



# Audit Summary

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State of Rhode Island

## Single Audit Report

Fiscal Year Ended June 30, 2023

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2023. The Single Audit is required by both State and federal law as a condition of continued federal assistance.

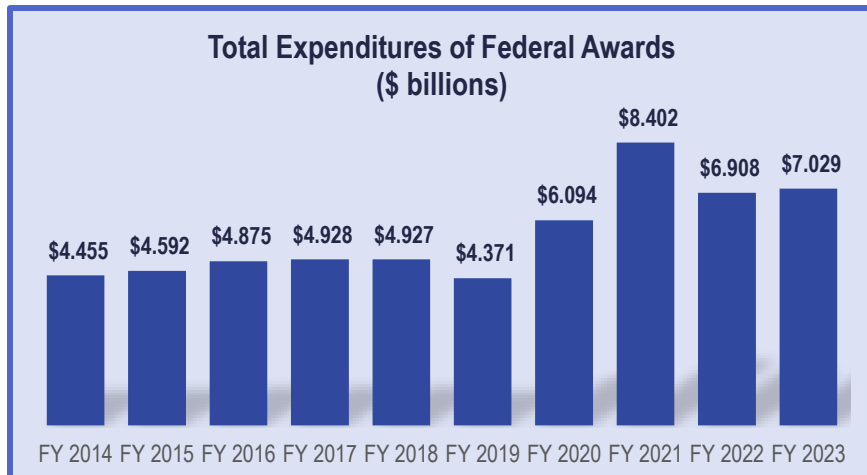
The **Single Audit Report** includes findings and recommendations related to the State's key financial operations and the administration of federal programs. The report also includes a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating to financial reporting and the administration of federal programs. The report includes the State's financial statements (and our Independent Auditor's Report thereon) which were previously communicated in the State's Fiscal 2023 *Annual Comprehensive Financial Report*.

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 in the accompanying table.

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 accompanying Chart A on page 2.

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
<b>Total</b>	<b>\$ 1,395,533,188</b>

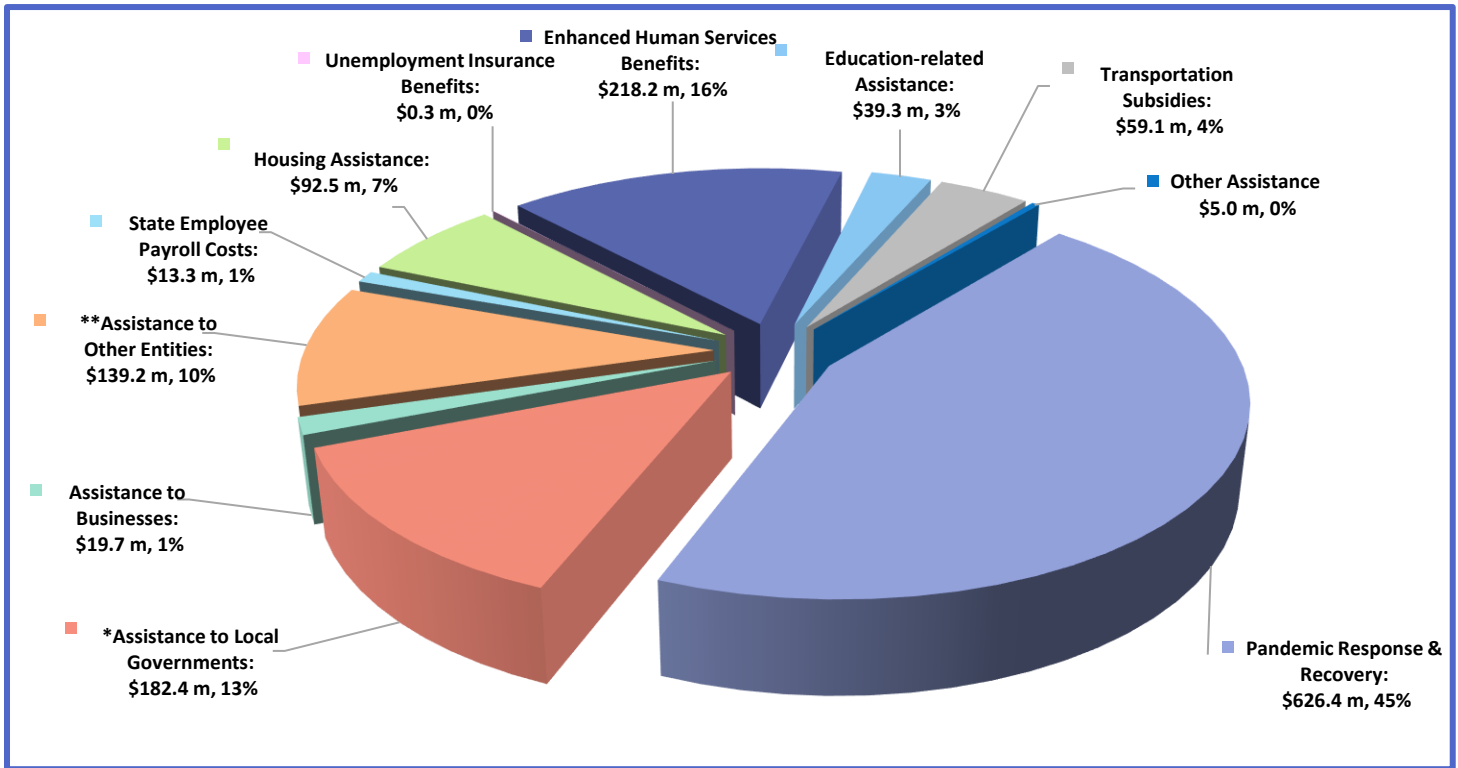
Federal assistance consists of both direct cash and noncash awards (e.g., loan and loan guarantee programs and donated food commodities). Federal assistance is received under a wide variety of approximately 500 individual programs. Many programs are jointly financed with federal and State funding. Medicaid 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 by program type in the accompanying Chart B on page 4.



Overall, the *Single Audit Report* includes 68 findings – 29 resulting from the audit of the State's financial statements and 39 related to the administration of federal programs.

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



\* \$135.7m provided for educational aid.

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

### Financial Statement Findings

Government Auditing Standards require that we communicate deficiencies in internal control over financial reporting based on our audit. We previously communicated (in a separate report released in February 2024) findings related to the State's controls over financial reporting and related compliance matters.

Those financial statement related findings are also included in the Single Audit Report as required by federal regulation. A link to that separate report, which also includes 7 management comments, (not included in the Single Audit Report) can be found below:

[http://www.oag.ri.gov/reports/2023\\_FinStmnt\\_FindingsMC.pdf](http://www.oag.ri.gov/reports/2023_FinStmnt_FindingsMC.pdf)

### Federal Program Findings

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

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

### 2023 Major Programs

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)

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The federal programs tested as major programs (see previous table on page 2) 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.

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.

**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).

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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.

### 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.

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

**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.

The report is available on the Office of the Auditor General’s website [www.oag.ri.gov](http://www.oag.ri.gov) or by calling the office at 401.222.2435.

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

