETSS continues to rollout JIRA for statewide IT projects. We have purchased additional licenses and now require all ETSS employees to attend mandatory training on the use of JIRA. In addition ETSS has implemented weekly change review meetings as part of the rollout.

Anticipated Completion Date: June 2024

Contact Person: Arul Rangaraju, Chief of IT, Portfolio and Project Management, Department of Administration, Division of Enterprise Technology Strategy and Services
arulanandan.rangaraju@doit.ri.gov

Finding 2023-018 – Corrective Action Plan

ETSS access policy is drafted noting privileged account access and on-going project with CyberArk as our Privileged Access Monitoring (PAM) platform solution. The project is within final closure and documentation will be delivered into location available to all required users.

Anticipated Completion Date: Ongoing

Contact Person: Nathan Loura, Chief Information Security Officer, Department of Administration, Division of Enterprise Technology Strategy and Services
nathan.loura@doit.ri.gov



Finding 2023-019 – Corrective Action Plan

The state will continue to review remaining databases and options to encrypt, including the HCI environment which also encrypts data at rest and our cloud environments which encrypts at rest. We are currently onboarding a new member of security team to replace a recent departure to address this finding.

Anticipated Completion Date: Ongoing

Contact Person: Alan Dias, Chief of IT, Agency and Enterprise Applications, Department of Administration, Division of Enterprise Technology Strategy and Services
alan.dias@doit.ri.gov

Finding 2023-020 – Corrective Action Plan

We have continued to improve and add to our SharePoint Online DR Document repository, which contains all relevant DR materials in a secure cloud-based location, accessible from anywhere with an internet connection for maximum resiliency. Once complete, this will provide us with a much more efficient, resilient and quicker method of recovery for all systems on the platform and provide us with a much more realistic and repeatable process to recovery all production physical and virtual systems we support. We have a system priority restore list that is updated at least annually now and have also created a standard BCP template that all ETSS supported agencies will use, as well as the Enterprise I&O team for our Enterprise Operations Center that will be created in the same time frame.

Anticipated Completion Date: April 2024

Contact Person: Cesar Mendoza, Chief of IT, Infrastructure and Operations, Department of Administration, Division of Enterprise Technology Strategy and Services
cesar.mendoza@doit.ri.gov

Finding 2023-021 – Corrective Action Plan

Need to identify additional information requested by Sr. AIMS to better determine who will need training. Met with Sr. AIMS to provide audit findings and determine Agency personnel that will need training because of their role, as it pertains to being an escalation point for a data breach. These individuals will be added to the list of individuals currently identified as needing Incident Response training. I will also meet with our CISO to review the current Incident Response process, prior to developing training that will then be delivered to each individual.

Anticipated Completion Date: Ongoing

Contact Person: Nathan Loura, Chief Information Security Officer, Department of Administration, Division of Enterprise Technology Strategy and Services
nathan.loura@doit.ri.gov



Finding 2023-022 – Corrective Action Plan

Management reviewed the recommendations and agrees that it is appropriate to consider administrative review and operational enhancements such as those described in the recommendations. During fiscal year 2023, steps were taken to address the finding, including the posting of a Request for Information (RFI) to solicit OPEB system assessment and software solutions. Additionally, the process to document procedures for deceased plan members began.

Anticipated Completion Date: Ongoing

Contact Persons: Xiomara Soto, Administrator, Financial Management and Reporting, Department of Administration, Office of Accounts & Control
xiomara.c.soto@doa.ri.gov

Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
dorothy.z.pascale@doa.ri.gov

Joseph Codega, State Budget Officer, OPEB Chair
joseph.codega@omb.ri.gov

Finding 2023-023 – Corrective Action Plan

A public RFP was issued in 2023 for the State of Rhode Island Defined Contribution Retirement Plan. The Defined Contribution Plan maintained its existing relationship with TIAA. Included in the RFP were specific requirements to provide tools to ERSRI with the ability to monitor contribution processing and add internal controls. ERSRI is currently working with TIAA to develop these internal controls. A formalized DC monitoring plan will be developed upon completion of discussions.

With regard to investment activity, the State Investment Commission (SIC) contracts with a vendor that serves to monitor the investment activities of the DC plan. This vendor communicates with the Investments team regularly and reports to the SIC on a quarterly basis. ERSRI and Treasury feel confident the oversight functions performed with the vendor, the Investments team and the SIC serve as a strong monitoring process related to the investment activities of the DC plan.

While ERSRI has a robust wage and contribution processing system for the defined benefit (DB) plan, configuration to accommodate the defined contribution (DC) plan processing would require significant technical and personnel resources that cannot be funded through the DB administrative allocation consistent with R.I. Gen. Laws § 36-8-10.1. Administrative funding for the DC plan is insufficient to cover such a change.

Anticipated Completion Date: Ongoing

Contact Person: Stacey Whitton, Chief Financial Officer, Employees' Retirement System of Rhode Island
stacey.whitton@ersri.org



Finding 2023-024 – Corrective Action Plan

The Authority will fund the Operating Reserve provided there is sufficient cash flow or if an alternative means of security, such as a letter of credit, is available.

Given that the Authority continues to make timely and complete debt service payments, it would make little sense for the trustee to declare a default for reserve fund noncompliance. In fact, this has been the practical practice over several years as the Authority has failed to maintain adequate reserves due to insufficient State appropriations. If a default was declared, the Authority would have 90 days to cure and would seek a legislative appropriation to remedy the default. Of course, annual appropriations in excess of debt service requirements would assist in building reserves and reaching the requirements. The Authority and its advisors are actively in search of a viable resolution to this matter.

Anticipated Completion Date: Undetermined

Contact Person: Daniel McConaughy, Executive Director, Rhode Island Convention Center Authority
daniel.mcconaghy@riccauth.com

Finding 2023-025 – Corrective Action Plan

Operating cash is continually being reviewed to find the discrepancies and make any changes necessary. RIPTA is having INIT re-train individuals to make sure the wave transactions are properly being recorded. This was a repeat finding during the review of the FY 2023 financial statements. A new staff member has been hired and has been given this as a priority task. Significant progress has been made and it is expected that the issue will be fully resolved by 6/30/2024.

Anticipated Completion Date: Immediately

Contact Person: Christopher Durand, Chief Financial Officer, Rhode Island Public Transit Authority
cdurand@ripta.com

Finding 2023-026 – Corrective Action Plan

All farebox revenue which has a difference of +/- 1% percent is reviewed by Security. All variances exceeding stated threshold are reviewed by security. This finding has been resolved.

Anticipated Completion Date: Immediately

Contact Person: Christopher Durand, Chief Financial Officer, Rhode Island Public Transit Authority
cdurand@ripta.com



Finding 2023-027 – Corrective Action Plan

The Corporation agrees with the finding. Management has reviewed and improved the standard operating procedures and controls related to conflicts of interest. These actions include the deployment of enhanced conflict of interest policies, new standard operating procedures for management and employees, as well as guidelines for identifying potential conflicts of interest. All effected management and employees received in person training which included how to identify potential conflicts of interest and the necessary steps to ensure compliance. This enhanced training curriculum has been included as part of the annual employee handbook signoff and training for existing employees as well as a standard part of the on-boarding training curriculum for all new employees. These changes have been implemented as of the financial statement issuance date.

Anticipated Completion Date: Immediately

Contact Person: Lou Vergato, Interim Executive Director, Rhode Island Resource Recovery Corporation
lvergato@rirrc.org

Finding 2023-028 – Corrective Action Plan

There is no disagreement with the audit finding.

The College has formalized procedures to ensure that expiring and amended contracts are reviewed for accuracy.

Anticipated Completion Date: January 2024

Contact Person: Nelia Kruger, Chief Financial Officer, Rhode Island College
nkruger@ric.edu

Finding 2023-029 – Corrective Action Plan

The District agrees with the finding. The District also agrees with the recommendation, please see below for action plan.

The District is compiling its policies and procedures into a comprehensive manual to ensure every area of responsibility; accounting, payroll, accounts receivable, grants, accounts payable, procurement and fixed assets to eliminate-reduce errors, create efficiencies. The steps of the process will be included but not limited to ensuring all financial data is captured in the system monthly (cash receipts/disbursements in accordance to funding source as well as, deposits, salaries, and all other encumbrances). The information would thereafter be verified and then reconciled to the bank statement by the accountant and then reviewed by the Deputy Director of Finance for first review and the Chief Financial Officer for final review. The third step is to ensure that all fixed asset transactions have been properly recorded. Step four is to produce Budget-To-Actual Projections and file monthly reports when necessary or quarterly. The Finance department is creating a sub org chart of the District to ensure proper process flow and checks and balances between Team Members, and the departments it serves.

Anticipated Completion Date: Ongoing



Contact Person: Keree J. Simmons, Director of Finance, Central Falls School District
simmonsk@cfschools.net

Finding 2023-030 – Corrective Action Plan

We agree with the finding and are actively working to address the underlying issues impacting inconsistent subrecipient monitoring activities by state agencies acting as pass-through entities.

The Grants Management Office developed and provided a 3-part in person (and recorded available on our website) training class on subrecipient monitoring in the fall of 2023. The training classes included monitoring best practice, in-person exercises and scenarios and an in-depth training and demonstration of the subrecipient monitoring module in the eCivis grant management system (GMS).

As more subawards are issued through the GMS, we expect the monitoring module to be used to conduct subrecipient monitoring as required by federal rules/regulation.

The training and new module in the GMS support the Grant-Making Regulation 220-RICR-20-00-2 which took full effect 7/1/23 and requires state agencies to issue subawards through the GMS. The regulation also specifically outlines the requirement of a risk assessment as part subaward issuance and informs agencies on the relationship between the risk assessment results and subrecipient monitoring.

We believe these steps will significantly improve subrecipient monitoring activities conducted by state agencies and address this finding.

Anticipated Completion Date: Completed. GMO continues to train and supporting/reinforcing control; expect to see improvements/results in the coming FY.

Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring, and Evaluation, Grants Management Office, Office of Accounts and Control
steve.thompson@doa.ri.gov

Finding 2023-031 – Corrective Action Plan

RIDOH agrees with the finding and recommendation.

The RI WIC Program was cited by USDA for this issue over a year ago. The issue was caused by the Crossroads MIS system rounding up the calculation for converting formula upon issuance, resulting in over issuance in certain situations. RI WIC immediately changed the calculation and responded to the USDA finding with implementing an updated policy and changes to the system. On December 15, 2023, RI WIC received a response from USDA stating that the finding was closed.

Anticipated Completion Date: Completed December 15, 2023

Contact Person: Anthony Manzi, WIC Fiscal Manager, Rhode Island Department of Health
anthony.manzi@health.ri.gov



Finding 2023-032 – Corrective Action Plan

RIDOH agrees with the finding and recommendation. This finding is centered around some local agency staff being inactive for longer periods of time (60+ days) and the security risk around them not being terminated or made inactive in our Crossroads system. While RI WIC is routinely notified of terminations and transfers of local agency staff, there are instances of people with varying degrees of access going over 60 days without accessing the system. It is sometimes due to a local agency staff person who is in more of an administrator role and not routinely working in the Crossroads system.

RI WIC will review policies and procedures regarding user access to the Crossroads System and will work to strengthen and monitor controls for system access. Policies and procedures will be updated as needed, and internal controls will be implemented and documented.

Anticipated Completion Date: December 31, 2024

Contact Persons: Ann Barone, Chief, Office of Women, Infants & Children, Rhode Island Department of Health
ann.barone@health.ri.gov

Anthony Manzi, WIC Fiscal Manager, Rhode Island Department of Health
anthony.manzi@health.ri.gov

Finding 2023-033 – Corrective Action Plan

RIDOH agrees with the finding and recommendation.

Corrective Actions:

1. Complete a SFY23 Qtr2 reconciliation adjustment for the individual discovered to not have had charges reconciled according to time reported. This is possible because the relevant funding sources still are open; this will resolve the Questioned Costs for ELC.

Anticipated Completion Date: April 30, 2024

2. Review and improve RIDOH internal Time and Effort Reporting policies and procedures and provide training to staff and supervisors to assure all staff understand requirements for dual-signatures on all Time and Effort reports.

Anticipated Completion Date: September 30, 2024

3. Review and improve Time and Effort Reconciliation policies and procedures and provide training to all staff that prepare Time and Effort Reconciliation adjustments, to assure all finance staff understand the procedures for appropriately assessing Time Sheet Workbooks and the need for adjustments.

Anticipated Completion Date: June 30, 2024

4. Develop and implement appropriate internal controls to test and monitor if compliance with revised Time and Effort policies and procedures is being achieved.

Anticipated Completion Date: December 31, 2024



5. Assess the Department-wide usage of generalized time sheet Programs/Activities, including Departmental or Division Management & Leadership, Finance & Operations, and/or Administrative Assistance. Develop strategies to minimize use of these categories by staff charged to federal grants and to appropriately document time charged to grants.

Anticipated Completion Date: September 30, 2024

6. Implement processes to add specific descriptions of work performed under any activation of the Incident Command System (ICS) to the Time Sheet Workbooks of any staff participating in an ICS activation (each workbook will be edited manually). The ICS placeholders cannot be eliminated entirely due to the need to have an immediate way to record work for an emergency response situation.

Anticipated Completion Date: June 30, 2024

Contact Persons: Alisha Colella, Chief Financial Officer, Rhode Island Department of Health
alisha.colella@health.ri.gov

Carla Lundquist, Deputy CFO / Federal Grants Manager, Rhode Island Department of Health
carla.lundquist@health.ri.gov

Finding 2023-034 – Corrective Action Plan

The auditee does concur with the few exceptions found; however, the auditee feels that these exceptions are not the result of a lack in compensating controls. These exceptions are de minimis in the full scope of the UI program. Nonetheless, future enhancement and modernization of technical systems will reduce instances of these exceptions even further.

Furthermore, under the UI PERFORMS Core Measures, the acceptable level of performance for improper payments is 10% or less. The above percentages are well within this ALP.

Anticipated Completion Date: Not Applicable

Contact Person: Philip D'Ambra, Director, Income Support, Department of Labor & Training
philip.l.dambra@dlt.ri.gov

Finding 2023-035 – Corrective Action Plan

The auditee concurs with this finding.

Anticipated Completion Date: December 31, 2024

Contact Person: Philip D'Ambra, Director, Income Support, Department of Labor & Training
philip.l.dambra@dlt.ri.gov



Finding 2023-036 – Corrective Action Plan

We feel that compensating controls do currently exist as well as having protocols in place which require evidence of supporting documentation.

It should also be noted that tax rates are included as part of our TPS review, handled by USDOL. Complete reviews of State internal controls take place every four years unless problems have been discovered or program changes have been made within the last year. To confirm that the State's controls are working effectively and producing accurate outputs, samples of each tax function's outputs are drawn and examined every year. The Tax Performance System (TPS) is intended to assist State administrators in improving their Unemployment Insurance (UI) programs by providing objective information on the quality of existing revenue operations.

We have never had a TPS finding relative to Tax Rate computations or experience rating.

The auditee will continue to ensure proper documentation is present when any adjustments are made that could have a potential to impact an accounts' experience rating.

Anticipated Completion Date: December 31, 2024

Contact Person: Philip D'Ambra, Director, Income Support, Department of Labor & Training
philip.l.dambra@dlt.ri.gov

Finding 2023-037 – Corrective Action Plan

Auditee Views: PRO met with the Department of Housing and the legal services vendors. The Department of Housing is collecting backup documentation for the vendors to support payment. This has been shared with PRO via SharePoint. The Department may also request additional backup documentation from the vendors to further support these costs.

Corrective Action: Obtain additional documentation from the legal services vendors and maintain SharePoint to ensure PRO has access to supporting documentation.

Anticipated Completion Date: Completed and Ongoing

Contact Person: Tara Booker, Executive Director of Homelessness and Community Supports, Department of Housing
tara.booker@housing.ri.gov

Finding 2023-038 – Corrective Action Plan

Auditee Views:

SFRF reporting utilized physical posted date pulled from PowerBI environment. The issue with physical posted date is that the report can change based on when pulled.

PRO project was not detailed in Annual Report.



The blank sections of the downloaded reports are due to a US Treasury system issue that affects all States, not just Rhode Island. PRO began taking screenshots once it became aware of the problem and will continue to do so.

There is a tedious review process that is completed for reporting on this data and information supplied to PRO by the entities.

Corrective Actions:

Modify the U.S. Treasury reporting process to utilize cash date to align with RIFANS federal transaction register both cumulatively and quarterly.

Anticipated Completion Date: May 15, 2024

Add PRO project description to SFRF Annual report to U.S. Treasury.

Anticipated Completion Date: July 31, 2024

Collect additional information from component unit agency to support provided reporting data.

Anticipated Completion Date: June 30, 2024

Contact Person: Paul L. Dion, Ph.D., Director, Pandemic Recovery Office, Department of Administration
paul.l.dion@doa.ri.gov

Finding 2023-039 – Corrective Action Plan

Auditee Views:

The charging of a former employee's payroll costs in full to SFRF for five pay periods after the employee separated from service in the Pandemic Recovery Office (PRO) was not due to any errors or omissions on the part of PRO. PRO never included this employee on the Master Time Sheet for the office in any of these pay periods nor did PRO review and approve the timesheets of this employee during the five pay periods in question. All necessary actions were taken by PRO to demonstrate that the employee in question was no longer an employee of PRO and the failure to pay this employee from the proper account (not SFRF) lies with the entity that is responsible for the processing of the Department of Administration's payroll and not PRO.

The employee within the Division of Purchases was a Division of Purchases FTE that was dedicated to SFRF. SFRF was used to pay this employee, but the employee did not appear on the Pandemic Recovery Office's (PRO) Master Time Sheet because they were not a PRO FTE. This employee did show up on the Division of Purchases Master Time Sheet and their timesheets were reviewed and approved by Division of Purchases supervisory staff to ensure that only time and effort dedicated to SFRF were paid for by SFRF. The Director of PRO acknowledges that they had a responsibility to review and approve the timesheet of this employee and did not do so. It would not be possible, however, for PRO to include this employee on PRO's Master Time Sheet as the employee was not an FTE in PRO.

The current policies relating to timesheet collection are not within the control of the Pandemic Recovery Office (PRO). PRO is an office within the Department of Administration and adheres to the timesheet protocols for the department, including, but not limited to, timesheet collection. As part of these departmental protocols, every employee must submit an amended timesheet on the Monday following the workweek for which the timesheet is submitted to accurately reflect the actual hours worked should that be different from those recorded on the original timesheet submission. Amended



timesheets are reviewed by the Director of PRO for accuracy before final submission. Thus, PRO supervisory reviews of time and effort reporting are accurate and complete under current DOA time sheet protocols.

Corrective Actions:

Request report from payroll team and conduct regular reconciliation and monitoring of payroll charges to PRO records to improve documentation and support for personnel costs charged to federal programs.

The State's new Enterprise Resource Planning (ERP) system will have improved approval controls and timeliness of reporting for time and effort of employees. Implementation of the ERP system should resolve any other issues that impact time and effort reporting by employees and the subsequent review of such time and effort reporting by PRO supervisory staff.

Anticipated Completion Date: July 1, 2025

Contact Person: Paul L. Dion, Ph.D., Director, Pandemic Recovery Office, Department of Administration
paul.l.dion@doa.ri.gov

Finding 2023-040 – Corrective Action Plan

There is no disagreement with the audit finding. The College has designated the Director of Information Security to oversee the information security function. The College has contracted with a firm to function as a virtual Certified Information Security Officer (vCISO) to support compliance as well as provide training and consulting services. The Assistance Vice President, Chief Information Officer is tasked with ensuring that the Written Information Security Program is updated annually and that compliance is maintained.

Anticipated Completion Date: June 2024

Contact Person: Pamela Christman, Assistance Vice President, Chief Information Officer, Rhode Island College
pchristman@ric.edu

Finding 2023-041 – Corrective Action Plan

There is no disagreement with the audit finding. The financial aid office has identified the position within the department that is responsible for completing monthly reconciliation or the Direct Lending program. This position has been given the policy and procedures related to reconciliation and has immediately begun following these procedures. This position will also seek out additional resources and trainings to ensure compliance moving forward. The director will support the process by allowing the time for these processes to be done on a monthly basis as well as provide support for future trainings.

Anticipated Completion Date: January 2024

Contact Person: Jennifer Burke, Interim Director of Financial Aid, Rhode Island College
jburke1@ric.edu



Finding 2023-042 – Corrective Action Plan

There is no disagreement with the audit finding. The University has enacted an Information Security Policy, “URI Information Technology Standard”, which was issued on December 6, 2023. This standard defines the minimum information security requirements for the University of Rhode Island. The full standard can be found at the following URL: <https://uri0.sharepoint.com/sites/URIInformationTechnologyServicesCommunication/SitePages/ITS-Security.aspx?ga=1>.

Anticipated Completion Date: December 6, 2023

Contact Persons: Gabriele Fariello, Interim Chief Information Officer, University of Rhode Island
gfariello@uri.edu

Michael Khalfayan, Chief Information Systems Officer, University of Rhode Island
mkhalfayan@uri.edu

Finding 2023-043 – Corrective Action Plan

Parameters regarding charter management organizations are in the charter school application, but additionally, Charter Management Organizations applicants will be asked to file a plan with the Office of School Opportunities on how they will avoid conflicts of interest and related party transactions or insufficient segregation of duties between the Charter School and CMO. This request will be made by the Office of School Opportunities to the applicant after the applicant has received an approved completeness check. This answer will be reviewed by RIDE’s legal office before anything proceeds forward with the application".

Under current practice, all application teams need to complete an RFP, with a full public comment period and public hearings and approval by the Council on Elementary and Special Education, in order to open a charter.

RIDE has included a question in this year’s annual subrecipient monitoring survey (which feeds into the annual risk assessment), asking Charters if they have a relationship with a Charter Management Organization (CMO).

If they respond 'yes', we ask if they have written internal controls, policies and procedures specific to the CMO relationship and how the Charter School mitigates potential conflicts of interest, related party transactions and/or insufficient segregation of duties.

We request that they upload a any written internal control, policies and procedures specific to the CMO relationship (if any).

The survey with this revised language was sent out to subrecipients on April 19, 2024.

Anticipated Completion Date: September 30, 2024

Contact Person: Mark Dunham, Chief Financial Officer, Department of Elementary & Secondary Education
mark.dunham@ride.ri.gov



Finding 2023-044 – Corrective Action Plan

2023-044a – RIDE has developed written policies and procedures for the maintenance of AcceleGrants user accounts that will have all inactive users removed after 12 months of inactivity.

Anticipated Completion Date: October 31, 2024

2023-044b – RIDE finance and IT offices will review the user complementary controls noted in the vendors most currently available SOC2 report and implement suggested controls that are deemed appropriate, reasonable, and necessary by the joint RIDE team. RIDE will have this finding resolved by December 31, 2024.

Anticipated Completion Date: December 31, 2024

2023-044c – Finance and IT at RIDE are working together to determine the correct schedule for regular IT risk assessments. The departments are also in the process of reviewing the disaster recovery plans for the vendor, and a vendor management plan.

Anticipated Completion Date: December 31, 2024

Contact Person: Mark Dunham, Chief Financial Officer, Department of Elementary & Secondary Education
mark.dunham@ride.ri.gov

Finding 2023-045 – Corrective Action Plan

This error was identified with the USDOE as part of the monitoring in May 2023. All prior years were correct – this was a one-time error in the calculation spreadsheet. As a result, the USDOE did not believe this occurrence rose to the level of a finding – but rather a procedural suggestion to have the calculation spreadsheet reviewed as part of an internal control procedure. Although the issue was discovered in May 2023, the USDOE did not feel the corrections was necessary to be implemented prior to June 30, 2023, as suggested by RIDE. The rationale was due to a projection of a large amount of unexpended FY23 funding - prior to redistributing the unexpended funds, the correct allocation calculation would be applied which would correct most of the previous allocations.

Anticipated Completion Date: The correct allocation calculation was applied to the FY2023 Perkins Secondary funds on June 6, 2023.

Contact Person: Mark Dunham, Chief Financial Officer, Department of Elementary & Secondary Education
mark.dunham@ride.ri.gov



Finding 2023-046 – Corrective Action Plan

As a result of the USDOE review, RIDE has made the necessary changes to the redistribution of unspent funds.

Anticipated Completion Date: The corrected process for redistributing unspent funds from prior years was communicated to the field during the FY24 Perkins Launch Webinar on June 8, 2023. The corrected calculation redistribution was calculated and implemented on November 27, 2023, when the FY23 funds were redistributed.

Contact Person: Mark Dunham, Chief Financial Officer, Department of Elementary & Secondary Education
mark.dunham@ride.ri.gov

Finding 2023-047 – Corrective Action Plan

RIDE's current subrecipient monitoring policies/procedures are not program specific.

RIDE will revise current subrecipient monitoring policies/procedures to include steps to be taken related to reviewing supplement not supplant for all programs during on-site monitoring.

Anticipated Completion Date: December 31, 2024

Contact Person: Mark Dunham, Chief Financial Officer, Department of Elementary & Secondary Education
mark.dunham@ride.ri.gov

Finding 2023-048 – Corrective Action Plan

RIDE recognizes that CTE Program Monitoring did not reflect US DOE format and therefore developed a monitoring tool that meets USDOE layout and functionality. Using district provided CTE data, RIDE will review written documentation provided by the secondary/postsecondary districts being monitored. The monitoring will consist of both a desk audit and an onsite inspection of the subrecipients. After the review process is complete a report for subrecipients will be sent back to the subrecipients that were monitored. This may include next steps and the need (if any) for corrective action.

Anticipated Completion Date: On May 1, 2024, and May 3, 2024, RIDE will begin monitoring a secondary and postsecondary Perkins recipient. RIDE will continue with subrecipient monitoring visits in each subsequent fiscal year to satisfy the requirements of the USDOE.

Contact Person: Paul McConnell, Career & Technical Education Data Specialist, Department of Elementary & Secondary Education
paul.mcconnell@ride.ri.gov



Finding 2023-049 – Corrective Action Plan

RIDOH agrees with the finding and recommendation. The unreported subawards of ELC funds were Memoranda of Understanding (MOU) agreements with Local Education Agencies and other schools in Rhode Island for the ELC COVID Reopening Schools award and were not recognized as being subject to FFATA reporting.

RIDOH will review all internal policies and procedures regarding both subawards and interagency agreements with federal funds (IAA-FF), and FFATA reporting thereof, to assure RIDOH is aligned with the statewide DOA policies for FFATA reporting. RIDOH will provide training to all contract managers, program managers for subawards, and staff responsible for reporting in FSRS to assure all subawarded funds are captured and reported appropriately.

Anticipated Completion Date: December 31, 2024

Contact Persons: Alisha Colella, Chief Financial Officer, Rhode Island Department of Health
alisha.colella@health.ri.gov

Carla Lundquist, Deputy CFO / Federal Grants Manager, Rhode Island Department of Health
carla.lundquist@health.ri.gov

Finding 2023-050 – Corrective Action Plan

In agreement with this staying in FY2023. As discussed, this reconciliation, with exception of outstanding FEMA projects which are anticipated to be only management costs, will be completed by the end of FY2024. All adjustments should be completed in FY2024 to resolve the finding. As we agreed, I will create a SharePoint folder, upload the reconciliation, and share it with OAG once the Controller has reviewed.

Anticipated Completion Date: July 31, 2024

Contact Person: Brianna Ruggiero, Chief of Strategic Planning, Monitoring & Evaluation, Department of Administration
brianna.ruggiero@doa.ri.gov

Finding 2023-051 – Corrective Action Plan

Management agrees with the finding. DHS completed the scope of work in order to hire an outside contractor to evaluate the work and redefine the workflow distribution to improve timeliness and performance. At this time an outside contractor has not been identified. An additional staff has been added to the RIW policy unit and assigned as the liaison with CSDL to ensure written instructions are clear and accurate. Another meeting between the RIW policy unit and operations has been added as another avenue to address concerns and make corrections. The system vendor is sampling cases to identify missing components.

Anticipated Completion Date: October 1, 2024



Contact Person: Donna M. Rook, Ph.D, MSW, Administrator, Family & Adult Services, Department of Human Services
donna.m.rook@dhs.ri.gov

Finding 2023-052 – Corrective Action Plan

Management agrees with the finding. Staff was trained on completion of the transfer rules and the amount is now being tracked on the grant spreadsheet.

Anticipated Completion Date: Implemented

Contact Person: Ben Quattrucci, Associate Director, Financial & Contract Management, Department of Human Services
benjamin.a.quattrucci@dhs.ri.gov

Finding 2023-053 – Corrective Action Plan

Management agrees with the finding. Reports are reviewed and certified by supervisors; however, the process will be enhanced to include a lookback for additional entries from prior quarters. Additionally, a procedure was created to ensure documentation was saved for all reports

Anticipated Completion Date: June 30, 2024

Contact Person: Ben Quattrucci, Associate Director, Financial & Contract Management, Department of Human Services
benjamin.a.quattrucci@dhs.ri.gov

Finding 2023-054 – Corrective Action Plan

2023-054a – The State (EOHHS) receives quarterly user access reports from the MMIS fiscal agent. Anyone identified on the reports that have not logged in for a period of 60 days will have their access deleted. Currently, they are locked out and cannot access the system without first requesting a password reset, which is reviewed and approved/denied by EOHHS systems group. In addition, when a user leaves state service or moves to another agency, their access is deleted.

2023-054b – The State (EOHHS) collaborates with system vendors (MMIS/Gainwell and Deloitte/RI Bridges) Maintenance & Operations (M&O) and Security teams and to ensure annual risk assessment/vulnerability best practices and lessons learned are integrated into annual planning and scope of work for future FYs.

Anticipated Completion Date: Current and Ongoing



Contact Persons: Brian Tichenor, RIBridges Medicaid Administrator, Executive Office of Health & Human Services
brian.tichenor@ohhs.ri.gov

Hector Rivera, Interdepartmental Project Manager, Executive Office of Health & Human Services
hector.l.rivera@ohhs.ri.gov

Finding 2023-055 – Corrective Action Plan

Management agrees with the finding.

2023-055a – DHS has subsequently reviewed the SOC 2 report and will submit to Accounts & Control.

2023-055b – Passwords have already been changed to meet the ETSS policy.

2023-055c – DHS will review user access every 60 days or 90, respectively and terminate users as necessary.

Anticipated Completion Date: June 30, 2024

Contact Persons: Deirdre Weedon, Chief Program Development, Low Income Home Energy Assistance Program (LIHEAP), Department of Human Services
deirdre.weedon@dhs.ri.gov

Ben Quattrucci, Associate Director, Financial & Contract Management, Department of Human Services
benjamin.a.quattrucci@dhs.ri.gov

Finding 2023-056 – Corrective Action Plan

Management agrees with the finding.

Regulation 4.5.1, RIW approved families are categorically eligible for CCAP services when they have an acceptable need for services related to fulfilling RIW program requirements. The determination of employment plan components including any combination of education and work-related activities in the approved plan are determined by RIW Regulations, section 2.11. The need for services in an RIW CCAP case is based on the employment plan. In situations where an applicant parent does not comply with the RIW employment plan, CCAP services would not be approved. Once CCAP services are approved based on an employment plan for an RIW recipient, the approval is for a 12-month certification period and would not be terminated, per ACF federal requirements, for a subsequent change in employment plan participation or change in income (unless in excess of 85% SMI). It should be noted that in all cases, the decortications were documented in Bridges.

CCAP training has also been enhanced in many ways. CCAP training is delivered along with RIW training on a bi-monthly basis for new hires and/or existing ETs. The CCAP training module was revised to include topics specific to improper payments. Office of Child Care also holds monthly CCAP office hours for operations staff to connect with program admins, policy and training specialist to answer/troubleshoot questions from the field. Monthly analysis by error type now includes location and worker ID for analysis of more targeted training.



DHS also continues to look at system and process improvements. Weekly CCAP theme meetings are ongoing to identify and solution Bridges related incidents. The CCAP Regulations have been reviewed and were opened Q1 2024 for policy updates to streamline and simplify verification processes where possible.

Anticipated Completion Date: July 1, 2024

Contact Person: Nicole Chiello, Assistant Director – Office of Child Care, Department of Human Services
nicole.chiello@dhs.ri.gov

Finding 2023-057 – Corrective Action Plan

2023-057a – Residency/Out of State: Rhode Island resumed PARIS residency verifications and is pursuing secondary residency checks with Accruint/Lexis Nexis data and automation of manual NCOA database verification process. Additionally, the State will benefit from future use of The Work Number Employee Address data to verify residency.

Income/Wage Validation: EOHHS completed implementation of an interface on 23 March 2024 between The Work Number (TWN) and RI Bridges. Contract and budget actions for TWN services are in progress with a goal of initiating TWN wage verifications in July-August 2024.

Anticipated Completion Date: September 1, 2024

2023-057b – EOHHS will return any potential ineligible costs by end of the Federal Fiscal Year (FFY).

Anticipated Completion Date: September 30, 2024

Contact Person: Brian Tichenor, RIBridges Medicaid Administrator, Executive Office of Health & Human Services
brian.tichenor@ohhs.ri.gov

Finding 2023-058 – Corrective Action Plan

EOHHS has hired an additional FTE to help support Medicaid Admin claiming. This FTE will document policies and procedures for reporting on the CMS-64 as well as the Cost Allocation Plan Reconciliation process to RIFANS. Cross-training is a goal across three different employees that way there is no delay in reporting/reconciliation. Internal controls will be strengthened with the addition of the staff support Central Management now has.

Further, BHDDH concurs with this finding. During SFY 2024, BHDDH added staffing to the Medicaid Admin reconciliation and reporting process, staff have identified prior period corrections to be processed, and implemented reporting requirements as updated by OHHS in January 2024. By June 2024, written policies and procedures will be adopted.

Anticipated Completion Date: July 31, 2024



Contact Person: Victoria Pavao, Assistant Director, Financial & Contract Management, Executive Office of Health & Human Services
victoria.pavao@ohhs.ri.gov

Finding 2023-059 – Corrective Action Plan

2023-059a – EOHHS amended its contracts with the Health Plans (Amendment 11, August 2023), to include the following language in "New Section 2.16.06 Periodic Financial Audit": Effective for the rating year beginning July 1, 2023, and every third year thereafter, EOHHS will contract with an external firm to conduct an independent audit of plan submitted Financial Data Cost Reporting. The audits will be done in FY 2025, followed by FY 2028, FY 2031, and so forth. The focus of the audit will be to ensure that supporting documentation is available for all Financial Data Cost Report (FDCR) inputs.

Anticipated Completion Date: June 30, 2025

2023-059b – All MCOs are monitored weekly to review error reports and resubmissions and monthly for alignment with FSR/FDCR reports. Tufts is working on an active corrective action plan to ensure that Billed Amount and Allowed Amount are included on claims.

EOHHS performed an Encounter Data Validation (EDV) Study for dates ranging from January 1 to December 31, 2021, for encounters submitted to the state between January 1, 2021 and March 31 2022.

Anticipated Completion Date: June 1, 2024

Contact Persons: Charles Estabrook, Managed Care Administrator, Executive Office of Health & Human Services
charles.estabrook@ohhs.ri.gov
Lynn Doherty, Managed Care Compliance Officer, Executive Office of Health & Human Services
lynn.doherty@ohhs.ri.gov
Chaz Plungis, Chief of Strategic Planning, Monitoring & Evaluation, Executive Office of Health & Human Services
charles.plungis@ohhs.ri.gov
Bill McQuade, Chief of Program Analytics, Executive Office of Health & Human Services
bill.mcquade@ohhs.ri.gov

Finding 2023-060 – Corrective Action Plan

Rhode Island Medicaid's Provider Enrollment project went live on 2/01/2024. Any provider that isn't screened and enrolled with the State Medicaid Agency will have claims deny. Additionally, MCOs have terminated providers in their network who are not screened and redirected members to fully screened and enrolled providers. Rhode Island Medicaid continues to work with its fiscal agent and MMIS contractor, Gainwell Technologies, to ensure all edits are systematic.



Anticipated Completion Date: Implemented February 1, 2024

Contact Persons: Kimberly Tebow, Senior Medical Care Specialist, Executive Office of Health & Human Services
kimberly.tebow@ohhs.ri.gov

Chantele Rotolo, Assistant Administrator for Family & Children Services, Executive Office of Health & Human Services
chantele.rotolo@ohhs.ri.gov

Finding 2023-061 – Corrective Action Plan

EOHHS has met expectations on aligning the FSR and FDCR reports, has updated files to Milliman, and continues to monitor compliance. EOHHS is currently in a maintenance phase and will continue monthly oversight going forward.

Anticipated Completion Date: Current and Ongoing

Contact Person: Bill McQuade, Chief of Program Analytics, Executive Office of Health & Human Services
bill.mcquade@ohhs.ri.gov

Finding 2023-062 – Corrective Action Plan

2023-062a – This finding was mitigated with permanent fix to the TPL loopback process between MMIS and RI Bridges to improve TPL accuracy on a large volume of cases. EOHHS continues to monitor.

Anticipated Completion Date: Monitoring

Contact Person: Brian Tichenor, RIBridges Medicaid Administrator, Executive Office of Health & Human Services
brian.tichenor@ohhs.ri.gov

2023-062b – EOHHS conducted a training in December 2023 with all agencies about admin reporting and required documentation, and as a result has received more backup from agencies. EOHHS will continue to improve the process in the coming quarters, including through implementation of a reconciliation process completed by all HHS agencies and ongoing trainings with HHS finance staff.

Anticipated Completion Date: In Process

2023-062c – EOHHS started reporting the MCO Tax on 64.11A in December 2023.

Anticipated Completion Date: Completed

Contact Person: Allison Shartrand, Assistant Director, Financial & Contract Management, Executive Office of Health & Human Services
allison.shartrand@ohhs.ri.gov



Finding 2023-063 – Corrective Action Plan

Each health plan reports TPL recoveries to EOHHS in its quarterly financial report (FDCR). These recoveries are used as a direct offset to medical expenses. As such, claims paid by the plans on behalf of a member with TPL will remain in the EOHHS encounter data warehouse. Health plans do not void claims that have previously been paid to account for any TPL liability. Rather, they seek to recover from the third party any amount owed and report that amount to the state. In each of the last two fiscal years, this reduced medical expenditures by just under \$8 million.

EOHHS sent the MCOs a full TPL file in July 2023. EOHHS will start the process for a new file in June 2024.

Anticipated Completion Date: Ongoing

Contact Person: Jeffrey Schmeltz, Chief of Family Health Systems, Executive Office of Health & Human Services
jeffery.schmelts@ohhs.ri.gov

Finding 2023-064 – Corrective Action Plan

2023-064a – Death reporting: Permanent system fix will deploy 28 June 2024; enhancement will trigger a 1A code from RI Bridges to send date of death to MMIS when date of death is added on a case with closed eligibility. This fix should remedy audit finding plus financial impact in the MMIS when members are not closed properly.

Anticipated Completion Date: June 28, 2024

2023-064b – Death reporting addressed in response to 2023-064a. Residency/Out of State: State resumed PARIS residency verifications and is pursuing secondary residency checks with Accruint/Lexis Nexis data and automation of manual NCOA database verification process. Additionally, State will benefit from future use of The Work Number Employee Address data to verify residency.

Anticipated Completion Date: August 1, 2024

Contact Person: Brian Tichenor, RIBridges Medicaid Administrator, Executive Office of Health & Human Services
brian.tichenor@ohhs.ri.gov

2023-064c – EOHHS will identify and return any potential ineligible costs by end of the current Federal Fiscal Year (FFY).

Anticipated Completion Date: September 30, 2024

Contact Person: Allison Shartrand, Assistant Director, Financial & Contract Management, Executive Office of Health & Human Services
allison.shartrand@ohhs.ri.gov



Finding 2023-065 – Corrective Action Plan

2023-065a – EOHHS and DCYF have been working with St. Mary's on the submission of the SFY 23 cost report which EOHHS needs in order to set a FY 23 rate pursuant to the State Plan and reprice the previously paid claims. EOHHS has provided extensive support on allocation methodology and requirements to which St. Mary's must adhere in order to meet State Plan requirements. Once aligned with the SPA that was approved in July of 2023 for SFYs 23 and 24, EOHHS will prospectively establish rates to remain compliant with the approved methodology.

Anticipated Completion Date: June 30, 2024

2023-065b – EOHHS requires that St. Mary's direct bill through the MMIS and the facility began billing in October 2023. EOHHS and DCYF are currently working on a plan to ensure all allowable medical services provided by DCYF providers are directly billed to the MMIS.

Anticipated Completion Date: July 1, 2025

Contact Person: Dezeree Hodish, Assistant Director, Financial & Contract Management, Executive Office of Health & Human Services
dezeree.hodish@ohhs.ri.gov

Finding 2023-066 – Corrective Action Plan

This audit finding refers to retroactive Medicaid billing from BHDDH for dates of service in 2022 and 2023 once the IMD status was removed from ESH. That provider type currently does not require the Medicare information to be submitted to EOHHS for processing. They bill with a type of bill and if there is eligibility on file for Eleanor Slater, the claim is paid. EOHHS will pursue a project to correct this finding.

Anticipated Completion Date: To Be Determined – State Fiscal Year 2025

Contact Person: Hector Rivera, Interdepartmental Project Manager, Executive Office of Health & Human Services
hector.l.rivera@ohhs.ri.gov

Finding 2023-067 – Corrective Action Plan

EOHHS amended and updated its guidelines and standard operating procedures leveraging the CMS 'Delivering Service in School-Based Settings: A Comprehensive Guide to Medicaid Services and Administrative Claiming' as a source document. In addition to ensuring alignment with CMS requirements, the updated guidelines include a uniform schedule of quarterly submission dates and details the billing responsibilities of participating LEAs. These responsibilities include meeting all Medicaid documentation requirements; submitting the Certification of Local Funds on a quarterly basis; and signing provider agreements and maintaining all other records used to support claims submitted for Medicaid reimbursement. Upon receipt of these submissions a new audit tool will be utilized to ensure each submissions contains the required documentation. EOHHS Medicaid Program Integrity will also collect the claims



data, sort the list, comprise a sample, perform the review, and issue a report for participating LEAs. In the event of missing documentation, incomplete documentation, or an error, the LEA and their billing contractor will be notified. Failure to resubmit the missing file(s) or failure to address any errors identified will result in a withhold of reimbursement for that LEA until the following quarter. A finalized spreadsheet is then sent to finance for reimbursement. EOHHS is also engaged with the school-based services TA Center and will continue leverage this engagement to ensure compliance with CMS guidelines.

Anticipated Completion Date: June 1, 2024

Contact Person: Tyler McFeeters, Health Program Administrator, Executive Office of Health & Human Services
tyler.mcfeters@ohhs.ri.gov

Finding 2023-068 – Corrective Action Plan

2023-068a – The sheer volume of projects, reimbursements and drawdowns has led to timing issues for FEMA-4505-DRRIP0000000 reporting which in turn led to variances between the federal and state accounting systems. The drawdowns and reimbursements are slowing as the grant comes closer to the end of the period of performance and the agency is confident that these discrepancies will be limited moving forward. Quarterly federal reporting is supported by the drawdowns as noted in the federal grant system. Drawdowns that have not been received and journaled in the state system in the same reporting period would show as a variance. The agency will attempt to request drawdowns with enough time for them to be accounted for in the state system to limit these variances.

2023-068b – A revised SF-425 for the period in question has been submitted.

Anticipated Completion Date: Completed

Contact Person: Brian Riggs, Chief Financial Officer, Rhode Island Emergency Management Agency
brian.i.riggs@ema.ri.gov

Section F

**Summary Schedule
of Prior Audit Findings**
(prepared by the State's management)



State of Rhode Island

Single Audit Report

For the Fiscal Year Ended June 30, 2023

Summary Schedule of Prior Audit Findings Table of Prior Findings by Federal Program		
<u>Program Title</u>	<u>Assistance Listing No.</u>	<u>Findings included in Previous Single Audit Reports</u>
Internal Control over Financial Reporting	n/a	2022-001, 2022-002, 2022-003, 2022-004, 2022-005, 2022-006, 2022-007, 2022-008, 2022-009, 2022-010, 2022-011, 2022-012, 2022-013, 2022-014, 2022-015, 2022-016, 2022-017, 2022-018, 2022-019, 2022-020, 2022-021, 2022-022, 2022-023, 2022-024, 2022-025, 2022-026, 2022-027, 2022-028, 2022-029, 2022-030, 2022-031, 2022-032, 2022-033, 2022-034, 2022-035, 2022-036
SNAP Cluster	10.551, 10.561	2022-040
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559, 10.579	2021-041
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	2019-041, 2019-042
Fish and Wildlife Cluster	15.605, 15.611	2021-042, 2021-044
Unemployment Insurance	17.225	2022-041, 2022-042, 2022-043
Highway Planning and Construction Cluster:	20.205, 20.219	2021-050
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526	2022-044, 2022-045
Highway Safety Cluster	20.600, 20.616	2022-038, 2022-046, 2022-047, 2022-048, 2022-049, 2022-050
Coronavirus Relief Fund	21.019	2021-059, 2022-039, 2022-051, 2022-052
Emergency Rental Assistance Program	21.023	2022-037
Homeowner Assistance Fund Program	21.026	2022-037
Coronavirus State and Local Fiscal Recovery Funds	21.027	2022-053
Title I Grants to Local Education Agencies	84.010	2022-038, 2022-054, 2022-055, 2022-056
Education Stabilization Fund	84.425	2022-037, 2022-057, 2022-058
Immunization Cooperative Agreements	93.268	2022-037, 2022-038, 2022-059
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2022-037, 2022-038, 2022-039, 2022-052, 2022-059, 2022-060
Temporary Assistance for Needy Families	93.558	2022-037, 2022-038, 2022-039, 2022-040, 2022-061
CCDF Cluster	93.575, 93.596	2022-037, 2022-038, 2022-039, 2022-040, 2022-062, 2022-063
Adoption Assistance	93.659	2020-052
Children's Health Insurance Program	93.767	2020-061, 2022-040, 2022-064, 2022-065, 2022-066, 2022-067, 2022-068, 2022-069, 2022-070
Medicaid Cluster	93.775, 93.777, 93.778	2018-069, 2020-056, 2020-059, 2020-061, 2020-065, 2022-040, 2022-065, 2022-066, 2022-067, 2022-068, 2022-069, 2022-070, 2022-071, 2022-072, 2022-073, 2022-074
Opioid STR	93.788	2020-065
HIV Care Formula Grants	93.917	2020-070
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2022-038, 2022-039, 2022-052, 2022-075
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050	2021-078

Finding 2018-069 – ALNs 93.775; 93.777; 93.778

(Reported Initially in Finding 2017-074)

EOHHS made advance payments totaling \$154,322 to home care providers in fiscal 2018 due to delays in processing eligibility for individuals in need of long-term care services and support. These advances were federally reimbursed (at the applicable federal financial participation rate) but did not meet criteria for reimbursement.

2018-069 Recoup the advances to providers and credit the federal grantor for their portion of advances made.

Status: *Not Implemented. Reconciliation of provider claims and recoupment of home care providers still in process.*

Finding 2019-041 – ALN 14.228

The Office of Housing and Community Development (OHCD) should improve procedures to ensure federal reports are retained and adequately supported by underlying records.

2019-041 Enhance procedures for maintaining adequate documentation to ensure that federal reports are properly submitted and accurately reflect underlying information.

Status: *Implemented. The Department of Housing, Office of Community Development has adopted procedures to ensure that information necessary to meet federal and State reporting requirements is collected and reviewed for accuracy. The attached document outlines the general policies and procedures for the reporting of information related to the Community Development Block Grant (CDBG) program. Additional policies and procedures are in place to meet other state and federal reporting requirements.*

Finding 2019-042 – ALN 14.228

Tracking and monitoring of locally-held program income generated by Community Development Block Grants (CDBG) activities should be enhanced by OHCD.

2019-042 Strengthen procedures for tracking program income generated and retained by CDBG subrecipients sufficient to ensure that amounts are used in accordance with federal regulations.

Status: *Implemented. The Department of Housing, Office of Community Development, has assigned staff to track locally held program income. In accordance with HUD regulations, program income generated may be retained by the municipalities provided it is used for the same purposes from which it was generated. OCD has established policies and procedures related to program income. Among these policies, is the reporting of any program income received and/or expended as part of the community's quarterly progress report. Such information is tracked by office staff. Policies dictate that program income must be disbursed before requesting additional federal funds for the same activity. The Office additionally examines the management and use of program income as part of its monitoring procedures to assure compliance with State and federal program regulations.*

Finding 2020-052 – ALN 93.659

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.

2020-052b Create a central repository for all records that support the Adoption Assistance eligibility determination. Consider electronic imaging of these critical documents to facilitate storage and retrieval.

Status: *Partially Implemented. DCYF added Adoption Decrees to centralized electronic Title IV-E Adoption Eligibility Records following Audit after working with Family Court to receive documents electronically. DCYF plans to enhance electronic Title IV-E Adoption eligibility records to include criminal and background checks-licensing information- ultimately as part of a new system design.*

Finding 2020-056 – ALNs 93.775, 93.777, 93.778

BHDDH did not comply with Medicaid State Plan requirements for retainer payments made to certain providers.

2020-056 Credit the federal government for the questioned costs identified for ineligible retainer payments.

Status: *Implemented.*

Finding 2020-059 – ALNs 93.775, 93.777, 93.778 (Reported Initially in Findings 2014-067 and 2015-060)

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

- 2020-059a Address and correct the RIBridges system deficiencies which result in material noncompliance with federal regulations regarding Medicaid eligibility.
- 2020-059b Formalize and implement a plan to ensure all designated system controls (PEV and redetermination) over eligibility are fully operational and well documented in the system.
- 2020-059c Improve RIBridges' documentation of critical eligibility components to ensure that it can adequately document federal compliance with recipient eligibility requirements (including better case history supporting eligibility determinations made over time).
- 2020-059d Continue system modifications to address remaining MAGI determination requirements in accordance with State Health Official guidance provided in 2019.
- 2020-059e Identify ineligible Medicaid program costs and return them to the federal grantor.

Status: *No Longer Valid. See finding 2023-064 for current year update and recommendations.*

Finding 2020-061 – ALNs 93.767; 93.775, 93.777, 93.778 (Reported Initially in Finding 2016-063)

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.

- 2020-061a Identify and resolve the underlying causes of eligibility data discrepancies between the MMIS and RIBridges systems.
- 2020-061b Determine the necessary corrective action and resources needed to eliminate the current backlog of system exceptions and future mismatches between the two systems.

Status: *Not Implemented. Due to temporary changes in eligibility determination processes approved by CMS in response to the on-going public health emergency (PHE), RI Medicaid was unable to let Medicaid enrollment terminations from communicating from the integrated eligibility system (RIBridges) to the Medicaid claims processing system (MMIS). This has resulted in continued discrepancies between the two systems which will not be remedied until the PHE ends and related unwinding period is completed.*

Finding 2020-065 – ALNs 93.775, 93.777, 93.778; 93.788 (Reported Initially in Finding 2019-065)

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals administration costs were allocated to the Medicaid and Opioid STR programs through a departmental cost allocation plan that was not federally approved.

- 2020-065 Redetermine administrative costs for periods allocated through unapproved methodologies using the plan submitted to the DHHS Division of Cost Allocation (once formally approved). Credit the federal programs for excess administrative costs identified for those periods.

Status: *Partially Implemented. BHDDH did receive approval of its cost allocation plan in a subsequent period but did not redetermine administrative claiming for fiscal 2020 to resolve any questioned costs with the federal grantor.*

Finding 2020-070 – ALN 93.917

Claims for HIV drugs were paid through the AIDS Drug Assistance Program (ADAP) rather than Medicaid when the program participant had established Medicaid eligibility.

- 2020-070a Explore options with the Medicaid fiscal agent operating the MMIS to link ADAP and Medicaid profiles to ensure the intended payment hierarchy is observed when both ADAP and Medicaid eligibility profiles exist.
- 2020-070c Enhance controls to only establish ADAP eligibility profiles within the MMIS when indicated by consideration of all health insurance available to the program participant.

Status: *Partially Implemented.* Several meetings have taken place for ADAP Enhancements. A Business Design Plan meeting was held 12/13/23 with the HIV Provision of Care, Special Populations Unit staff and Medicaid as well as Gainwell our PBM, to review the functional, business and technical requirements for enhancements to ensure ADAP will be payor of last resort. Solutions/proposals were discussed, test cases reviewed, and estimate of cost discussed. Roles and responsibilities were clearly defined. The program now receives a daily report, the REKR 260h rejection file which has a new code NPD (claim rejected client has Medicaid and no TPI) so these rejections will appear on our nightly files if any rejected out due to Medicaid in real time. Then we can contact the case manager and let them know and deny the ADAP application. The HIV Provision of Care, Special Populations Unit agreed to all the enhancements provided by Gainwell. Subsequently, the costs were discussed to move forward with the project and an agreement was signed by Medicaid and the PBM on December 19th and 20th, 2023. We have attached the BDD agreement along with this narrative.

Finding 2021-041 – ALNs 10.553; 10.555; 10.556; 10.559, 10.579 *(Reported Initially in Finding 2013-030)*

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

2021-041 Improve the functionality of the software used to account for USDA-Donated Foods to ensure compliance with federal regulations.

Status: *Implemented.*

Finding 2021-042 – ALNs 15.605, 15.611

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.

2021-042b Perform on-site fiscal monitoring and obtain and review all relevant audit reports to verify if any subrecipients had reported deficiencies pertaining to any applicable program laws or regulations.

Status: *Partially Implemented.* Despite the process not being finalized, DEM has already taken steps to address this finding partially. DEM in conjunction with the newly implemented state-wide grants management system, ECIVIS, has capitalized on the system's subrecipient monitoring functionality. Vendors are required during their annual registration to complete a risk assessment. Based on the risk assessment response, the vendor is assigned a risk level ranging from low to high risk. Using the RIFANS general ledger, DEM has isolated all subrecipients for the respective fiscal year and has identified all DEM vendors who have received grants of at least \$750,000. Of which the DEM responsible staff person will obtain the single audit reports from the federal clearinghouse to review for any noted deficiency and material weaknesses by March 31st, 2024. Any vendors noted to have a material weakness will result in an onsite review by DEM staff.

Finding 2021-044 – ALNs 15.605, 15.611

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.

2021-044 Modify real property management procedures to ensure properties acquired with federal funds are adequately maintained, consistent with all applicable federal program requirements.

Status: *Implemented.*

Finding 2021-050 – ALNs 20.205, 20.219

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

2021-050b Ensure the indirect cost rate reviews are performed for utility and railroad vendors.

Status: *Not Implemented.* RIDOT does not have the internal expertise to perform the indirect cost rate reviews for railroads or utility companies. RIDOT will work with DOA Office of Internal Audits on how to move forward with the reviews. If DOA is not able to perform the reviews, additional FTE's would be needed for RIDOT so that we could hire someone with the

expertise or an outside consultant with the expertise would need to be hired. RIDOT will work with DOA and have a plan going forward.

Finding 2021-059 – ALN 21.019

Questioned costs were identified for certain expenditures reimbursed from the Coronavirus Relief Fund program.

- 2021-059 Restore the questioned costs to the balance of CRF fund pending disbursement or reimburse the federal government.

Status: *No Longer Valid.*

Finding 2021-078 – ALN 97.050

Supplemental unemployment benefits were paid to claimants that did not meet the minimum benefit threshold required for eligibility.

- 2021-078 Resolve the noncompliance with the minimum benefit provision by retroactive implementation of the Rhode Island Executive Order or return federal funds drawn for the ineligible benefits.

Status: *Implemented. The supplemental payments to reach the \$100 LWA minimum were processed on 3/23/2023.*

Finding 2022-001 – Financial Statement Finding *(Reported Initially in Findings 2016-001 and 2016-021)*

The multi-year implementation of an ERP system will require substantial resources and planning to ensure a successful outcome. It is critical that the State remain committed to the selected software vendor to ensure a fully integrated system capable of addressing the current internal control deficiencies, business continuity, risks, and inefficient processes inherent in the State's current financial and administrative systems.

- 2022-001a Manage the business process re-engineering required to align the State's processes to the software-as-a-service functionalities within the ERP system.
- 2022-001b Ensure sufficient subject matter experts are involved in the implementation process to ensure a high likelihood of success.
- 2022-001c Ensure that the new ERP system addresses identified internal control deficiencies relating to financial reporting.

Status: *Partially Implemented. See Finding 2023-003 for current year update and recommendations.*

Finding 2022-002 – Financial Statement Finding *(Reported Initially in Finding 2020-002)*

Controls over the processing of unemployment insurance claims were insufficient to prevent fraudulent unemployment insurance benefit payments. Recoveries of fraudulent unemployment insurance benefits have not been recognized or credited to the federal grantor.

- 2022-002a Implement a strategic plan to address the required modernization of unemployment benefit claims processing system. The modernization should include strengthening controls to prevent fraudulent benefit payments.
- 2022-002b Research recoveries of overpayments or fraudulent payments and credit the federal government (appropriate federal award) for amounts recovered.

Status: *Partially Implemented. Current year status and recommendations incorporated into Federal Award Finding 2023-034.*

Finding 2022-003 – Financial Statement Finding *(Reported Initially in Finding 2016-010 and 2017-008)*

The continued and growing complexity of Medicaid program operations adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State's financial statements.

- 2022-003a Develop specific objectives for managed care data processing (i.e., premium and encounter data processing functionality) that will be required of and included in the specifications for the next MMIS.
- 2022-003b Minimize instances where Material financial activities are reliant on manual processes to ensure proper financial reporting.

2022-003c Develop comprehensive reporting for system payouts, manual disbursement, and system recoupments to improve the transparency of these transactions processed by the Medicaid fiscal agent.

2022-003d Improve controls over non-claims based financial transactions in the next MMIS to provide for individual reporting and proper financial accounting treatment.

Status: *Partially Implemented. See Finding 2023-005 for current year update and recommendations.*

Finding 2022-004 – Financial Statement Finding

The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) omitted certain accruals in conjunction with the State's fiscal closing.

2022-004 Estimate and record expenditures at year-end to ensure the completeness of financial reporting.

Status: *Not Implemented. See Finding 2023-006 for current year update and recommendations.*

Finding 2022-005 – Financial Statement Finding

(Reported Initially in Finding 2016-002)

Management focus, training and implementation resources have been insufficient to ensure that departments and agencies are assessing and documenting internal control consistent with management's overall responsibility for the adequacy of the design and operation of internal control. Internal controls safeguard public resources and support accurate financial reporting.

2022-005a Commit additional resources to training and implementation materials to ensure that departments and agencies are adequately documenting their internal controls to reflect an understanding of its required elements in accordance with an acceptable framework such as COSO or the Green Book.

2022-005b Implement an internal control assessment and documentation effort to coincide with the implementation of a fully integrated ERP system.

Status: *Not Implemented. See Finding 2023-001 for current year update and recommendations.*

Finding 2022-006 – Financial Statement Finding

(Reported Initially in Finding 2018-033 and 2019-005)

The State can continue to improve its consideration of controls over functions performed by external parties by enhancing use and documentation of Service Organization Control (SOC) reports provided by external parties. These improvements are necessary and consistent with management's responsibility for the overall adequacy of the design and operation of internal control.

2022-006a Enhance training and monitoring to ensure compliance with newly implemented SOC report evaluation procedures.

2022-006b Ensure that relevant complementary user entity (State) controls identified by service organizations are also in place and operating effectively.

2022-006c Ensure exceptions and auditor report modifications included in SOC reports are evaluated timely and documented regarding the impact on the State's overall control procedures.

Status: *Partially Implemented. See Finding 2023-002 for current year update and recommendations.*

Finding 2022-007 – Financial Statement Finding

(Reported Initially in Finding 2021-037)

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity is accurately reported to the proper Assistance Listing number and amounts passed through to subrecipients are appropriately classified and reported.

2022-007 Enhance policies and procedures for presenting the SEFA are consistent with Uniform Guidance requirements.

Status: *Partially Implemented. See Finding 2023-007 for current year update and recommendations.*

Finding 2022-008 – Financial Statement Finding

(Reported Initially in Finding 2015-004)

The State must improve controls over recording federal revenue to ensure (1) amounts are consistent with the limitations of grant awards from the federal government and (2) claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system.

- 2022-008 Implement controls to ensure that the allocable share of federal program expenditures is consistent with grant award limitations. Reassess the current FGIS process with the goal of enhancing compliance and effectiveness.

Status: *Partially Implemented. See Finding 2023-008 for current year update and recommendations.*

Finding 2022-009 – Financial Statement Finding

(Reported Initially in Finding 2021-017)

Material audit adjustments were proposed and accepted during our audit of the State's fiscal 2022 financial statements.

- 2022-009a Increase resources needed for personnel and training within the Office of Accounts and Control to ensure accurate and timely financial reporting moving forward. Consider the need for separate resources dedicated to quality control over financial reporting.
- 2022-009b Improve documentation of the State's policies and procedures relating to financial reporting.
- 2022-009c Financial reporting training should be considered for State agency finance personnel to increase awareness of governmental financial reporting.

Status: *Partially Implemented. See Finding 2023-009 for current year update and recommendations.*

Finding 2022-010 – Financial Statement Finding

The complexity of Treasury operations has increased substantially over the years without significant modifications to the State's investment in technology and personnel to support those efforts and to ensure internal control best practices are maintained.

- 2022-010a Contract for study of Treasury operations to identify the appropriate levels of personnel required for the size of the Treasurer's current operations and responsibilities. Include in that study, personnel that would be required to advance future technological solutions.
- 2022-010b Ensure the State's Enterprise Resource Planning system implementation includes the State's treasury function and the resources that will be needed to integrate the cash management functionality within the System.
- 2022-010c Consider the personnel resources necessary to enhance segregation of duties and reduce business continuity risks associated with the current personnel levels.

Status: *Partially Implemented. See Finding 2023-010 for current year update and recommendations.*

Finding 2022-011 – Financial Statement Finding

(Reported Initially in Finding 2021-015)

There is an excessive volume of journal entries recorded within the accounting system. This volume weakens controls over the appropriate authorization and classification of expenditures and limits transparency regarding the underlying transactions.

- 2022-011a Ensure the statewide ERP includes appropriate cost allocation functionality, including payroll distributions, and an integrated revenue/receipt functionality to significantly reduce the volume of journal entries needed to maintain the accounting system and support financial reporting.
- 2022-011b Enhance review and oversight of material journal entries to ensure appropriate recording of transactions to avoid misstatement of the financial statements.

Status: *Partially Implemented. See Finding 2023-011 for current year update and recommendations.*

Finding 2022-012 – Financial Statement Finding *(Reported Initially in Finding 2021-012 and 2021-014)*

The State needs to improve its documentation of processes relating to the preparation of government-wide financial statements.

- 2022-012a Enhance procedures for preparing the government-wide financial statements to ensure consistent and accurate recording of transaction activity. Improve documentation of government-wide financial reporting policies and procedures to ensure continuity of financial statement preparation during periods of staff turnover.
- 2022-012b Consider staff resources and training currently required by the Office of Accounts and Control to ensure accurate and timely financial reporting moving forward. Consider the need for separate resources dedicated to quality control over financial reporting.

Status: *Partially Implemented. See Finding 2023-012 for current year update and recommendations.*

Finding 2022-013 – Financial Statement Finding *(Reported Initially in Finding 2019-006)*

The processes followed for periodic physical inventories of capital assets and the evaluation of inventory results can be enhanced to ensure that accurate capital asset records are maintained.

- 2022-013a Include staff from the Office of Accounts and Control on the team performing each cyclical, departmental capital asset inventory.
- 2022-013b Enhance review and inquiry for material capital assets reported as not found before assets are removed from the State's capital asset inventory records.

Status: *Implemented.*

Finding 2022-014 – Financial Statement Finding *(Reported Initially in Finding 2015-015)*

Controls can be improved over the recording of license, registration and surcharge fees collected by the Division of Motor Vehicles (DMV) and deposited in the Intermodal Surface Transportation (IST) Fund.

- 2022-014a Enhance monthly and annual reconciliations between RIFANS and RIMS to ensure that recorded revenue is supported by data reported in RIMS.
- 2022-014b Create a crosswalk between the fees charged in RIMS and the section of the Rhode Island General Laws authorizing the fee.

Status: *Partially Implemented. See Finding 2023-013 for current year update and recommendations.*

Finding 2022-015 – Financial Statement Finding *(Reported Initially in Finding 2015-015)*

Controls can be enhanced over the presentation of IST Fund financial statements to ensure consistent and accurate reporting of fund activity in accordance with generally accepted accounting principles.

- 2022-015a Ensure the transactions identified through the reconciliation of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of fund balance components on the financial statements.
- 2022-015b Implement controls, including more detailed supervisory review of financial statement accounts, to ensure the accuracy of recorded amounts in the financial statements.

Status: *Partially Implemented. See Finding 2023-014 for current year update and recommendations.*

Finding 2022-016 – Financial Statement Finding *(Reported Initially in Finding 2015-016)*

Controls over the identification of transportation infrastructure assets have been improved but can be further enhanced to ensure the accuracy of such amounts. Controls should be improved to record the disposal of infrastructure assets when retired or replaced.

- 2022-016a Enhance controls over the recording of infrastructure assets by reconciling RIDOT departmental records of construction in progress and infrastructure assets to amounts reported in the State's financial statements.
- 2022-016b Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service. Include in that process consideration of whether any of the State's recorded transportation infrastructure has been impaired consistent with GAAP criteria.

Status: *Partially Implemented. See Finding 2023-015 for current year update and recommendations.*

Finding 2022-017 – Financial Statement Finding (Reported Initially in Finding 2021-028)

Obtain a service organization control report to provide assurance on key controls of the vendor that operates the highway toll billing and collection system.

- 2022-017 Modify the contract with the tolling vendor to require the vendor to provide the results and conclusions of the annual SOC testing.

Status: *No longer valid.*

Finding 2022-018 – Financial Statement Finding (Reported Initially in Findings 2016-011, 2017-019, 2017-020, 2018-026, 2018-028, and 2021-019)

The State updated its current cybersecurity readiness and has begun to identify risk mitigation priorities and the resources needed to implement necessary corrective action.

- 2022-018a Using the recent cybersecurity assessment and existing audit recommendations, develop a comprehensive plan to address the current IT security risks to State operations. This plan should be risk-based and include the necessary resources, corrective actions, and prioritization needed to ensure timely mitigation by the State.
- 2022-018b Continue to update formalized risk assessments periodically (with annual updates to adjust security priorities) with the results documented and communicated to management. These assessments should include consideration of IT security issues resulting from audits, reviews of Service Organization Control reports, and internal assessments to include IT security concerns for all the State's critical systems.

Status: *Partially Implemented. See Finding 2023-016 for current year update and recommendations.*

Finding 2022-019 – Financial Statement Finding (Reported Initially in Finding 2015-007)

The State does not follow uniform enterprise-wide program change control procedures for the various IT applications operating within State government. This increases the risk that unauthorized or inappropriate changes could be made to IT applications without detection.

- 2022-019a Develop and implement procedures detailing specific requirements for program change control and disseminate and train DoIT support staff in its proper execution.
- 2022-019b Determine the appropriate combination of operational, procedural and/or technical adjustments required to use change management software to result in adequate program change control for the entire enterprise.

Status: *Partially Implemented. See Finding 2023-017 for current year update and recommendations.*

Finding 2022-020 – Financial Statement Finding (Reported Initially in Finding 2015-008)

The State's current practices for periodic logical access and privilege reviews at both the application and network levels need improvement.

- 2022-020a Implement periodic, verifiable privilege reviews for all applications and networks. Prioritize critical financial applications and those that contain sensitive data.
- 2022-020b Communicate policies and procedures for privileged user access reviews to be performed by assigned agency IT staff periodically (no less than annually). Implement specific training in conjunction with the communication of policies and procedures to ensure conformity across the entity.

Status: *Partially Implemented. See Finding 2023-018 for current year update and recommendations.*

Finding 2022-021 – Financial Statement Finding

The State's current practices for database logging and activity monitoring at the database level needs improvement.

- 2022-021a Complete implementation of a consistent and effective database logging and monitoring process across all major State applications. Prioritize applications/databases that contain critical financial and sensitive data.

- 2022-021b Communicate policies and procedures for database logging and monitoring to assigned agency IT staff. Implement specific training in conjunction with the communication of the policies and procedures to ensure consistent application across the entity.

Status: *Partially Implemented. See Finding 2023-019 for current year update and recommendations.*

Finding 2022-022 – Financial Statement Finding *(Reported Initially in Finding 2015-006 and 2015-012)*

The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery policy and testing.

- 2022-022 Establish a repeatable level of system restoration and incorporate business continuity planning within periodic disaster recovery testing.

Status: *Partially Implemented. See Finding 2023-020 for current year update and recommendations.*

Finding 2022-023 – Financial Statement Finding *(Reported Initially in Finding 2018-028)*

The State needs to further enhance its coordination and training to improve its incident response capabilities in the event of a data breach.

- 2022-023 Identify all agency personnel roles relating to incident response and implement verifiable training for all agency personnel based on their respective roles.

Status: *Partially Implemented. See Finding 2023-021 for current year update and recommendations.*

Finding 2022-024 – Financial Statement Finding *(Reported Initially in Finding 2018-032)*

The resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled should be assessed. This would improve controls over the administration of the benefit programs and the process to accumulate data necessary for periodic actuarial valuations of the OPEB plans for both funding and accounting purposes.

- 2022-024a Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.
- 2022-024b Implement a member benefit computer application to accumulate and manage plan membership data to support the overall administration of the OPEB System with enhanced controls.
- 2022-024c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.
- 2022-024d Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

Status: *Partially Implemented. See Finding 2023-022 for current year update and recommendations.*

Finding 2022-025 – Financial Statement Finding

Controls over sportsbook system access must be enhanced by requiring the sportsbook system contractor to (1) review and improve documentation of the bookmaker's access to the system and (2) obtain coverage of complementary subservice organization controls of the bookmaker.

- 2022-025a Explore options to ensure coverage of key controls within the overall sportsbook system functionalities performed by the subservice organization (William Hill).
- 2022-025b Continue monitoring of sportsbook system access to ensure that established roles restrict access and align with the underlying user's sportsbook responsibilities.

Status: *Implemented.*

Finding 2022-026 – Financial Statement Finding

ERSRI does not receive information on the employer remittance of employer and employee contributions to the DC plan and therefore has limited information to ensure employer compliance with the DC plan provisions. Contribution compliance monitoring should be included within the risk-assessment process to determine effective controls are in place.

- 2022-026a Perform a risk assessment for the DC plan and identify areas where internal controls and oversight can be strengthened.
- 2022-026b Consider modifying the existing Ariel contribution and benefit system to capture employer (employee and employer contributions) data for the defined contribution plan.
- 2022-026c Formalize a DC monitoring plan to protect member plan balances, ensure compliance by the plan administrator, and enhance controls over financial reporting of the DC plan within the System's overall financial reporting.

Status: *Partially Implemented. See Finding 2023-023 for current year update and recommendations.*

Finding 2022-027 – Financial Statement Finding

(Reported Initially in Findings 2015-021 and 2015-022)

Central Falls School District – Material adjustments to year-end balances and current year activity were necessary for the financial statements to be fairly presented in accordance with generally accepted accounting principles.

- 2022-027 A comprehensive plan to coordinate all District financial accounting recording and reporting activities is in the process of being developed and implemented. This plan should include the development of a comprehensive policies and procedures manual; adequate staffing including training of all staff as to both the processes and the software involved; appropriate controls related to authorization and review of the recorded transactions; timely recording of transactions, reconciliations and reviews of reconciliations so as to detect and correct errors in a timely manner, and a comprehensive review of the District's organizational structure to ensure adequate levels of supervision and clear reporting paths for all staff involved.

Status: *Not Implemented. See Finding 2023-029 for current year update and recommendations.*

Finding 2022-028 – Financial Statement Finding

(Reported Initially in Finding 2015-025)

Central Falls School District – The District does not have procedures for maintaining the capital asset records on a perpetual basis or for taking a physical inventory of these assets. In addition, the District does not have a system in place for identifying capital assets acquired with federal grant funds.

- 2022-028 We recommend that the District implement an integrated software package that will enable capital assets to be recorded when the asset is acquired rather than being captured at year end. We further recommend that the capital asset inventory be updated to include the location of the asset and a code to identify all assets that are acquired with federal funds. Management should utilize this capital asset inventory listing, as well as the controllable asset listing, to conduct periodic inventories of the assets.

Status: *Implemented.*

Finding 2022-029 – Financial Statement Finding

(Reported Initially in Finding 2021-035)

The Metropolitan Career and Technical Center – During the performance of our audit of the Met's financial statements, we noted that the trial balance was not properly reviewed and reconciled before the audit. We noted a prior period adjustment was required to properly state district tuition and beginning net position, as well as an adjustment required to reconcile accrued payroll and payroll expense. Although these adjustments were deemed to be material, we believe these adjustments were isolated incidents and therefore, are reported as a significant deficiency rather than a material weakness.

- 2022-029 Management should follow their established internal controls surrounding the review and reconciliation of payroll. Additionally, we recommend management follows their year-end closing policy and procedures to ensure prior period adjustment are not detected as part of audit procedures.

Status: *Implemented.*

Finding 2022-030 – Financial Statement Finding

(Reported Initially in Finding 2015-026)

Rhode Island Convention Center Authority – During the year ended June 30, 2022, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures.

2022-030 We recommend that the Authority fund the Operating Reserve.

Status: *Not Implemented. See Finding 2023-024 for current year update and recommendations.*

Finding 2022-031 – Financial Statement Finding

Rhode Island Division of Higher Education Assistance – RIDHEA did not have controls in place to provide reasonable assurance that the financial statements include only assets that are owned by RIDHEA.

2022-031 RIDEAH should evaluate their processes and controls surrounding capital assets to determine if additional controls can be implemented to provide reasonable assurance that the financial statements contain complete and accurate amounts for capital assets.

Status: *Implemented.*

Finding 2022-032 – Financial Statement Finding

Rhode Island Division of Higher Education Assistance – RIDHEA did not have controls in place to ensure cash from a closed bank account was properly transferred to another bank account of the agency.

2022-032 RIDEAH should evaluate their processes and controls surrounding cash to determine if additional controls can be implemented to provide reasonable assurance that cash transfers are appropriately tracked and accounted for.

Status: *Implemented.*

Finding 2022-033 – Financial Statement Finding

Rhode Island Infrastructure Bank – The bank failed to properly record an intergovernmental receivable and related revenue of approximately \$22 million at June 30, 2022.

2022-033 RIIB should work closely with the State of Rhode Island Office of the Auditor General to ensure that intergovernmental transactions are properly recorded.

Status: *Implemented.*

Finding 2022-034 – Financial Statement Finding

Rhode Island Public Transit Authority - During the performance of our audit procedures on the Authority's leases, we reviewed the electric bus lease agreement and discussed with management the intention of owning the electric buses at the end of the lease with the buyout option. Based on management's intention to purchase the buses, this transaction should have been recorded at the execution of the lease in 2018. This was corrected as a restatement in the current year financials.

2022-034 We recommend that the Authority enhance internal control procedures internally to ensure all new lease agreements and purchases of assets are reviewed for proper recording in accordance with generally accepted accounting principles.

Status: *Implemented.*

Finding 2022-035 – Financial Statement Finding

Rhode Island Public Transit Authority – During the performance of our audit procedures on the Authority's cash reconciliations, we noted that the operating cash account had a continuing variance between the reconciliation and the general ledger for all fiscal year 2022.

2022-035 We recommend that the Authority develop a set of controls to require the operating account be reconciled within a few days of the end of the month and all variances be researched and resolved.

Status: *Partially Implemented. See Finding 2023-025 for current year update and recommendations.*

Finding 2022-036 – Financial Statement Finding

Rhode Island Public Transit Authority – During our current year testing of fare revenue policies and procedures, we noted all the days selected had variances (some immaterial and some more than 1% of revenue) between the daily farebox report and GFI daily summary report. We also noted immaterial variances between deposits and the related documentation and discrepancies in the coin deposits to the bank.

2022-036 We recommend that the Authority develop adequate policies and procedures to correct this process going forward.

Status: *Partially Implemented. See Finding 2023-026 for current year update and recommendations.*

Finding 2022-037 – ALNs 21.023; 21.026; 84.425; 93.268; 93.323; 93.558; 93.575, 93.596

Questioned costs were identified for an administrative assessment charged to pandemic-related federal awards without the methodology being approved by the federal government as required by the Uniform Guidance.

2022-037a Reimburse administrative assessments charged to federal programs pending federal acceptance of an approved cost allocation methodology.

2022-037b Submit cost allocation methodology for pandemic-related federal funds to federal government for approval. Amend the 2022 SWCAP to seek retroactive approval for fiscal 2022 costs allocated.

Status: *Partially Implemented. Amended 2022 SWCAP was submitted and pending approval.*

Finding 2022-038 – ALNs 20.600, 20.616; 84.010; 93.268; 93.323; 93.558; 93.575, 93.596; 97.036
(Reported Initially in Finding 2021-038)

Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

2022-038a Establish statewide policies and procedures to ensure accurate and timely reporting of subawards in accordance with FFATA.

2022-038b Implement FFATA training for departments and agencies administering federal programs to enhance awareness and compliance.

Status: *Partially Implemented. See Finding 2023-049 for current year update and recommendations.*

Finding 2022-039 – ALNs 21.019; 93.323; 93.558; 93.575, 93.596; 97.036
(Reported Initially in Findings 2021-060, 2021-063, 2019-051)

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

2022-039 Improve policies and procedures statewide to ensure compliance with federal regulations for subrecipient monitoring.

Status: *Partially Implemented. See Finding 2023-030 for current year updates and recommendations.*

Finding 2022-040 – ALNs 10.551, 10.561; 93.558; 93.575, 93.596; 93.767; 93.775, 93.777, 93.778
(Reported Initially in Finding 2015-069)

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.

- 2022-040a Enhance compliance with federal ADP Risk Analysis and System Security Review requirements by creating a comprehensive, integrated plan for RIBridges and the MMIS. Document the roles and responsibilities of EOHHS, DHS, DoIT, and contractors (and related subcontractors) in conjunction with the plan development.
- 2022-040b Ensure that the formalized plan includes a comprehensive risk assessment for both systems (RIBridges and MMIS), critical controls deemed effective in mitigating those risks, and specific monitoring procedures to ensure that effective operation of those policies and procedures, including reliance on external contract services when required.

Status: *Partially Implemented. See Finding 2023-054 for current year update and recommendations.*

Finding 2022-041 – ALN 17.225

(Reported Initially in Finding 2020-030)

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 (PUA) program.

- 2022-041a Implement a strategic plan to address the required modernization of the unemployment benefit claims processing system. The modernization should include strengthening controls to prevent fraudulent benefit payments.
- 2022-041b Research recoveries of overpayments or fraudulent payments and credit the federal government (appropriate federal award) for amounts recovered.

Status: *Not Implemented. See Finding 2023-034 for current year update and recommendations.*

Finding 2022-042 – ALN 17.225

(Reported Initially in Finding 2015-032)

The Department of Labor and Training (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.

- 2022-042 Adopt procedures to: (1) impose and collect a 15% penalty on benefit overpayments of claimants who commit fraud (RIGL 28-42-62.1(a)(4)) and (2) prohibit providing relief to an employer account when an overpayment is the result of the employer's failure to respond timely or adequately to a request for information by the State agency (RIGL 28-43-3(2)(viii)).

Status: *Not Implemented. See Finding 2023-035 for current year update and recommendations.*

Finding 2022-043 – ALN 17.225

The Department of Labor and Training (DLT) did not submit all its required reports on time. In several instances, the person preparing the report also submits the report, meaning there is no secondary review before submission.

- 2022-043 Implement procedures for a secondary review of all reports submitted. Establish deadlines for preparation and review to ensure timely submission.

Status: *Implemented.*

Finding 2022-044 – ALNs 20.500, 20.507, 20.525, 20.526

(Reported Initially in Finding 2021-052)

Rhode Island Public Transit Authority – During our test of internal controls, we noted that costs related to three operating expense reimbursements were determined for a period using fixed route statistics which included average costs per mile and hour, less preventative maintenance and farebox recovery. We also noted that documentation for three operating expense reimbursements for a period included only the payroll reports for fixed route drivers plus benefits, calculated using a fringe benefit percentage rate, and there was no documentation that fare revenues and other operating reimbursements had been deducted from the operating expense reimbursement.

2022-044 We recommend that CARES Act operating expense reimbursements be prepared utilizing the Authority's general ledger which is prepared in accordance with generally accepted accounting principles and documented using a worksheet prepared in accordance with FTA Circular 9030.1E, that excludes ineligible costs and deducts fares and other operating expense reimbursements.

Status: *Implemented.*

Finding 2022-045 – ALNs 20.500, 20.507, 20.525, 20.526

Rhode Island Public Transit Authority – We noted that costs related to two operating expense reimbursements were processed using the incorrect reimbursement rate based on the grant agreement.

2022-045 We recommend that the Authority develop a control to ensure that the proper reimbursement rates are being applied in relation to the specific grants that funding is being requested from.

Status: *Implemented.*

Finding 2022-046 – ALNs 20.600, 20.616

RIDOT does not have documentation supporting compliance with the Level of Effort – Maintenance of Effort (MOE) requirement. The Department needs to establish an internal control structure to ensure compliance.

2022-046 Establish policies and procedures to document compliance with Maintenance of Effort. Maintain adequate detailed supporting documentation to support compliance with related Level of Effort requirements.

Status: *No Longer Valid. Effective March 8, 2023, the Maintenance of Effort (MOE) is no longer required. This elimination of this requirement was part of a Federal Register published on February 6, 2023. 23 CFR part 1300 (Docket No. NHTSA-2022-0036) states: The 5-State DOTs acknowledged that NHTSA removed the Maintenance of Effort (MOE) requirement in the NPRM and requested that NHTSA retain that change. The BIL removed this requirement, and therefore NHTSA retains that change.*

Finding 2022-047 – ALNs 20.600, 20.616

Controls over earmarking can be enhanced to ensure compliance with Federal requirements.

2022-047 Establish policies and procedures to ensure compliance with the earmarking requirement that no less than 40% of highway safety federal program funds are expended by or for political subdivisions of the State.

Status: *Implemented.*

Finding 2022-048 – ALNs 20.600, 20.616

Controls over period of performance can be enhanced to ensure compliance with Federal requirements.

2022-048 Develop policies and procedures to document compliance with period of performance requirements.

Status: *Implemented.*

Finding 2022-049 – ALNs 20.600, 20.616

The Department was unable to provide documentation supporting the amounts reported in the Highway Safety Plan Cost Summary and Federal Reimbursement Voucher reports. The Department's current program accounting also results in program expenditures being duplicated in the State's accounting system and Schedule of Expenditures of Federal Awards (SEFA).

2022-049a Enhance reporting policies and procedures over the completion and submission of the Highway Safety Plan Cost Summary (HS Form 217). Verify the amounts submitted are accurate and if necessary, resubmit with accurate and supported amounts.

2022-049b Enhance reporting policies and procedures over the completion and submission of the Federal Reimbursement Voucher report.

2022-049c Enhance controls and address current deficiencies in accounting procedures to ensure program expenditure within the State's reporting entity are reported accurately on the SEFA.

Status: *Partially Implemented. Policies and procedures were updated for completion and submission of the highway safety plan. This is ongoing as they still being updated to account for changes that are taking place for federal fiscal 2024.*

Finding 2022-050 – ALNs 20.600, 20.616

The Department's internal control structure does not ensure all subrecipients are monitored in accordance with federal requirements.

2022-050 Enhance policies, procedures, and controls over subrecipient monitoring to ensure compliance with 2 CFR sections 200.332(d) through (f).

Status: *Implemented.*

Finding 2022-051 – ALN 21.019

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

2022-051 Ensure that future pandemic recovery project authorizations have subsequent reporting or other monitoring requirement to fully support the post award allowability of the funding awarded.

Status: *No Longer Valid.*

Finding 2022-052 – ALNs 21.019; 93.323; 97.036

(Reported Initially in Finding 2021-061)

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.

2022-052 Ensure reconciliations and any required adjustments are complete to demonstrate that eligible COVID program costs were not reimbursed from more than one federal funding source.

Status: *Partially Implemented. See Finding 2023-050 for current year update and recommendations.*

Finding 2022-053 – ALN 21.027

Costs associated with financial and reporting support services were not adequately documented to support the allocation to the program.

2022-053 Enhance procedures for documenting administrative costs (specifically contractor support services) allocated to federal programs to ensure compliance with Uniform Guidance.

Status: *Implemented.*

Finding 2022-054 – ALN 84.010

RIDE 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.

2022-054 Enhance internal controls over LEA supplement not supplant requirements by obtaining corrective actions from LEA subrecipients that are not complying with federal requirements for formalized methodologies.

Status: *Implemented.*

Finding 2022-055 – ALN 84.010

RIDE does not have any specific procedures to assess the risk posed by conflicts of interest, related party transactions or insufficient segregation of duties between the Charter School and Charter Management Organization (CMO).

- 2022-055 Enhance the policies, procedures, and internal controls over monitoring LEAs, Charter Schools, and Charter Schools with relationships to CMOs to include assessing the risk posed by conflicts of interest, related-party transactions or insufficient segregation of duties between the Charter School and CMO.

Status: *Not Implemented. See Finding 2023-043 for current year update and recommendations.*

Finding 2022-056 – ALN 84.010

Information technology (IT) security controls over the Accelegnants system need improvement to protect reliability of the system data used to administer federal compliance for the Title 1 program.

- 2022-056a Enhance controls and timeframes to ensure prompt termination of system access when employees leave or change functions. Document timely reviews of access privileges to determine if access is appropriate.
- 2022-056b Perform and document an IT Risk Assessment on a periodic basis.
- 2022-056c Review vendor identified user complementary controls specified in the vendor SOC 2 report and maintain the agency response as to relevance and how they are being addressed.
- 2022-056d Implement basic agency IT Vendor Management oversight to ensure conformance with industry standards and best practices.

Status: *Partially Implemented. See Finding 2023-044 for current year update and recommendations.*

Finding 2022-057 – ALN 84.425

Rhode Island College – During our testing, we noted the College did not post 2 of the 4 quarterly postings within the 10-day timeframe. The College could also not provide or produce underlying support for line items 3 and 5 of the quarterly report. Also, during our testing of the annual report for the student aid and institutional aid portion, the College was unable to provide and produce support for certain line items in the report.

- 2022-057 We recommend that the College review their procedures to ensure that reports are submitted timely, and that documentation is kept for all reports.

Status: *Implemented.*

Finding 2022-058 – ALN 84.425

University of Rhode Island – The University did not include information regarding the number of students at the institution that are eligible to receive Emergency Financial Aid Grants to Students.

- 2022-058 We recommend that the University review its internal control procedures and policies that ensure all federal grant reporting requirements are met and make changes as needed.

Status: *Implemented.*

Finding 2022-059 – ALNs 93.268; 93.323

(Reported Initially in Finding 2021-062)

RIDOH's time and effort reporting for general COVID-related activities did not provide adequate detail to fully support personnel costs charged to federal programs.

- 2022-059 Enhance weekly reporting of time and effort for COVID-19 activities to improve documentation and support for personnel costs charged to federal programs.

Status: *Partially Implemented. See Finding 2023-033 for current year update and recommendations.*

Finding 2022-060 – ALN 93.323

RIDOH lacked sufficient documentation of subawards (subrecipient agreements) to support the allocation of subrecipient payments to the ELC program.

2022-060 Ensure all subrecipient contracts and subsequent amendments contain the relevant identifying federal program information as required by Uniform Guidance.

Status: *Partially Implemented. See Finding 2023-030 for current year update and recommendations.*

Finding 2022-061 – ALN 93.558

(Reported Initially in Finding 2017-064)

The State can improve compliance with TANF eligibility requirements specifically by ensuring consistent documentation of eligibility components within RIBridges.

2022-061 Improve policies and procedures to ensure that all required eligibility compliance requirements are documented within RIBridges.

Status: *Partially Implemented. See Finding 2023-051 for current year update and recommendations.*

Finding 2022-062 – ALNs 93.575, 93.596

(Reported Initially in Finding 2017-068)

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.

2022-062 Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record and appropriate consideration of parent earnings information for determination of parent co-shares.

Status: *Partially Implemented. See Finding 2023-056 for current year update and recommendations.*

Finding 2022-063 – ALNs 93.575, 93.596

Likely questioned costs were identified in conjunction with a fraud investigation performed by the Office of Internal Audit (OIA).

2022-063 Evaluate the underlying allegations of program fraud and return funds to the federal government that did not meet federal requirements.

Status: *Implemented. Beginning in February, 2024, the Office of Child Care has implemented a monitoring workflow for provider fraud to ensure that all programs will be checked for appropriate payments for a percentage of CCAP children in their care based on sign-in and out sheets, parent agreements and any other pertinent information. This is a combined project between the child care program team and the fiscal team.*

Finding 2022-064 – ALN 93.767

(Reported Initially in Finding 2014-067)

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.

2022-064a Address and correct the RIBridges system deficiencies which weaken controls and result in material noncompliance with federal regulations regarding CHIP eligibility.

2022-064b Identify ineligible CHIP costs and return to the federal grantor.

Status: *Partially Implemented. See Finding 2023-057 for current year update and recommendations.*

Finding 2022-065 – ALNs 93.767; 93.775, 93.777, 93.778

(Reported Initially in Finding 2021-069)

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

2022-065a Improve required contract language for required MCO financial audits to ensure compliance with federal requirements.

2022-065b Implement policies and procedures to comply with federal regulations for MCO financial audits.

Status: *Partially Implemented. See Finding 2023-059 for current year update and recommendations.*

Finding 2022-066 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2019-064)*

The State began procedures for the screening, enrollment, and revalidation of providers used in managed care organization (MCO) networks in fiscal 2022; however, a majority of MCO providers remained outstanding at year-end and thus the State did not materially comply with these federal requirements relating to provider eligibility.

2022-066 Expedite implementation of procedures to comply with federal regulations for the screening, enrollment and revalidation of providers used in managed care organization networks.

Status: *Partially Implemented. See Finding 2023-060 for current year update and recommendations.*

Finding 2022-067 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2009-086)*

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.

2022-067a Improve controls over compliance requirements for the allowability of federal expenditures by addressing related internal control deficiencies (including system limitations) over financial reporting and federal noncompliance that specifically impacts financial settlements with managed care organizations.

2022-067b Improve controls to ensure the timely termination of Medicaid eligibility for deceased individuals to prevent continued payment of managed care capitation after death.

Status: *Partially Implemented. See Finding 2023-061 for current year update and recommendations.*

Finding 2022-068 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2019-068)*

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

2022-068a Eliminate untimely expenditure adjustments between Medicaid and CHIP by addressing RIBridges programming deficiencies which prevent CHIP eligibility from being completely determined and coded through the State's integrated eligibility system.

2022-068b Require all HHS agencies to submit reconciliations of their quarterly administrative claiming (as determined through approved cost allocation methodologies) to reported expenditures in RIFANS on a quarterly basis.

2022-068c Conduct an analysis of healthcare related fees and taxes levied by the State to determine if other healthcare related taxes require reporting in the CMS-64 Report.

Status: *Partially Implemented. See Finding 2023-062 for current year update and recommendations.*

Finding 2022-069 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2020-054)*

The State should improve controls relating to the identification of third-party 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 managed care organizations (MCOs) are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance.

2022-069a Coordinate with the MMIS contractor to validate TPL segments for active Medicaid recipients and address system deficiencies preventing closure of validated TPL segments when the related insurance coverage lapses.

- 2022-069b Share and match identified TPL coverage with the MCOs upon enrollment and as an individual's TPL status changes. Periodic matching with MCO enrollment files would ensure that TPL coverage is consistently being applied throughout the Medicaid and CHIP programs.

Status: *Partially Implemented. See Finding 2023-063 for current year update and recommendations.*

Finding 2022-070 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2020-054)*

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

- 2022-070a Correct operational deficiencies identified within RIBridges income validation interface.
2022-070b Implement monitoring procedures for critical external interfaces designed within RIBridges.

Status: *Partially Implemented. Incorporated into current year Finding 2023-064.*

Finding 2022-071 – ALNs 93.775; 93.777, 93.778 *(Reported Initially in Finding 2020-054)*

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

- 2022-071 Document compliance with the Federal and State plan rate review and periodic audit requirements for long-term care providers or amend the State Plan with CMS approval to align to current practices.

Status: *Implemented.*

Finding 2022-072 – ALNs 93.775; 93.777, 93.778 *(Reported Initially in Finding 2020-058)*

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

- 2022-072a Include review of the application of NCCI edits into the scope of the Service Organization Control Review conducted annually of the State's claims processing system and related fiscal agent controls to ensure continued operation of the NCCI federal requirement within the MMIS.
2022-072b Ensure that the State's procurement of a new Medicaid Management Information System includes the requirements outlined in the NCCI Medicaid Technical Guidance issued by CMS.
2022-072c Consider in future MCO contract procurements, the benefits of mandating MCOs to implement NCCI edits within their claim processing systems to enhance program integrity over managed care claiming.

Status: *Partially Implemented. Most areas of noncompliance with NCCI claims processing edit requirements cited in this finding will not be addressed until a new MMIS is implemented. Requirements to review NCCI edits were removed from the compliance supplement, thus auditors did not reevaluate this compliance requirement in fiscal 2023.*

Finding 2022-073 – ALNs 93.775; 93.777, 93.778 *(Reported Initially in Finding 2020-057)*

Certain psychiatric residential treatment facility (PRTF) services provided to children in the State's custody have been charged to Medicaid in fiscal 2022 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).

- 2022-073a Ensure that PRTF services are reimbursed to DCYF in accordance with the currently approved Medicaid State Plan.
2022-073b Ensure that allowable medical services provided by DCYF providers are billed directly to the MMIS and subject to all designed claims processing, recipient eligibility, and provider eligibility controls.

Status: *Partially Implemented. See Finding 2023-065 for current year update and recommendations.*

Finding 2022-074 – ALNs 93.775; 93.777, 93.778

Controls need to be improved to ensure that certain program expenditures comply with federal allowable cost requirements.

2022-074a Implement enhanced invoice review documentation requirement for significant contractor invoices to ensure compliance with Uniform Guidance requirements over allowable costs in the Medicaid Program.

2022-074b Improve procedures to ensure that recoupments are made for identified special education services deemed unallowable for Medicaid reimbursement.

Status: *Implemented.*

Finding 2022-075 – ALN 97.036

(Reported Initially in Finding 2021-077)

RIEMA can improve its reporting function. Required federal financial reports for fiscal 2022 were not properly supported by the State's accounting system. Quarterly progress reports contained comments that did not appear truly representative of the status of the specific projects at the end of the quarter.

2022-075a Strengthen procedures for preparing federal financial reports to ensure that information reported is adequately supported and consistent with amounts included in the RIFANS accounting system.

2022-075b Submit revised SF-425 and quarterly progress reports to reflect corrected expenditures and drawdowns for fiscal 2022, as necessary.

Status: *Partially Implemented. See Finding 2023-068 for current year update and recommendations.*