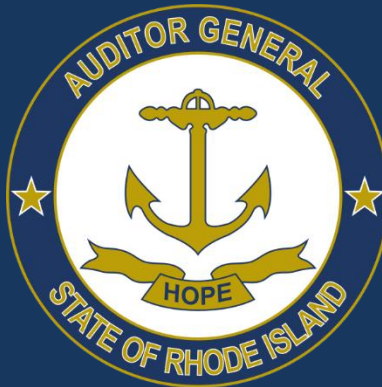


STATE OF RHODE ISLAND

SINGLE AUDIT REPORT

Fiscal Year End June 30, 2024



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, 2025

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, 2024. 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 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 economic recovery initiatives in response to the global pandemic, (2) key statistics about federal assistance received by the State over the last decade, (3) the federal programs audited in fiscal 2024 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 2024 – Single Audit Highlights

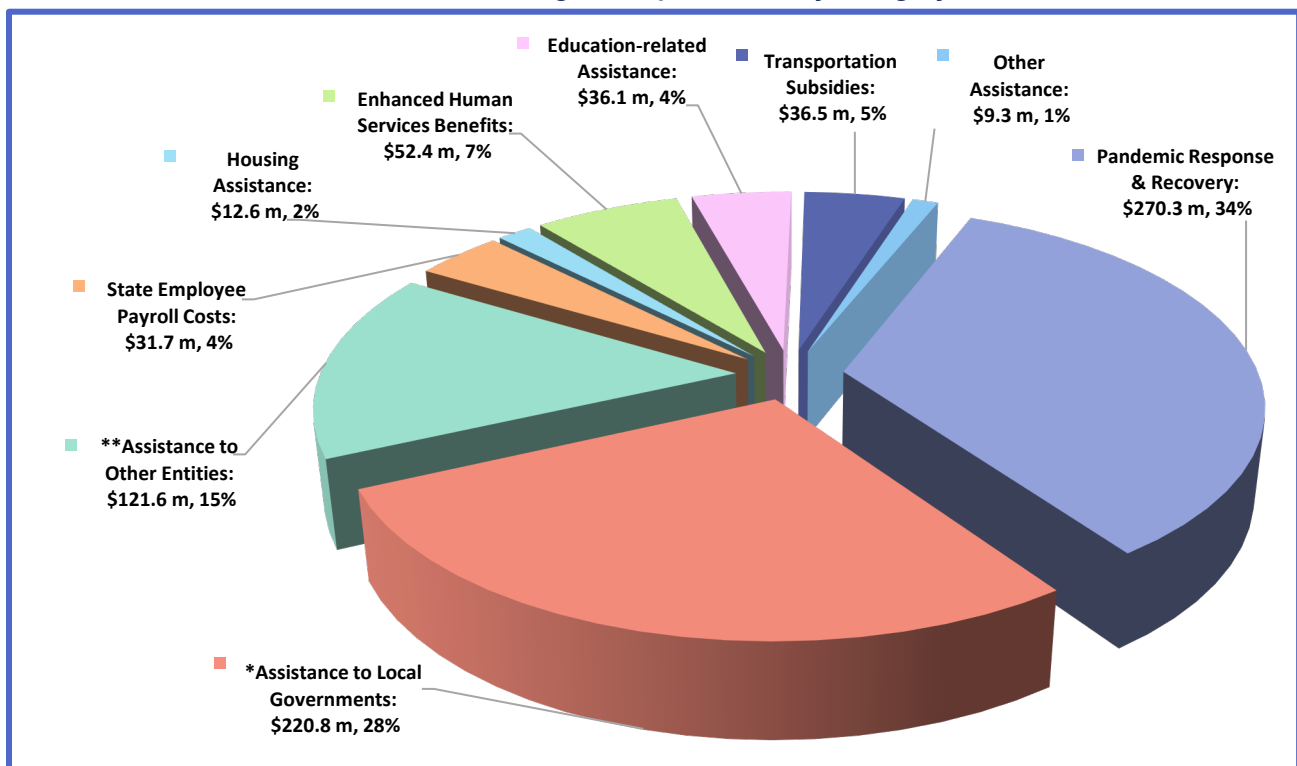
The annual Single Audit is required by federal law and regulation as a condition of continued federal assistance. The report includes the State's financial statements, a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating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

Substantial amounts of federal assistance continued to be expended in fiscal 2024. Expenditures of federal awards totaled \$6.75 billion in fiscal 2024, of which approximately \$791 million was COVID-related (compared to \$1.4 billion in fiscal 2023). Total expenditures in 2024 decreased by \$276 million from the prior year. The net decrease in pandemic related expenditures of \$604.2 million resulted as enhanced Medicaid funding, FEMA Disaster Assistance, and funding assistance for homeowners and renters expired during fiscal 2024. Pandemic assistance expenditures are expected to continue to decline through December 31, 2026, the deadline for spending State and Local Fiscal Recovery Funding. The major sources of COVID-19 related funding available during fiscal 2024 and expenditures through June 30, 2024, are detailed below:

COVID-19 related Federal Assistance:	Fiscal 2024 Expenditures
Coronavirus State and Local Fiscal Recovery Funds	\$ 281,544,001
Education Stabilization Fund	249,299,537
Disaster Grants – Public Assistance (FEMA Stafford Act)	60,357,390
Epidemiology and Laboratory Capacity for Infectious Diseases	42,078,546
Enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid	29,136,076
Federal Transit Formula Grants	25,696,669
Child Care and Development Block Grant	12,180,682
Emergency Rental Assistance Program	12,169,786
Pandemic EBT Food Benefits	9,550,758
Other COVID-19 related assistance	69,356,711
Total	\$ 791,370,156

Utilization of federal funding made available for authorized COVID-19 pandemic recovery initiatives under the State Fiscal Recovery Fund continued in fiscal 2024. Education Stabilization funding, to aid local education agencies in sustaining operations, and FEMA disaster assistance reimbursing the State, for prior year expenditures incurred while managing the public health emergency, continued to bring elevated levels of federal revenue into the State during fiscal 2024. The wide array of services to individuals and costs to support pandemic recovery efforts were reimbursed under these programs as shown in the chart below:

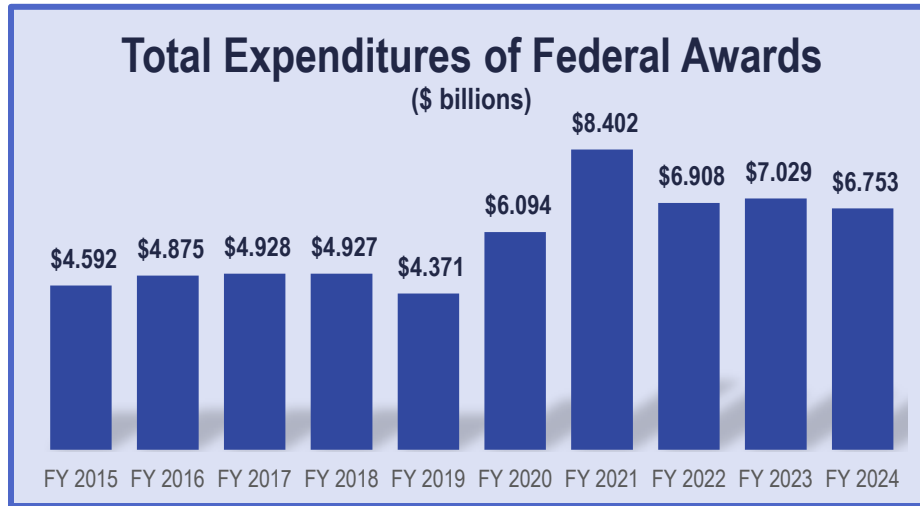
Federal COVID-Related Program Expenditures by Category (\$ in millions)



* \$211m provided for educational aid. ** \$94m provided for pandemic response / recovery.

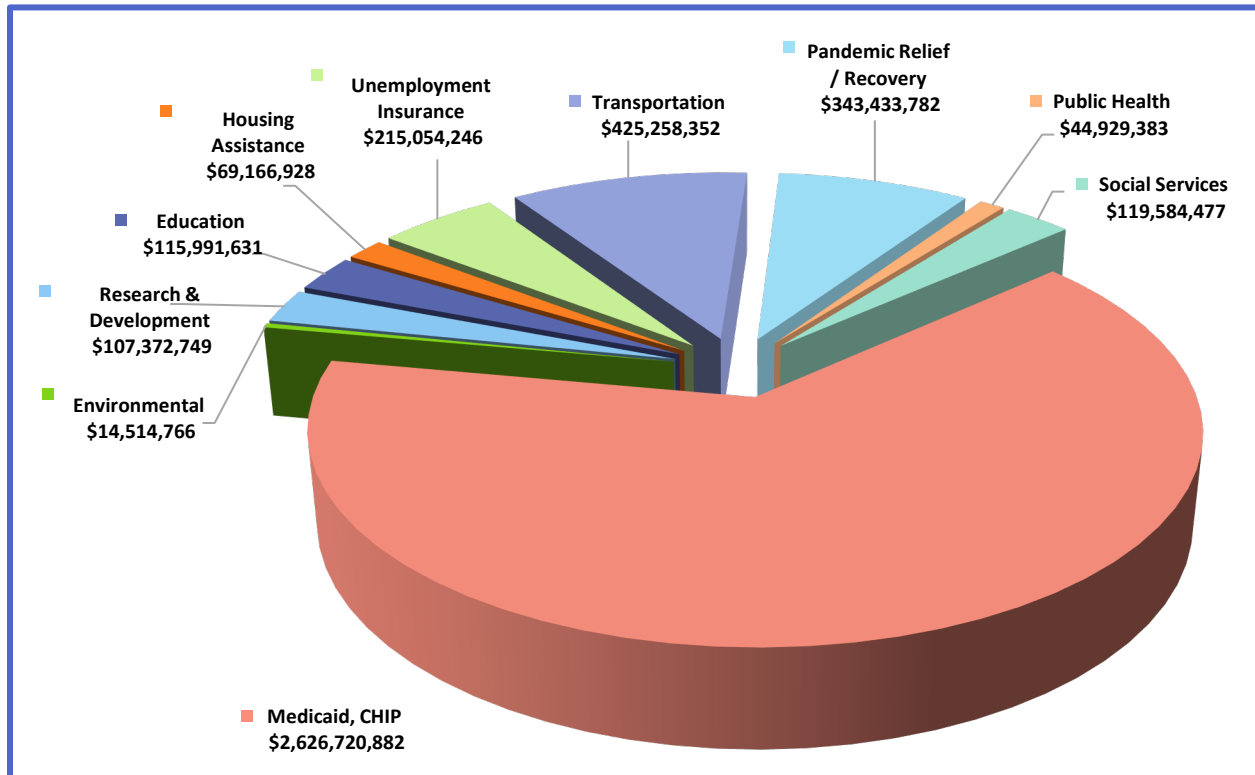
State of Rhode Island – Fiscal 2024 – Single Audit Highlights

The following graph details the changes in total expenditures of federal awards as reported in the State's *Single Audit Reports* for fiscal years 2015 to 2024. In fiscal years 2020 through 2024, the significantly higher levels of expenditure compared to the period of fiscal 2015 through 2019 are attributable to continued use of 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 more than 500 individual programs. Many programs are jointly financed with federal and State funding. Medicaid continues to be the single largest program with fiscal 2024 expenditures totaling approximately \$4.0 billion - the federal government shared \$2.5 billion of that cost. Consistent with federal guidelines, we tested 60% 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 2024 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type



State of Rhode Island – Fiscal 2024 – Single Audit Highlights

The Single Audit Report includes 70 findings as summarized in the following table.

Summary of findings included in the 2024 Single Audit Report			
	Primary government	Component units	Total
Findings related to the financial statements			
Material weaknesses in internal control	10	1	11
Significant deficiencies in internal control	13	3	16
Material noncompliance		1	1
Findings related to the administration of federal programs			
Material noncompliance / material weaknesses in internal control	6		6
Noncompliance / material weaknesses in internal control	7		7
Noncompliance / significant deficiencies in internal control	17		17
Other reportable compliance matter	1	1	2
Material weaknesses in internal control	1		1
Significant deficiencies in internal control	9		9
Total	64	6	70

Audit Findings Summary

Financial Statement Findings

Material weaknesses in internal control continue to cause material misstatements and omissions within the State's financial reporting. Audit procedures have led to the detection and correction of an excessive amount of material errors and omissions indicative of a need to improve internal controls over financial reporting, including the adoption of quality control procedures. The State needs to meet its responsibilities for financial reporting by implementing quality control procedures that significantly improve its accuracy and completeness.

Failure to record State debt and related expenditure activity, accounting errors and omissions which materially misstated General Fund operating results by \$83.6 million, and note disclosure omissions for significant commitments and contingencies are examples in support of the need for improved controls over financial reporting.

Management's responsibility for implementing and maintaining a system of internal control is foundational to ensure complete and accurate financial reporting, compliance with federal regulations, and safeguarding assets of the State. This responsibility is defined in State statutes and federal requirements. 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."

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 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, 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 activity – approximating \$4.0 billion in expenditures or approximately 40% of the State's General Fund expenditures. The State will need to ensure that the design of the next Medicaid Management

State of Rhode Island – Fiscal 2024 – Single Audit Highlights

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 accruals and year-end adjustments relating to the Medicaid program in conjunction with the State's fiscal closing.

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.

The State must continue to improve its consideration of controls over functions performed by external parties through enhanced 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.

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity, including amounts passed through to subrecipients, is accurately reported by Assistance Listing Number.

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.

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.

Controls over the identification and reporting of leases and subscription-based information technology arrangements (SBITAs) applicable to GASB Statements No. 87 and No. 96 were insufficient to ensure all applicable agreements were properly recorded.

Control deficiencies continue to result in significant misstatements in amounts reported in the Intermodal Surface Transportation Fund financial statements. Internal controls must be improved to ensure consistent and accurate financial reporting.

Controls over the identification of transportation infrastructure assets need further improvement to ensure accuracy and completeness. Controls should be improved to record the disposal of infrastructure assets when retired, replaced, or permanently impaired.

The State continues to assess its current cybersecurity readiness, including identifying risk mitigation priorities. Information systems security resources remain insufficient 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.

There are multiple products used for security information event monitoring, and not all are properly tracked within ticketing and knowledge-based systems. Consolidation of multiple product views, integration with the ticketing system and maturation of Security Orchestration, Automation, and Response (SOAR) playbooks are desperately needed.

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 2024 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, (2) test the effectiveness of those controls, and (3) assess compliance with requirements specific to each program.

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 controls that have been established to ensure compliance with federal requirements.

State of Rhode Island – Fiscal 2024 – Single Audit Highlights

2024 Major Programs

Child Nutrition Cluster
Home Investment Partnerships Program
Housing Trust Fund
Unemployment Insurance
Highway Planning and Construction
Port Infrastructure Development Program
National Infrastructure Investments
Capital Magnet Fund
Coronavirus State and Local Fiscal Recovery Funds
Drinking Water State Revolving Fund
Special Education Cluster (IDEA)
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Temporary Assistance for Needy Families
Child Care and Development Fund (CCDF) Cluster
Children's Health Insurance Program
Medicaid Cluster
Disaster Grants – Public Assistance (Presidentially Declared Disasters)
Research and Development Cluster

For fiscal 2024, the federal funds received in response to and recovery from the global pandemic continued. Funding in fiscal 2024 focused primarily on addressing the recovery needs associated with the severity and duration of the pandemic.

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) – 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.

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.

Capitation payments to MCOs represent approximately 57% of Medicaid benefit expenditures. The Executive Office of Health and Human Services (EOHHS) needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

The State should improve controls relating to the identification of third-party insurance coverage to ensure that, when appropriate, Medicaid is the payer of last resort by (a)

ensuring that third-party liability (TPL) reported in the Medicaid Management Information System (MMIS) is accurate and up to date, and (b) ensuring that MCOs are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance.

EOHHS needs to formalize and document internal control procedures to ensure local education agency (LEA) compliance with Medicaid requirements relating to the allowability of special education services.

EOHHS did not comply with 42 CFR §431.812(a) requiring the conduct of the Medicaid Eligibility Quality Control (MEQC) process to function independently from the personnel that are responsible for eligibility determination processes.

Medicaid Cluster – Operational and control deficiencies during fiscal 2024 resulted in material noncompliance with federal regulations relating to Medicaid eligibility.

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 public health emergency (PHE) regulations and policy modifications that extended into fiscal year 2024, resulted in noncompliance with federal regulations relating to CHIP eligibility.

Unemployment Insurance (UI) – Controls over the processing of unemployment insurance claims were insufficient to prevent ineligible unemployment insurance benefit payments. System controls to identify applicant noncompliance with work search requirements were also lacking.

The Department of Labor and Training's UI system does not impose penalties on overpayments due to fraud as required by federal regulations. The system also does not prohibit relief from charges to an employer's Unemployment Compensation account when the overpayment results from the employer's failure to respond timely or adequately to a request for information.

Child Nutrition Cluster and Special Education Cluster (IDEA) – Information Technology risk assessments, vendor management, oversight controls, and documentation for overall security need improvement to enhance the reliability of systems and the administration of federal funds.

Child Nutrition Cluster – Rhode Island Department of Elementary and Secondary Education (RIDE) did not ensure that three out of five School Food Authorities (SFA) submitted their written code of standards of conduct as required by federal regulations before approving their procurement.

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

State of Rhode Island – Fiscal 2024 – Single Audit Highlights

RIDE did not ensure that the SFAs with a negative balance as of June 30, 2022 performed the Paid Lunch Equity calculation to determine if the price of paid lunch for school year 2023-2024 required an increase or required an increase of non-federal contributions to the non-profit school food account.

Special Education Cluster (IDEA) – RIDE has not implemented adequate subrecipient monitoring activities to ensure compliance with federal regulations.

Highway Planning and Construction and National Infrastructure Investments – Rhode Island Department of Transportation (RIDOT) lacks policies and procedures requiring consultants to certify final indirect costs as mandated by federal regulations.

RIDOT has no documentation of Federal Highway Administration (FHWA) approved Indefinite Delivery/Indefinite Quantity procurement policies and procedures.

Port Infrastructure Development Program – Quonset Development Corporation does not have written policies and procedures in place related to federal awards, as required under the Uniform Guidance.

Coronavirus State and Local Fiscal Recovery Funds – Subrecipient monitoring procedures were insufficient to identify and remedy a finding reported by the subrecipient auditor that affected the State Fiscal Recovery Fund. Monitoring procedures were not in place to ensure adequate documentation was obtained regarding the use of payment advances.

Drinking Water State Revolving Fund and Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) – Controls are inadequate to ensure allocation of indirect costs is accurate, complete and in compliance with federal regulations.

Rhode Island Department of Health controls over time and effort reporting are lacking to ensure accurate allocations and reimbursements from federal programs.

Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) – There are insufficient controls to ensure complete and accurate program reporting requirements.

Temporary Assistance for Needy Families (TANF) – Internal controls are lacking to ensure that TANF eligibility is supported by documentation required by program regulations. Documentation deficiencies, specifically resulting in deficiencies relating to documented applicant residency, resulted in noncompliance with TANF eligibility requirements for fiscal 2024.

Internal controls are lacking to ensure that Income Eligibility Verification System requirements are supported by documentation required by program regulations. Documentation deficiencies, specifically relating to executing data exchange interfaces, resulted in noncompliance with federal requirements for fiscal 2024.

Temporary Assistance for Needy Families (TANF) and CCDF Cluster – Federal reports for both TANF and Childcare did not agree to underlying documentation. Subawards were not reported timely in accordance with federal regulations.

Invoices provided by subrecipients for both TANF and Childcare did not include all underlying documentation to support the amount requested.

Temporary Assistance for Needy Families (TANF), CCDF Cluster, Children's Health Insurance Program, 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 the MMIS.

CCDF Cluster – System controls over eligibility determinations and income validation within RIBridges require strengthening for the CCDF Cluster programs. Controls to improve the documentation of eligibility need improvement to support compliance with federal regulations.

The Department of Human Services Office of Child Care's monitoring policies and procedures are not ensuring childcare provider compliance with health and safety standards.

Disaster Grants – Public Assistance (Presidentially Declared Disasters) – Controls over project workbook submissions for reimbursement of eligible costs were not operating effectively to ensure all claimed costs were accurately documented, leading to reimbursement of unallowable costs.

Controls were not in place to ensure adequate monitoring of subrecipients throughout the fiscal year.

Controls over federal financial reporting can be enhanced to ensure submitted reports are accurate for the period activity being reported.

Statewide Cash Management – The State lacks monitoring controls over the calculation of interest due under the Cash Management Improvement Act (CMIA). Errors in the mechanical calculation of interest due were not detected by the State.

Statewide Cost Allocation Plan – Documentation of the funding mechanism for grants management services within the Statewide Cost Allocation Plan can be improved.

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.

Condensed Table of Contents

<u>Section</u>	<u>Page</u>
A. Basic Financial Statements	
Independent Auditor's Report on the Basic Financial Statements and Supplementary Schedule of Expenditures of Federal Awards.....	A-1
Management's Discussion and Analysis	A-4
Basic Financial Statements.....	A-31
Notes to Basic Financial Statements	A-50
Required Supplementary Information	A-195
B. Schedule of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards.....	B-1
Notes to the Schedule of Expenditures of Federal Awards	B-18
C. Auditor's Reports	
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 <i>Government Auditing Standards</i>	C-1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance.....	C-3
D. Schedule of Findings and Questioned Costs	
Section I – Summary of Auditor's Results	D-1
Section II – Financial Statement Findings	D-3
Section III – Federal Award Findings and Questioned Costs Table of Findings by Major Program	D-39
E. Corrective Action Plans – (Prepared by the State's Management).....	E-1
F. Summary Schedule of Prior Audit Findings – (Prepared by the State's Management)	F-1

Section A

Basic Financial Statements



Section A

Basic Financial Statements

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	A-1
MANAGEMENT’S DISCUSSION AND ANALYSIS.....	A-4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position.....	A-32
Statement of Activities	A-34
Fund Financial Statements	
Balance Sheet – Governmental Funds.....	A-35
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position.....	A-36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	A-38
Statement of Net Position – Proprietary Funds	A-39
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds	A-40
Statement of Cash Flows – Proprietary Funds	A-41
Statement of Fiduciary Net Position – Fiduciary Funds	A-43
Statement of Changes in Fiduciary Net Position – Fiduciary Funds.....	A-44
Component Unit Financial Statements	
Combining Statement of Net Position.....	A-45
Combining Statement of Activities	A-49
Notes to the Basic Financial Statements.....	A-50

Section A**Basic Financial Statements****Table of Contents (continued)**Page**REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund	A-196
Budgetary Comparison Schedule – Intermodal Surface Transportation Fund.....	A-200
Notes to the Required Supplementary Information – Budget and Actual.....	A-201
Schedule of State’s Proportionate Share of the Net Pension Liability – Employees’ Retirement System – State Employees – Governmental Activities.....	A-203
Schedule of State’s Proportionate Share of the Net Pension Liability – Employees’ Retirement System – State Employees – Business-Type Activities.....	A-204
Schedule of State’s Proportionate Share of the Net Pension Liability – Employees’ Retirement System – State Share – Teachers (Special Funding Situation)	A-205
Schedule of State Contributions – Employees’ Retirement System – State Employees – Governmental Activities	A-206
Schedule of State Contributions – Employees’ Retirement System – State Share – Teachers (Special Funding Situation)	A-207
Schedule of State Contributions – Employees’ Retirement System – State Employees – Business-Type Activities	A-208
Schedule of Changes in Net Pension Liability and Related Ratios – State Police Retirement Benefits Trust	A-210
Schedule of Changes in Net Pension Liability and Related Ratios – Judicial Retirement Benefits Trust	A-211
Schedule of Changes in Net Pension Liability and Related Ratios – RI Judicial Retirement Fund Trust.....	A-212
Schedule of Changes in Net Pension Liability and Related Ratios – State Police Retirement Fund Trust.....	A-213
Schedule of State Contributions – State Police Retirement Benefits Trust.....	A-214
Schedule of State Contributions – Judicial Retirement Benefits Trust	A-215
Schedule of State Contributions – RI Judicial Retirement Fund Trust	A-216
Schedule of State Contributions – State Police Retirement Fund Trust.....	A-217
Schedule of Changes in Total Pension Liability – Judicial Non-Contributory Retirement Plan	A-219
Notes to the Required Supplementary Information – Pensions.....	A-220
Schedules of State’s Proportionate Share of the Net OPEB Liability – State Employees – Governmental Activities	A-224
Schedules of State’s Proportionate Share of the Net OPEB Liability – State Employees – Business-Type Activities	A-225

Section A

Basic Financial Statements

Table of Contents (continued)

Page

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Schedules of State's Proportionate Share of the Board of Education Plan Net	
OPEB Liability	A-226
Schedule of State Contributions – State Employees – Governmental Activities	A-227
Schedule of State Contributions – State Employees – Business-Type Activities	A-228
Schedule of State Contributions to Board of Education Plan.....	A-229
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Teachers Plan	A-231
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Judges Plan	A-232
Schedule of Changes in Net OPEB Liability and Related Ratios – State Police Plan	A-233
Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios –	
Legislators Plan	A-234
Schedule of State Contributions – Teachers Plan.....	A-235
Schedule of State Contributions – Judges Plan.....	A-236
Schedule of State Contributions – State Police Plan	A-237
Schedule of State Contributions – Legislators Plan	A-238
Notes to Required Supplemental Information – Other Postemployment Benefits.....	A-239



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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 Audit of the Financial Statements

Opinions

We have audited 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 (State), as of and for the year ended June 30, 2024, 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, and the opinions of other auditors, the accompanying 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, 2024, 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 1% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 23% of the assets and deferred outflows and less than 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool, an investment trust fund, and the HealthSource RI Trust, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 21% 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.

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 (*Government Auditing Standards*). 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.

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.

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.

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly

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

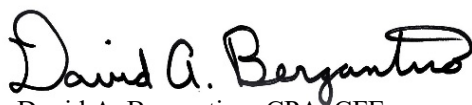
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedules, and information about the State's Pension and Other Postemployment Benefit Plans, comprising the required supplementary information as listed 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), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis 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 statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. 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 March 21, 2025 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, and 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
March 21, 2025

Management's Discussion and Analysis



State of Rhode Island

Fiscal Year Ended
June 30, 2024



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, 2024. 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, 2024 by \$3.8 billion. This amount is presented as "net position" on the Statement of Net Position for the Total Primary Government. Of the Net Position amount of \$3.8 billion, \$2.5 billion was reported as restricted net position, \$5.1 billion as net investment in capital assets, and \$3.8 billion was reported as a deficit unrestricted net position.
- **Changes in Net Position:** The net increase to the primary government net position of \$690.5 million, was attributable to an increase in governmental activities of \$593.5 million and an increase to net position of \$97.0 million during the fiscal year for business-type activities. The increase to governmental activities resulted from revenue and transfers exceeding expenses during fiscal 2024. A significant amount of this excess represented investments in capital assets, mostly infrastructure, which will be depreciated over the useful lives of the underlying assets. The increase to the business-type activities was primarily due to the Employment Security Fund operating at a \$69.3 million surplus during the fiscal year ended June 30, 2024.

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 \$3.3 billion. This is an increase of \$122.0 million compared with the previous fiscal year.
- As of June 30, 2024, the General Fund reported an ending fund balance of \$1.16 billion, a decrease of \$31.7 million (3%) as compared to the prior year fund balance.
- Total General Fund expenditures were \$302.7 million greater than prior fiscal year due to greater spending across several categories the most significant of which are discussed below.
 - The year-over-year increase of \$144.1 million in Education includes \$44.4 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 \$62.9 million for education aid to local school districts and \$13.8 million for multilingual learner expenditures.
 - The year-over-year increase of \$10.9 million in public safety expenditures is driven by \$9.1 million in additional spending by the Department of Public Safety, including for State Police operations and Security Services, a \$7.4 million increase in expenditures by the Judiciary, \$5.8 million additional expenditures by the Military Staff, a \$1.0 million increase for the Office of the Public Defender, and \$3.9 million increase by the Office of Attorney General, offset by \$17.2 million decrease by the Emergency Management Agency.

- The year-over-year increase of \$339.5 million in Health and Human Services function is primarily attributable to increased expenditures in the Medical Assistance (Medicaid) program in the Executive Office of Health and Human Services.

Proprietary Funds

- Rhode Island Lottery transferred \$426.4 million to the General Fund to support general revenue expenditures during the fiscal year, a decrease of \$8.2 million in comparison with the previous fiscal year.
- The Employment Security Fund ended the fiscal year with a net position of \$609.2 million, an increase of \$69.3 million from the prior fiscal year. Driving this increase were employer premiums received totaling \$253.7 million. This increase was offset by unemployment benefits processed of \$205.7 million, an increase of approximately \$51.0 million from fiscal year 2023.
- The Rhode Island Convention Center Authority (the Authority) ended the fiscal year with a net position of \$39.2 million. This was an increase of \$27.0 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 \$41.5 million, which were comprised of \$24.9 million from the General Fund for debt service and operations and \$16.6 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

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 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 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, the focus of the governmental fund financial statements is near-term inflows and outflows of spendable resources, as well as, spendable resources available at the end of the fiscal year. This information helps determine whether there are more or less 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.

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. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. 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. 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.

Internal service funds report activities that provide supplies and services for the State's other programs and activities. 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.

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 1B.

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 discretely presented component units 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 Intermodal 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 \$3.8 billion at the end of fiscal year 2024, compared to a net position of \$3.1 billion for the prior fiscal year. Governmental activities reported a unrestricted deficit net position of \$3.8 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, 2024 and 2023
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Current and other assets	\$ 5,342,719	\$ 5,431,879	\$ 755,127	\$ 660,933	\$ 6,097,846	\$ 6,092,812
Capital assets	5,732,701	5,447,549	145,400	142,357	5,878,101	5,589,906
Total assets	11,075,420	10,879,428	900,527	803,290	11,975,947	11,682,718
Deferred outflows of resources	582,043	575,751	5,138	6,564	587,181	582,315
Current liabilities	2,135,006	2,349,169	84,155	71,610	2,219,161	2,420,779
Long-term liabilities outstanding	6,055,272	6,284,550	164,304	175,369	6,219,576	6,459,919
Total liabilities	8,190,278	8,633,719	248,459	246,979	8,438,737	8,880,698
Deferred inflows of resources	339,774	287,558	26,667	29,345	366,441	316,903
Net position (deficit):						
Net investment in capital assets	5,057,342	4,771,719	29,674	2,612	5,087,016	4,774,331
Restricted	1,860,153	1,859,053	614,174	544,732	2,474,327	2,403,785
Unrestricted	(3,790,084)	(4,096,870)	(13,309)	(13,814)	(3,803,393)	(4,110,684)
Total net position (deficit)	<u>\$ 3,127,411</u>	<u>\$ 2,533,902</u>	<u>\$ 630,539</u>	<u>\$ 533,530</u>	<u>\$ 3,757,950</u>	<u>\$ 3,067,432</u>

As indicated above, the State reported a deficit balance in unrestricted net position of \$3.8 billion as of June 30, 2024. 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, 2024, the net pension liability related to governmental activities was \$3.0 billion and the net pension liability related to business-type activities was \$17.8 million. In addition, the net OPEB liability related to governmental activities was \$189.0 million and the net OPEB liability related to business-type activities was \$1.9 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 things 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;
- Municipal School construction projects funded through Rhode Island Health and Educational Building Corporation (RIHEBC); and
- Affordable housing opportunities and development as well as revitalization of urban areas.

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, 2024, approximately \$497.2 million of principal and \$184.3 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, 2024, approximately \$36.6 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, 2024, approximately \$61.3 million of net obligations are outstanding.
- *State Appropriation-Backed Revenue Bonds* - Proceeds from this debt are dedicated to the construction of a new high school for the City of Central Falls (City). The high school will be owned by the City and reported as a capital asset in their financial statements. As of June 30, 2024, approximately \$89.6 million in debt remains outstanding for these bonds.

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 \$593.5 million for fiscal year 2024.

Total revenues and transfers totaled \$11.4 billion, a net decrease of \$251.0 million compared to fiscal 2023. This decrease was largely attributable to decreases in operating and capital grants, mostly in federal assistance, totaling \$559.9 million offset by increases in taxes and net transfers totaling \$174.0 million and \$101.2 million, respectively. Increases in tax revenue were largely attributable to general business and sales and use taxes.

The State's expenses, which cover a wide range of services, had an increase of \$406.1 million. The expense increase was driven by \$2.4 billion of expenses in Education activities, an increase of \$150.6 million compared to prior fiscal year, and \$5.6 billion expenses in Human Services, an increase of \$305.1 million compared to prior fiscal year. Offsetting this change was a decrease of \$132.9 million in General Government expenses, respectively.

The increase to Education expenses of \$150.6 million is primarily driven by General Fund expenditures due to \$44.4 million of ESSER funding, \$62.9 million in additional funding for education aid to local school districts and state schools via education aid funding formula, and \$13.8 million for multilingual learner expenditures.

The increase in Health and Human Services expenses of \$305.1 million is attributable to increased expenditures in the Medical Assistance (Medicaid) program.

The General Government expenses had a decrease of \$132.9 million during fiscal year 2024 compared to the previous fiscal year. The decrease is largely attributed to reductions in the State's Fiscal Recovery Fund expense in fiscal year 2024.

Business-Type Activities

- The Employment Security Fund net position increased year over year. Employer premiums of \$253.7 million was the significant driver of this increase. Offsetting these increases were benefits paid from the fund totaling \$205.7 million, an increase of approximately \$51.0 million from prior fiscal year.
- The RI Lottery's transfer to the General Fund of \$426.4 million is a decrease of \$8.2 million compared to prior fiscal year. There was a revenue decline in Video Lottery, instant tickets, sports betting and table game activities that were offset by growth in drawing games sales and a partial year of iGaming revenues from online slots and table games, which commenced in March 2024.

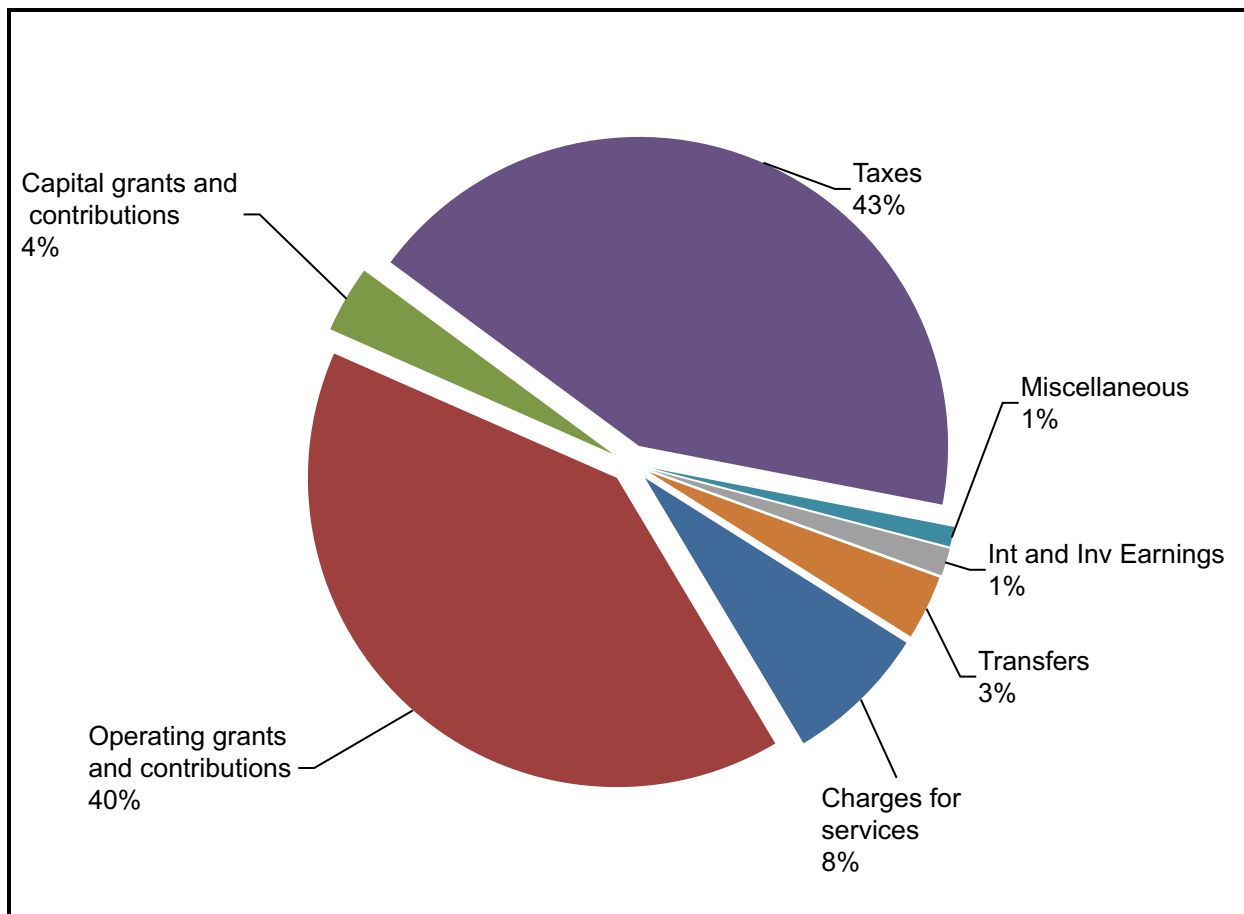
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island Changes in Net Position
For the Fiscal Years Ended June 30, 2024 and 2023
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Revenues:						
Program revenues:						
Charges for services	\$ 851,813	\$ 885,186	\$ 1,933,247	\$ 1,774,834	\$ 2,785,060	\$ 2,660,020
Operating grants and contributions	4,562,473	5,104,997	1,455	19	4,563,928	5,105,016
Capital grants and contributions	399,490	416,903	—	—	399,490	416,903
General revenues:						
Taxes	4,874,324	4,700,350	—	—	4,874,324	4,700,350
Interest and investment earnings	165,103	113,869	5,535	3,592	170,638	117,461
Miscellaneous	118,866	102,907	15,311	10,386	134,177	113,293
Gain on sale of capital assets	—	—	—	—	—	—
Total revenues	<u>10,972,069</u>	<u>11,324,212</u>	<u>1,955,548</u>	<u>1,788,831</u>	<u>12,927,617</u>	<u>13,113,043</u>
Program expenses:						
General government	1,369,932	1,502,761	—	—	1,369,932	1,502,761
Health and human services	5,648,268	5,343,135	—	—	5,648,268	5,343,135
Education	2,396,887	2,246,321	—	—	2,396,887	2,246,321
Public safety	668,253	644,170	—	—	668,253	644,170
Natural resources	116,723	141,230	—	—	116,723	141,230
Transportation	459,964	395,122	—	—	459,964	395,122
Interest and other charges	103,462	84,676	—	—	103,462	84,676
Lottery	—	—	1,215,120	1,062,933	1,215,120	1,062,933
Convention Center	—	—	52,789	54,366	52,789	54,366
Employment Security	—	—	205,701	154,740	205,701	154,740
Total expenses	<u>10,763,489</u>	<u>10,357,415</u>	<u>1,473,610</u>	<u>1,272,039</u>	<u>12,237,099</u>	<u>11,629,454</u>
Excess (deficiency) before transfers	208,580	966,797	481,938	516,792	690,518	1,483,589
Transfers (net)	384,929	283,740	(384,929)	(283,740)	—	—
Change in net position	593,509	1,250,537	97,009	233,052	690,518	1,483,589
Net position (deficit) - Beginning	2,533,902	1,283,365	533,530	300,478	3,067,432	1,583,843
Cumulative effect of prior period adjustments	—	—	—	—	—	—
Net position (deficit) - Beginning, as restated	2,533,902	1,283,365	533,530	300,478	3,067,432	1,583,843
Net position (deficit) - Ending	<u>\$ 3,127,411</u>	<u>\$ 2,533,902</u>	<u>\$ 630,539</u>	<u>\$ 533,530</u>	<u>\$ 3,757,950</u>	<u>\$ 3,067,432</u>

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2024.

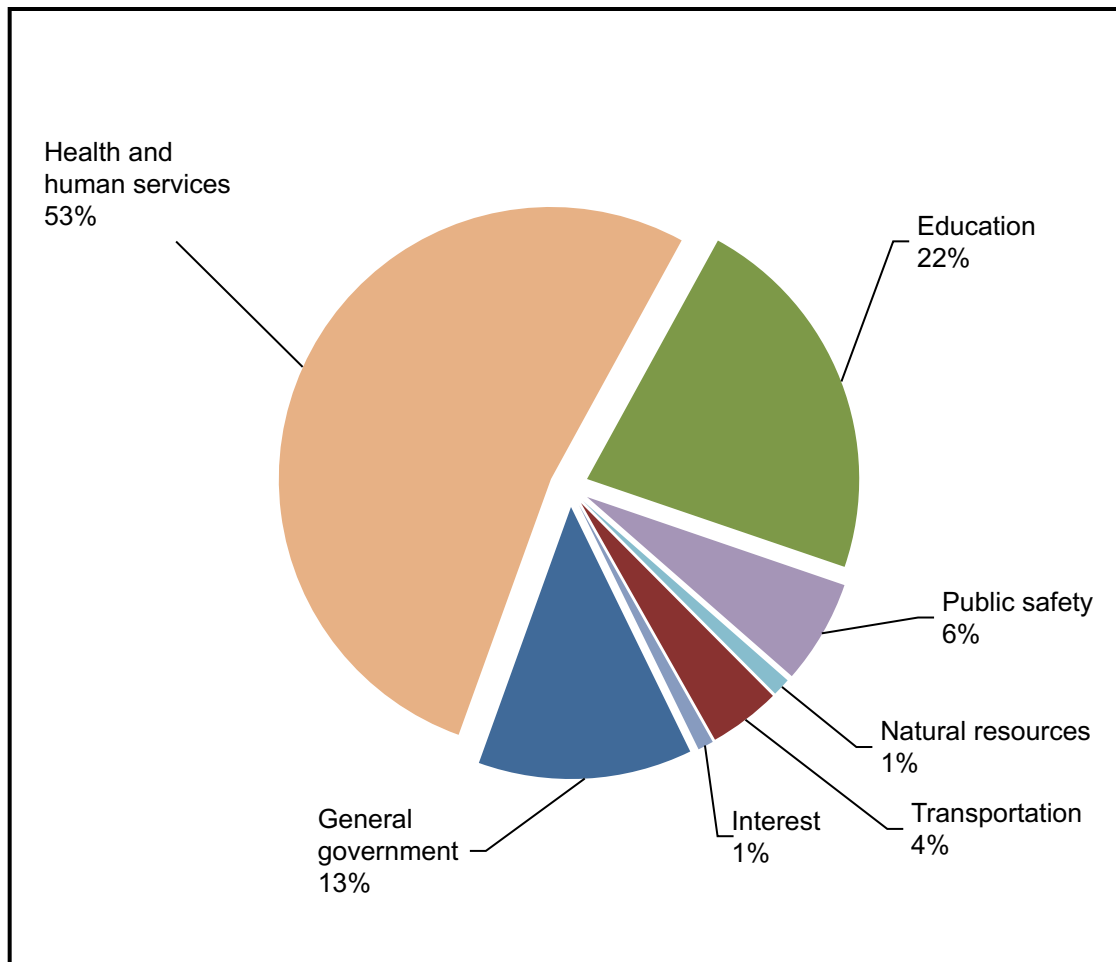
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent during fiscal 2024 versus the prior fiscal year. Taxes represent the largest sources of revenue at 43% of the total followed by Operational grants and contributions at 40%.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2024.

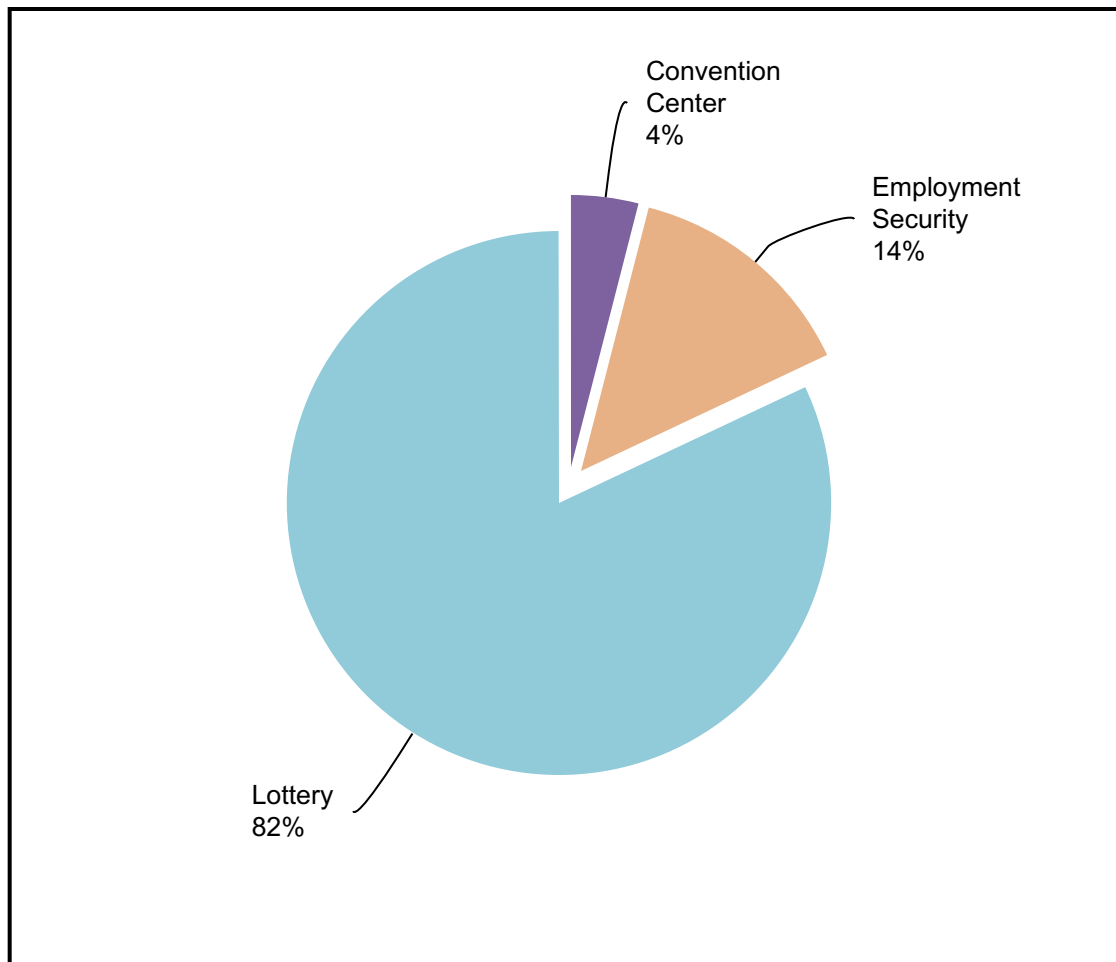
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal year 2024 as for the prior fiscal year.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2024.

Chart 3 - Program Expenses - Business Type Activities



Unemployment benefits in the Employment Security Fund increased by \$51.0 million or 33% compared to fiscal 2023. Lottery expenses, consisting mostly of prize awards and commissions, increased by \$152.5 million or 12.5% over the prior year. Expenses to operate the Convention Center Authority decreased slightly over fiscal year 2023.

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 \$3.3 billion, an increase of \$122.0 million from prior fiscal year. A breakdown of the components follows (expressed in thousands):

	2024	2023	2024 vs 2023 Change	Percent
Governmental Funds				
Nonspendable	\$ 164,852	\$ 194,803	\$ (29,951)	(15.4)%
Restricted	2,357,270	2,291,918	65,352	2.9 %
Unrestricted				
Committed	208,590	148,402	60,188	40.6 %
Assigned	318,765	416,913	(98,148)	(23.5)%
Unassigned	251,086	126,497	124,589	98.5 %
Total	<u>\$ 3,300,563</u>	<u>\$ 3,178,533</u>	<u>\$ 122,030</u>	3.8 %

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

- *Nonspendable 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 decrease of \$30.0 million results from a reduction in the prepayment of Medicaid Capitation payments at June 30th for July health coverage for individuals enrolled in managed care.
- *Restricted* - net increase of \$65.4 million is primarily related to the fund balance increase resulting from the proceeds from the issuance of State-appropriation backed revenue bonds totaling \$99.2 million at June 30, 2024 being held for the construction of a new high school in the City of Central Falls. Restricted fund balance also experienced a net increase in the bond capital fund from the issuance of General Obligation bonds in fiscal 2024. These increases were offset by RICAP spending on capital projects that reduced fund balance by approximately \$60.2 million.
- *Committed* - net increase of \$60.2 million is primarily attributable to an increase in the RI Highway Maintenance Account within the Intermodal Surface Transportation Fund as revenue significantly exceeded maintenance expenditures funded by the account during fiscal year 2024.
- *Assigned* - net decrease of \$98.1 million primarily resulted from the decrease in the amount of assigned fund balance allocated to fund subsequent year's budget.
- *Unassigned* - net increase of \$124.6 million. The unassigned balance is comprised of the undesignated fund balance, an increase of \$33.7 million, and the Budget Reserve and Supplemental Budget Reserve amounts, which had increases of \$20.8 million and \$70.1 million, respectively.

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):

	2024	2023	2024 vs 2023 Change	Percent
Nonspendable	\$ 164,678	\$ 194,629	\$ (29,951)	(15.4)%
Restricted	386,773	435,780	(49,007)	(11.2)%
Unrestricted				
Committed	41,188	20,381	20,807	102.1 %
Assigned	317,639	415,828	(98,189)	(23.6)%
Unassigned	251,183	126,573	124,610	98.4 %
Total	<u>\$ 1,161,461</u>	<u>\$ 1,193,191</u>	<u>\$ (31,730)</u>	(2.7)%

Revenues and other sources of the General Fund totaled \$10.4 billion in fiscal year 2024, a decrease of \$225.2 million, (2.1)%, as compared to the previous year. The revenues from various sources and the change from the previous year are shown in the following table (expressed in thousands):

	2024	2023	Increase (decrease) from 2023	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,815,219	\$ 1,810,486	\$ 4,733	0.3 %
Sales and use	1,775,545	1,721,748	53,797	3.1 %
General business	711,243	600,393	110,850	18.5 %
Other	66,239	99,410	(33,171)	(33.4)%
Subtotal	4,368,246	4,232,037	136,209	3.2 %
Federal grants	4,513,493	5,023,852	(510,359)	(10.2)%
Restricted revenues	391,363	327,533	63,830	19.5 %
Licenses, fines, sales, and services	454,190	413,645	40,545	9.8 %
Other revenues	150,179	117,481	32,698	27.8 %
Subtotal	5,509,225	5,882,511	(373,286)	(6.3)%
Total revenues	9,877,471	10,114,548	(237,077)	(2.3)%
Other sources				
Proceeds from forward delivery bond agreement	—	5,900	(5,900)	(100.0)%
Lease Financing	7,877	—	7,877	100.0 %
Subscription-based IT financing	9,147	976	8,171	837.2 %
Transfer from Lottery	426,420	434,667	(8,247)	(1.9)%
Other transfers	86,006	75,988	10,018	13.2 %
Total revenues and other sources	\$ 10,406,921	\$ 10,632,079	\$ (225,158)	(2.1)%

Significant Drivers of Revenue

The State's unemployment rate rose to 3.6% during fiscal year 2024, according to Moody's Analytics, up 0.7 percentage points from the 2.9% rate realized during fiscal year 2023. Nominal personal income growth increased to 5.6% during fiscal year 2024 from 5.0% growth for fiscal year 2023. The forecast produced by Moody's Analytics and adopted as the Consensus Economic Forecast at the November 2024 Revenue Estimating Conference projects a return to annual personal income growth in the range of 3.9% to 4.5% for the next five fiscal years, which is slightly above pre-pandemic historical averages.

Despite relatively strong personal income growth, however, the State saw a very modest 0.3% increase in personal income tax collections for fiscal year 2024. Fiscal year 2024 personal income taxes increased by \$4.7 million from fiscal year 2023 levels. Personal income tax withholding payments rose by 4.2% compared to fiscal year 2023.

Interpreting the other components of personal income tax requires additional context due to the delayed tax filing deadline for tax year 2023. When a federal disaster declaration required the IRS to push back the federal filing deadline to July 15, 2024, for certain Rhode Island counties, the Rhode Island Division of Taxation followed suit, broadening the automatic extension to all filers for purposes of state taxes. As a result, and according to estimates provided by the Division of Taxation to the November 2024 Revenue Estimating Conference, approximately \$37.3 million in tax year 2023 personal income tax payments that would have normally been received in fiscal year 2024 were received in July after the turn of the fiscal year. The result is suppression of certain personal income tax components—predominantly final payments—and a large positive net accrual of \$39.2 million in fiscal year 2024.

Additionally, fiscal year 2024 saw a 17.7%, or \$47.3 million, decline in personal income tax estimated payments from the previous year. Most of this is attributed to a change in how payments from certain pass through entities are recognized resulting in an estimated \$40.0 million that would have been posted

to personal income tax estimated payments previously, now recognized as business corporations tax in fiscal year 2024 and forward. The remaining decline in estimated payments not explained by the pass-through form shift are offset by a 1.7%, or \$8.5 million, decrease in personal income tax refunds paid.

General sales and excise tax revenues posted an increase of 3.1% for fiscal year 2024 compared to fiscal year 2023. This growth has increased slightly from the 2.2% increase observed for fiscal 2023 over 2022. The largest component in this block of revenues is sales and use tax, which saw a 4.5% increase in fiscal year 2024, closely aligning with projected consumer spending increase of 4.1% for the fiscal year. Cigarette and other tobacco product taxes declined 10.7% in fiscal year 2024, which is similar to the 10.8% decline in fiscal year 2023. This structural decline is the result of a long-term decline in smoking rates. Finally, alcoholic beverages taxes were down 7.5% in fiscal year 2024, as alcohol sales appear to be returning to pre-pandemic average levels.

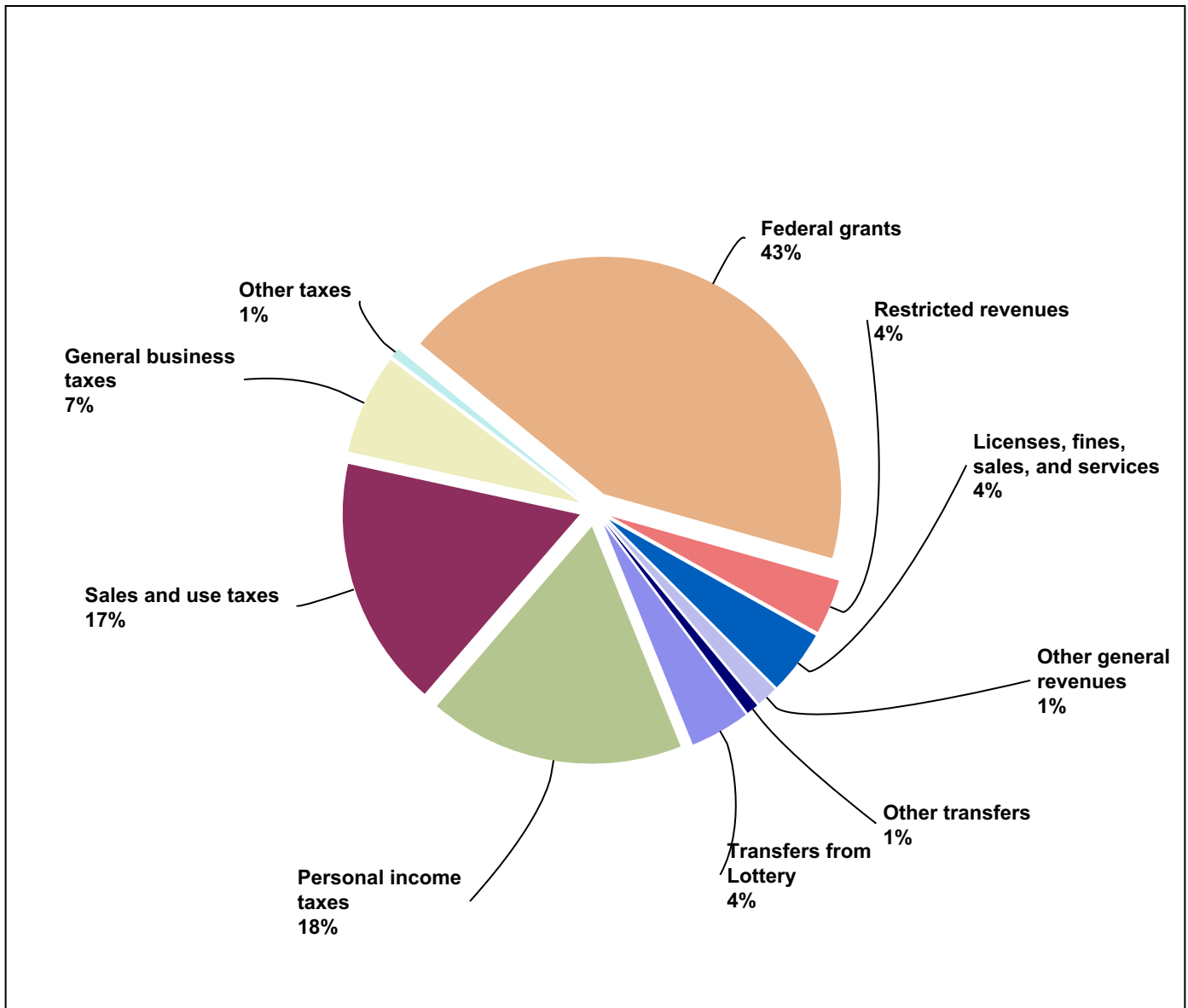
General business tax revenues grew by 18.5% for fiscal year 2024, driven largely by the increase in business corporations taxes related to the pass through form shift noted above. However, the year also saw strong performance across most other business taxes. This includes 50.6% growth in financial institutions taxes, which is driven in part by enrollment changes in the Jobs Development Act tax incentive program. It also includes 16.7% growth in receipts from gross premiums taxes on insurance companies and a 19.4% increase in taxes on deposits in certain banks not subject to the financial institutions tax. Finally, there was a 22.8% decline in public service corporations taxes in fiscal year 2024, driven entirely by the temporary suspension of the tax on electricity and natural gas utilities enacted in the fiscal year 2024 budget.

Other taxes decreased by 33.4% from fiscal year 2023. The largest driver of this decline was the estate tax with collections in fiscal year 2023 driven by several large payments. The decline in other taxes also includes a 4.7% decrease in realty conveyance taxes, which is a continued decline from the cooling housing market that had seen very strong growth in the first years of the pandemic.

For fiscal 2024, the decrease of 1.9% in the Lottery's 2024 transfers to the general fund as compared to fiscal 2023 largely resulted from revenue decreases experienced by video lottery, table games, and sportsbook. Revenue increases experienced by Powerball and the launch of iGaming served to offset the full impact of those declines in fiscal 2024.

Chart 4 illustrates the fiscal year 2024 General Fund Revenue and transfers.

Chart 4 - Revenues and Other Sources - General Fund



Expenditures and transfers out totaled \$10.4 billion during fiscal year 2024, an increase of \$16.0 million, or 0.2%, 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):

	2024	2023	Increase (decrease) from 2023	
			Amount	Percent
General government	\$ 1,033,841	\$ 1,241,092	\$ (207,251)	(16.70)%
Health and human services	5,691,998	5,352,501	339,497	6.34 %
Education	2,327,796	2,183,718	144,078	6.60 %
Public safety	712,176	701,231	10,945	1.56 %
Natural resources	103,586	125,842	(22,256)	(17.69)%
Debt Service:				
Principal	191,988	162,860	29,128	17.89 %
Interest	69,969	61,425	8,544	13.91 %
Total expenditures	10,131,354	9,828,669	302,685	3.08 %
Transfers out	307,297	593,936	(286,639)	(48.26)%
Total expenditures and transfers out	<u>\$ 10,438,651</u>	<u>\$ 10,422,605</u>	<u>\$ 16,046</u>	0.15 %

Significant Drivers of Expenditures

The year-over-year decrease of approximately \$207.3 million to the General Government function is largely attributed to reductions in the State's Fiscal Recovery Fund expense in fiscal year 2024.

The year-over-year increase of \$339.5 million in health and human services functions spending is primarily attributable to increased expenditures in the medical assistance (Medicaid) program in the Executive Office of Health and Human Services.

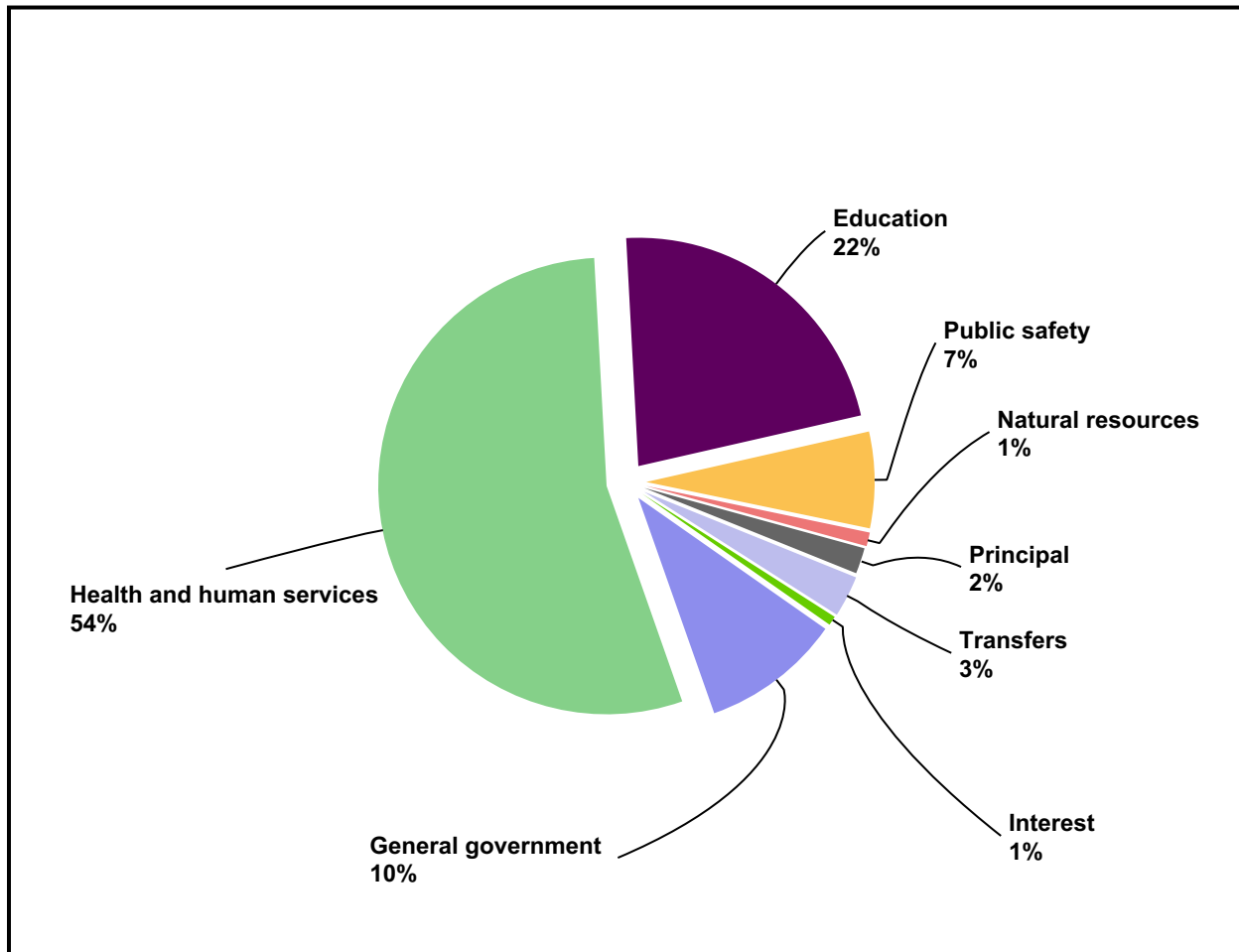
The year-over-year increase to the Education function expenditures of \$144.1 million is primarily the result of \$62.9 million in additional funding for education aid to local school districts and state schools via the education aid funding formula; \$44.4 million more in additional funding from American 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; and \$13.8 million for multilingual learner expenditures.

The year-over-year increase of \$10.9 million in public safety expenditures is driven by \$9.1 million in additional spending by the Department of Public Safety, including for State Police operations and Security Services, a \$7.4 million increase in expenditures by the judiciary, \$5.8 million additional expenditures by the Military Staff, a \$1.0 million increase for the Office of the Public Defender, and a \$3.9 million increase by the Office of Attorney General, offset by a \$17.2 million decrease by the Emergency Management Agency.

A significant portion of the year-over-year decrease to the Natural Resources function expenditures of \$22.3 million is attributable to a \$28.5 million decrease in transfers to the Rhode Island Infrastructure Bank to finance the state match for federal clean and drinking water programs.

Chart 5 depicts the General Fund expenditures and other uses for fiscal year 2024.

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):

			Increase (decrease) from 2023	
	2024	2023	Change	Percent
Restricted	\$ 158,190	\$ 202,443	\$ (44,253)	(21.86)%
Unrestricted				
Committed	167,186	127,819	39,367	30.80 %
Assigned	744	695	49	7.05 %
Total	<u>\$ 326,120</u>	<u>\$ 330,957</u>	<u>\$ (4,837)</u>	(1.46)%

The net increase of \$39.4 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 FY24, RI Highway Maintenance Account revenue is being collected at a quicker rate than

expended 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 RICAP Fund to be used for capital projects.

At the issuance of these financial statements, the enacted fiscal year 2025 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.

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, 2024

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,853,900	\$ 1,785,200	\$ 1,819,193	\$ 33,993
General business	613,100	701,600	716,974	15,374
Sales and use	1,776,700	1,782,700	1,775,545	(7,155)
Other taxes	57,900	58,900	66,239	7,339
Departmental revenue	531,100	551,800	552,303	503
Other sources:				
Lottery transfer	436,800	428,800	426,420	(2,380)
Unclaimed property	18,700	24,900	23,591	(1,309)
Miscellaneous	30,200	39,963	38,438	(1,525)
Non-Budgeted proceeds from forward delivery bond agreement	—	—	—	—
Total revenues and other sources	5,318,400	5,373,863	5,418,703	44,840
Expenditures and other uses:				
General government	917,828	894,237	843,172	(51,065)
Health and Human services	2,038,437	1,983,956	1,965,773	(18,183)
Education	1,806,548	1,812,058	1,808,274	(3,784)
Public safety	600,252	583,263	560,104	(23,159)
Natural resources	62,075	61,409	58,789	(2,620)
Total expenditures and other uses	5,425,140	5,334,923	5,236,112	(98,811)
Excess of revenues and other sources over expenditures and other uses	\$ (106,740)	\$ 38,940	\$ 182,591	\$ 143,651

*See Notes on the General Fund Budgetary Comparison Schedule

The increase in tax collections, Lottery transfers, unclaimed property, and miscellaneous revenue, led to a substantial increase of \$55.5 million between the original budget and the final budget. Meanwhile, general revenue appropriations decreased by \$90.2 million from the original budget.

The majority of the revenue variance noted in the table above is related to personal income tax and general business taxes. A significant portion of this variance in personal income taxes can be explained by the delayed filing deadline (see "Significant Drivers of Revenue" above). The May 2024 Revenue Estimating Conference, which adopted the final revenue estimates for the fiscal year 2025 budget, made estimates based on year-to-date receipts through April, with limited information about how much tax year 2023 revenue to expect in May through July due to the filing extension.

In general business taxes, the majority of the \$15.4 million positive variance between actual and final budget estimates is in insurance companies gross premiums taxes. This is attributable to an accounting change that accrues back reimbursements to the General Fund from the Rebuild Rhode Island tax credit fund to the fiscal year in which the credits were redeemed.

The positive general revenue expenditure variance for the General Government function of approximately \$51.1 million was primarily due to less than enacted expenditures occurring in the Department of Housing of \$27.2 million, the General Assembly of \$9.4 million, and the Department of Administration of \$5.2 million. The positive expenditure variance of \$27.2 million by the Department of Housing is primarily attributable to surpluses of \$28.0 million occurring in the State's low income housing tax credit program.

The positive expenditure variance of \$5.2 million by the Department of Administration is primarily attributable to surpluses occurring for central management operations of \$2.6 million. The remaining positive variance is attributable to operating surplus across multiple agencies in the General Government function.

The positive variance of \$18.2 million in the Health and Human Services function is primarily attributable to a positive variance of \$15.7 million and \$7.8 million experienced at the Department of Human Services and the Executive Office of Health and Human Services, respectively. This surplus reflects lower expenditures of \$8.3 million for the Retail Supplemental Nutritional Assistance (SNAP) Incentives Pilot program, \$5.2 million individual and family support program operations and \$1.5 million for Health Care Eligibility operations.

The positive variance in the EOHHS was primarily attributable to lower expenditures of \$6.7 million occurring for Medicaid benefits under the Rhody Health Partners and general medical assistance.

The positive variance to the Education function of approximately \$3.8 million is driven by a surplus of \$2.8 million in the Department of Elementary and Secondary Education. Approximately \$1.0 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 \$1.2 million is evidenced in the Teacher Retirement program, which finances 42.5% of the employer cost of annual retirement contributions for public school teachers enrolled in the Employees’ Retirement System of Rhode Island (ERSRI).

The positive expenditure variance of \$23.2 million in the public safety function is mostly attributable to \$12.3 million of savings that occurred in the Department of Corrections, including positive variances in the Custody and Security, Institutional Based Rehabilitation/Population Management, Healthcare Services, and Central Management; \$5.8 million in the Department of Public Safety, including the State Police and Security Services programs; and \$3.9 million attributable to the Judiciary, including savings within the Superior, Supreme, and Family Courts.

Capital Assets and Debt Administration

Capital Assets

The State investment in capital assets for its governmental and business-type activities as of June 30, 2024 amounts to \$5.9 billion, net of accumulated depreciation of \$4.8 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 5.2% 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 \$605.8 million for the fiscal year. Of this amount, \$457.0 million was used to construct or reconstruct highways. Depreciation charges for the fiscal year totaled \$297.5 million.

Fiscal Year Ended June 30, 2024

State of Rhode Island Capital Assets as of June 30, 2024 and 2023 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2024	2023	2024	2023	2024	2023
Capital assets not being depreciated or amortized						
Land	\$ 424,671	\$ 419,652	\$ 46,808	\$ 46,808	\$ 471,479	\$ 466,460
Works of Art	5,673	5,643	—	—	5,673	5,643
Intangibles	191,029	188,513	—	—	191,029	188,513
Construction in progress	1,348,256	1,113,561	7,027	6,264	1,355,283	1,119,825
Subscription-based IT asset (in dev)	23,241	—	705	—	23,946	—
Total capital assets not being depreciated or amortized	1,992,870	1,727,369	54,540	53,072	2,047,410	1,780,441
Capital assets being depreciated or amortized						
Land improvements	11,436	8,331	—	—	11,436	8,331
Buildings	889,783	885,416	288,220	281,736	1,178,003	1,167,152
Building improvements	589,716	582,048	—	—	589,716	582,048
Equipment	420,770	391,416	57,600	53,174	478,370	444,590
Intangibles	339,453	342,252	—	—	339,453	342,252
Intangibles: right to use lease assets	98,798	93,978	1,337	1,401	100,135	95,379
Intangibles: subscription-based IT assets	26,508	16,020	—	—	26,508	16,020
Infrastructure	5,896,665	5,663,705	—	—	5,896,665	5,663,705
	8,273,129	7,983,166	347,157	336,311	8,620,286	8,319,477
Less: Accumulated depreciation or amortization	4,533,298	4,262,986	256,297	247,026	4,789,595	4,510,012
Total capital assets being depreciated or amortized, net	3,739,831	3,720,180	90,860	89,285	3,830,691	3,809,465
Total capital assets (net)	<u>\$ 5,732,701</u>	<u>\$ 5,447,549</u>	<u>\$ 145,400</u>	<u>\$ 142,357</u>	<u>\$ 5,878,101</u>	<u>\$ 5,589,906</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, \$548.2 million is special obligation debt and \$497.2 million is debt for the blended component units. Additionally, accreted interest of \$184.3 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 \$15.1 million during fiscal year 2024. This increase consists of a \$16.7 million increase to general obligation debt, an increase of \$24.1 million in special obligation debt, and a decrease of \$25.7 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 \$184.5 million and \$1.1 billion are supported by pledged revenue; these obligations are discussed in Notes 7 and 13.

In August 2023, the R.I. Health and Education Building Corporation (RIHEBC), on behalf of the State of Rhode Island (the "Borrower") and the City of Central Falls, issued \$93.5 million in state appropriations-backed revenue bonds. These bonds, combined with premiums paid of \$7.8 million, were deposited in a

corporate trust with US Bank to fund construction of Central Falls High School. The bonded debt outstanding is \$89.6 million.

In October 2023, the State issued \$146.7 million of general obligation bonds with interest rates from 5.0% - 6.5%, maturing from 2024 through 2044. The total premium paid on these bonds was \$7.2 million. In accordance with certain bond statutes, net premiums of \$1.0 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and \$5.6 million was transferred to the Rhode Island Capital Plan Fund.

In fiscal year 2023, the State issued 2022 Series B general obligation bonds in the aggregate amount of \$60.3 million. The fiscal year 2024 State budget contained significant appropriations to pay down existing State debt obligations for the purpose of achieving out-year savings. As such, in January of 2024, the State partially defeased two of the Series B bonds in the cumulative amount of \$12.2 million that were planned to mature in August of 2031 and August of 2032. This redemption reduced the outstanding bonds payable to \$43.3 million.

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, 2024 amounted to \$471.5 million; other obligations that are authorized but unissued totaled \$50.5 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.

Economic Outlook and Fiscal Year 2025 Budget

The second quarter report for fiscal year 2025 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the second quarter of fiscal year 2025 as compared to general revenue resources adopted at the November 2024 Caseload and Revenue Estimating Conferences. The projected fiscal year 2025 balance, based upon these assumptions, is estimated to reflect a \$125.8 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 \$326.4 million combined with an adjusted appropriated surplus of \$34.6 million, estimated revenues of \$5.7 billion and a transfer of \$176.5 million of budget reserve and cash stabilization, offset by estimated expenditures of \$5.6 billion.

The second quarter reported expenditures of \$5.6 billion are revised upward by \$20.3 million from enacted appropriations, primarily due to an appropriated surplus of \$34.6 million and an upward revision of agency spending of \$9.0 million offset by a \$23.3 million decrease in adopted estimates from the November 2024 Caseload Estimating Conference, which impacted several departments in the Health and Human Services functional area.

The November 2024 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 \$67.5 million, up from \$5.49 billion to \$5.56 billion compared with the enacted fiscal year 2025 estimate. The largest factor is an expected increase to taxes of \$68.2 million, driven by stronger-than-expected growth in personal income tax (particularly withholding collections). By contrast, the transfer from the Rhode Island Lottery is expected to decrease by \$25.4 million, reflecting weaker performance in early fiscal year 2025. Departmental receipts are expected to be \$25.9 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 Moody's Analytics. Employment growth is expected to be weak, growing at 0.4% in fiscal year 2025, with the unemployment rate expected to be at 4.6% for the year, though this is accompanied by increases in the labor force size and participation rate. Growth in total wages is expected to outpace inflation, with those growth rates forecasted at 4.4% and 2.4%, respectively. Nominal growth in personal consumption expenditures is

estimated at 5.1%, up from 4.1% in fiscal year 2024. Moody's, along with the Rhode Island Department of Labor and Training, also reported that some portion of the strong recent job growth is likely to be revised away in the next round of benchmarking, which will see similar downward revision nationally. Finally, Moody's commented that Rhode Island has seen some weakness in the leisure and hospitality, construction, and finance sectors in recent months.

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 (SFRF) included in the act. The State has fully appropriated the \$1.1 billion award and had until December 31, 2024, to obligate its SFRF funding. As of the end of fiscal year 2024, \$915.3 million had been obligated in accordance with U.S. Treasury's definition of obligation, and \$641.0 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 January 2025, Congress and the incoming federal administration have signaled their intent to extend these provisions of TCJA, along with other likely new reforms, but have not yet unveiled a specific proposal.

Lottery Revenue

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 enacted iLottery in the fiscal year 2025 budget, although current reports it will not be implemented until summer 2026. There have been no 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 gaming expansion at Plainridge Park. However, in April 2024 the Mashpee Wampanoag Tribe won the legal battle over the construction of the proposed First Light Resort Casino in Taunton. The Tribe announced in December 2024 that it would open a welcome center on the property in early 2025 with approximately 10 slot machines. Construction and opening timeline projections for the actual casino are not yet available as of January 2025.

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

2024 legislative session to ban smoking at Rhode Island's casinos, but there are no current plans to do so.

Legislation enacted by the 2021 General Assembly 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.

On June 29, 2023, and June 29, 2024, the Lottery received payments of \$13.5 million each, totaling \$27.0 million as part of the contract extension with IGT. These payments are recorded as unearned contract revenue and will be recognized as contract revenue over the term of the extended contract.

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, 2024**



State of Rhode Island
Statement of Net Position
June 30, 2024
(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	\$ 3,220,956	\$ 78,075	\$ 3,299,031	\$ 566,500
Funds on deposit with fiscal agent	287,290	525,620	812,910	—
Investments	—	—	—	67,274
Receivables (net)	900,090	98,893	998,983	161,875
Lease receivables	1,046	2,741	3,787	1,980
Restricted assets:				
Cash and cash equivalents	49,334	29,834	79,168	1,094,908
Investments	—	—	—	29,928
Receivables (net)	—	—	—	102,726
Other assets	—	—	—	63,716
Due from primary government	—	—	—	59,755
Due from component units	5,277	—	5,277	897
Internal balances	6,459	(6,459)	—	—
Due from other governments and agencies	489,396	1,558	490,954	1,611
Inventories	2,325	1,407	3,732	9,882
Other assets	171,334	1,020	172,354	35,534
Total current assets	5,133,507	732,689	5,866,196	2,196,586
Non-current assets:				
Investments	—	—	—	337,895
Receivables (net)	110,398	—	110,398	42,630
Due from other governments and agencies	20,894	—	20,894	—
Restricted assets:				
Cash and cash equivalents	—	—	—	64,050
Investments	—	—	—	1,767,676
Receivables (net)	—	—	—	1,247,291
Other assets	—	—	—	1,290,178
Due from component units	23,148	—	23,148	—
Net pension asset	7,185	—	7,185	—
Net OPEB asset	26,489	—	26,489	—
Capital assets - non-depreciable	1,969,629	53,835	2,023,464	493,948
Intangibles: Subscription-based IT assets (in dev)	23,241	705	23,946	—
Capital assets - depreciable (net)	3,671,200	90,202	3,761,402	2,097,116
Right to use lease assets (net)	56,076	658	56,734	59,194
Subscription-based IT assets (net)	12,555	—	12,555	16,679
Lease receivables	21,098	22,343	43,441	16,864
Other assets	—	95	95	380,101
Total non-current assets	5,941,913	167,838	6,109,751	7,813,622
Total assets	11,075,420	900,527	11,975,947	10,010,208
Deferred outflows of resources	582,043	5,138	587,181	93,666

State of Rhode Island
Statement of Net Position
June 30, 2024
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
(Continued)				
Liabilities and deferred inflows of resources				
Current liabilities:				
Accounts payable	\$ 1,051,251	\$ 29,716	\$ 1,080,967	\$ 145,303
Notes payable	—	—	—	63,834
Loans payable	—	—	—	2,449
Due to primary government	—	—	—	5,277
Due to component units	50,947	—	50,947	1,211
Due to other governments and agencies	—	6,180	6,180	—
Accrued expenses	—	5,241	5,241	47,298
Current portion of long term lease liability	17,055	339	17,394	2,863
Subscription-based IT liability	4,142	—	4,142	7,303
Unearned revenue	528,384	—	528,384	61,850
Other current liabilities	168,828	874	169,702	568,977
Current portion of long-term liabilities	314,399	27,251	341,650	161,010
Obligation for unpaid prize awards	—	14,554	14,554	—
Total current liabilities	2,135,006	84,155	2,219,161	1,067,375
Non-current liabilities:				
Due to primary government	—	—	—	23,148
Net pension liability	1,941,333	17,762	1,959,095	258,673
Net pension liability-special funding situation	1,031,708	—	1,031,708	—
Net OPEB liability	188,978	1,911	190,889	116,459
Unearned revenue	—	24,939	24,939	2,024
Notes payable	—	—	—	300,329
Loans payable	—	—	—	18,690
Certificates of Participation	43,857	—	43,857	—
Lease liability	44,602	346	44,948	58,729
Subscription-based IT liability	5,282	—	5,282	6,899
Compensated absences	23,580	371	23,951	28,804
Bonds payable	2,677,100	118,975	2,796,075	3,166,337
Other liabilities	98,832	—	98,832	457,394
Total non-current liabilities	6,055,272	164,304	6,219,576	4,437,486
Total liabilities	8,190,278	248,459	8,438,737	5,504,861
Deferred inflows of resources	339,774	26,667	366,441	312,802
Net position (deficit)				
Net investment in capital assets	5,057,342	29,674	5,087,016	1,869,475
Restricted for:				
Capital Projects	1,076,932	—	1,076,932	—
Debt	70,583	4,959	75,542	351,685
Employment security programs	190,724	609,215	799,939	—
Infrastructure Bank loan programs	—	—	—	993,043
General government operations	156,937	—	156,937	—
Health and human services	220,935	—	220,935	—
Other	143,868	—	143,868	246,261
Nonexpendable	174	—	174	390,276
Unrestricted (deficit)	(3,790,084)	(13,309)	(3,803,393)	435,471
Total net position	\$ 3,127,411	\$ 630,539	\$ 3,757,950	\$ 4,286,211

(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, 2024
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	Component Units
Primary government:								
Governmental activities:								
General government	\$ 1,369,932	\$ 320,926	\$ 267,796	\$ 745	\$ (780,465)	\$ —	\$ (780,465)	\$ —
Health and human services	5,648,268	351,406	3,550,314	31,137	(1,715,411)	—	(1,715,411)	—
Education	2,396,887	62,664	504,116	684	(1,829,423)	—	(1,829,423)	—
Public safety	668,253	47,004	115,661	11,743	(493,845)	—	(493,845)	—
Natural resources	116,723	42,364	29,368	3,175	(41,816)	—	(41,816)	—
Transportation	459,964	27,449	95,218	352,006	14,709	—	14,709	—
Interest and other charges	103,462	—	—	—	(103,462)	—	(103,462)	—
Total governmental activities	10,763,489	851,813	4,562,473	399,490	(4,949,713)	—	(4,949,713)	—
Business-type activities:								
State Lottery	1,215,120	1,636,566	—	—	—	421,446	421,446	—
Convention Center	52,789	36,359	—	—	—	(16,430)	(16,430)	—
Employment Security	205,701	260,322	1,455	—	—	56,076	56,076	—
Total business-type activities	1,473,610	1,933,247	1,455	—	—	461,092	461,092	—
Total primary government	\$ 12,237,099	\$ 2,785,060	\$ 4,563,928	\$ 399,490	\$ (4,949,713)	\$ 461,092	\$ (4,488,621)	\$ —
Component units:	\$ 1,802,779	\$ 905,417	\$ 881,332	\$ 256,501				\$ 240,471
General Revenues:								
Taxes:								
Personal income					1,810,107	—	1,810,107	—
General business					710,754	—	710,754	—
Sales and use					1,777,319	—	1,777,319	—
Gasoline					171,335	—	171,335	—
Other					404,809	—	404,809	—
Interest and investment earnings (losses)					165,103	5,535	170,638	127,040
Miscellaneous revenue					118,866	15,311	134,177	77,597
Net gain (loss) on sale of capital assets					—	—	—	11
Transfers (net)					384,929	(384,929)	—	—
Total general revenues and transfers					5,543,222	(364,083)	5,179,139	204,648
Change in net position					593,509	97,009	690,518	445,119
Net position - beginning					2,533,902	533,530	3,067,432	3,841,092
Net position - ending					\$ 3,127,411	\$ 630,539	\$ 3,757,950	\$ 4,286,211

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

State of Rhode Island
Balance Sheet
Governmental Funds
June 30, 2024
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,353,348	\$ 197,794	\$ 985,335	\$ 642,962	\$ 3,179,439
Funds on deposit with fiscal agent	—	144,600	—	142,690	287,290
Restricted cash equivalents	—	—	—	49,334	49,334
Receivables (net)	882,890	16,752	47	94,110	993,799
Due from other funds	23,101	4,313	—	38	27,452
Due from other governments and agencies	408,346	101,169	—	—	509,515
Loans to other funds	27,462	—	—	—	27,462
Lease receivables	18,851	3,065	—	229	22,145
Other assets	166,113	—	—	—	166,113
Total assets	<u>\$ 2,880,111</u>	<u>\$ 467,693</u>	<u>\$ 985,382</u>	<u>\$ 929,363</u>	<u>\$ 5,262,549</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	916,349	74,994	14,112	13,313	1,018,768
Due to other funds	—	—	10,560	10,367	20,927
Due to component units	14,647	13,395	20,019	1,794	49,855
Loans from other funds	—	—	—	27,008	27,008
Unearned revenue	528,114	—	—	—	528,114
Other liabilities	129,585	30,883	2,413	1,948	164,829
Total liabilities	<u>1,588,695</u>	<u>119,272</u>	<u>47,104</u>	<u>54,430</u>	<u>1,809,501</u>
Deferred inflows of resources	<u>129,955</u>	<u>22,301</u>	<u>—</u>	<u>229</u>	<u>152,485</u>
Fund Balances					
Nonspendable	164,678	—	—	174	164,852
Restricted	386,773	158,190	938,278	874,029	2,357,270
Committed	41,188	167,186	—	216	208,590
Assigned	317,639	744	—	382	318,765
Unassigned	251,183	—	—	(97)	251,086
Total fund balances	<u>1,161,461</u>	<u>326,120</u>	<u>938,278</u>	<u>874,704</u>	<u>3,300,563</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,880,111</u>	<u>\$ 467,693</u>	<u>\$ 985,382</u>	<u>\$ 929,363</u>	<u>\$ 5,262,549</u>

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, 2024
(Expressed in Thousands)

Fund balance - total governmental funds \$ 3,300,563

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	10,107,215	
Accumulated depreciation	<u>(4,470,237)</u>	5,636,978
Right to use lease assets	98,799	
Accumulated depreciation	<u>(42,722)</u>	56,077
Subscription-based IT assets	40,875	
Accumulated depreciation	<u>(7,115)</u>	33,760

Deferred outflows of resources 582,043

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	(105,182)	
Bonds payable	(2,712,895)	
Net premium/discount on Bonds	(155,055)	
Obligations under leases	(58,295)	
Premium on Certificates of Participation	(3,012)	
Lease Liability	(61,657)	
Subscription-based IT liability	(8,997)	
Interest payable	(21,836)	
Net pension liabilities	(2,973,041)	
Net OPEB liabilities	(188,978)	
Other liabilities	<u>(98,832)</u>	(6,387,780)

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

Receivables	930	
Due from component units	27,801	
Net OPEB asset	26,489	
Net pension asset	7,185	
Prepaid asset	—	
Unavailable revenue	<u>130,358</u>	192,763

Deferred inflows of resources (317,648)

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. 30,655

Net position - total governmental activities \$ 3,127,411

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, 2024

(Expressed in Thousands)

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,368,246	\$ 248,809	\$ —	\$ 261,098	\$ 4,878,153
Licenses, fines, sales, and services	454,190	24,906	—	780	479,876
Departmental restricted revenue	391,363	2,490	—	—	393,853
Federal grants	4,513,493	447,171	—	—	4,960,664
Income from investments	69,494	12,006	48,857	41,835	172,192
Other revenues	80,685	2,403	—	38,568	121,656
Total revenues	9,877,471	737,785	48,857	342,281	11,006,394
Expenditures:					
Current:					
General government	1,033,841	—	—	261,657	1,295,498
Health and human services	5,691,998	—	—	—	5,691,998
Education	2,327,796	—	—	84	2,327,880
Public safety	712,176	—	—	—	712,176
Natural resources	103,586	—	—	—	103,586
Transportation	—	719,786	—	3,460	723,246
Capital outlays	—	—	138,747	164,084	302,831
Debt service:					
Principal	191,988	49,560	1,494	25,665	268,707
Interest and other charges	69,969	23,581	—	22,094	115,644
Total expenditures	10,131,354	792,927	140,241	477,044	11,541,566
Excess (deficiency) of revenues over (under) expenditures	(253,883)	(55,142)	(91,384)	(134,763)	(535,172)
Other financing sources (uses):					
Issuance of bonds and notes	—	—	—	240,225	240,225
Lease financing	7,877	—	—	—	7,877
Subscription-based IT financing	9,147	—	—	—	9,147
Debt Issuance Premiums	—	—	—	15,024	15,024
Transfers in	512,426	111,788	159,956	131,437	915,607
Transfers out	(307,297)	(61,483)	(128,766)	(33,132)	(530,678)
Total other financing sources (uses)	222,153	50,305	31,190	353,554	657,202
Net change in fund balances	(31,730)	(4,837)	(60,194)	218,791	122,030
Fund balances - beginning	1,193,191	330,957	998,472	655,913	3,178,533
Fund balances - ending	<u>\$ 1,161,461</u>	<u>\$ 326,120</u>	<u>\$ 938,278</u>	<u>\$ 874,704</u>	<u>\$ 3,300,563</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, 2024
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 122,030

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	603,802	
Net Loss of Disposition	(43,462)	
Depreciation expense	<u>(283,354)</u>	
		276,986

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	256,751	
Debt defeased in refunding	12,260	
Accrued interest and other charges	1,762	
Proceeds from sale of debt	(240,225)	
Lease and SBITA financing	(17,024)	
Deferral of premium/discount	(15,026)	
Amortization of premium/discount	29,335	
Accreted interest	(16,593)	
Amortization of refunding gains/losses	<u>(2,814)</u>	
		8,426

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	(3,172)	
Pension expenses, net of related deferred outflows	165,020	
OPEB expenses, net of related deferred outflows	48,264	
Arbitrage	(7,070)	
Program expenses	(187)	
Program and miscellaneous revenue	(23,285)	
Operating and capital grant revenue	935	
General revenue - taxes	<u>(3,827)</u>	
		176,678

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.

	9,389
Change in net position - total governmental activities	<u><u>\$ 593,509</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, 2024
(Expressed in Thousands)**

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	\$ 58,190	\$ 9,739	\$ 10,146	\$ 78,075	\$ 41,561
Restricted cash and cash equivalents	—	29,834	—	29,834	—
Funds on deposit with fiscal agent	—	—	525,620	525,620	—
Receivables (net)	15,048	1,078	82,767	98,893	16,728
Due from other funds	18	78	—	96	8,802
Due from other governments and agencies	—	—	1,558	1,558	—
Loans to other funds	—	—	—	—	382
Lease receivables	84	2,657	—	2,741	—
Inventories	1,407	—	—	1,407	2,325
Other assets	382	638	—	1,020	5,049
Total current assets	75,129	44,024	620,091	739,244	74,847
Non-current assets:					
Capital assets - non-depreciable	—	53,835	—	53,835	—
Intangibles: Subscription-based IT assets (in dev)	—	705	—	705	—
Capital assets - depreciable (net)	219	89,983	—	90,202	3,851
Right to use asset - lease (net)	634	24	—	658	—
Subscription-based IT assets (net)	—	—	—	—	2,035
Lease receivable	2,153	20,190	—	22,343	—
Other assets	—	95	—	95	—
Total non-current assets	3,006	164,832	—	167,838	5,886
Total assets	78,135	208,856	620,091	907,082	80,733
Deferred outflows of resources	3,883	1,255	—	5,138	—
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	21,425	3,908	4,383	29,716	32,845
Due to other funds	6,228	—	327	6,555	8,868
Due to other governments and agencies	—	14	6,166	6,180	—
Loans from other funds	—	—	—	—	836
Lease liability	324	15	—	339	—
Accrued expenses	5,241	—	—	5,241	—
Unearned revenue	1,386	4,286	—	5,672	—
Subscription-based IT liability	—	—	—	—	251
Other current liabilities	784	90	—	874	7,102
Bonds payable	—	21,225	—	21,225	—
Compensated absences	354	—	—	354	—
Obligation for unpaid prize awards	14,554	—	—	14,554	—
Total current liabilities	50,296	29,538	10,876	90,710	49,902
Non-current liabilities:					
Net pension liability	17,762	—	—	17,762	—
Net OPEB liability	1,911	—	—	1,911	—
Unearned revenue	24,939	—	—	24,939	—
Subscription-based IT liability	—	—	—	—	176
Bonds payable	—	118,975	—	118,975	—
Compensated absences	371	—	—	371	—
Lease liability	337	9	—	346	—
Total non-current liabilities	45,320	118,984	—	164,304	176
Total liabilities	95,616	148,522	10,876	255,014	50,078
Deferred inflows of resources	4,267	22,400	—	26,667	—
Net Position (deficit)					
Net investment in capital assets	192	29,482	—	29,674	5,459
Restricted for:					
Debt	—	4,959	—	4,959	—
Employment insurance programs	—	—	609,215	609,215	—
Unrestricted (deficit)	(18,057)	4,748	—	(13,309)	25,196
Total net position (deficit)	\$ (17,865)	\$ 39,189	\$ 609,215	\$ 630,539	\$ 30,655

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, 2024
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I.				
	R.I. Lottery	Convention Center	Employment Security	Totals	Internal Service Funds
Operating revenues:					
Charges for services	\$ —	\$ 32,867	\$ —	\$ 32,867	\$ 533,193
Employer premiums	—	—	253,742	253,742	—
Lottery sales	523,267	—	—	523,267	—
Video lottery (net)	522,521	—	—	522,521	—
Lease revenue	—	3,008	—	3,008	—
Table games	131,054	—	—	131,054	—
Sports book	458,814	—	—	458,814	—
Federal grants	—	—	1,455	1,455	—
Miscellaneous	910	484	6,580	7,974	—
Total operating revenues	1,636,566	36,359	261,777	1,934,702	533,193
Operating expenses:					
Personnel services	12,141	18,811	—	30,952	63,503
Supplies, materials, and services	386,247	16,125	—	402,372	457,895
Prize awards, net of prize recoveries	816,297	—	—	816,297	—
Depreciation and amortization	435	9,964	—	10,399	3,712
Benefits paid	—	—	205,701	205,701	—
Total operating expenses	1,215,120	44,900	205,701	1,465,721	525,110
Operating income (loss)	421,446	(8,541)	56,076	468,981	8,083
Non-operating revenues (expenses):					
Interest revenue	3,417	2,118	—	5,535	1,285
Other non-operating revenues (expenses)	2,328	(192)	13,175	15,311	21
Interest expense	—	(7,889)	—	(7,889)	—
Total non-operating revenue (expenses)	5,745	(5,963)	13,175	12,957	1,306
Income (loss) before transfers	427,191	(14,504)	69,251	481,938	9,389
Transfers in	—	41,491	—	41,491	—
Transfers out	(426,420)	—	—	(426,420)	—
Change in net position	771	26,987	69,251	97,009	9,389
Net position (deficit) - beginning	(18,636)	12,202	539,964	533,530	21,266
Net position (deficit) - ending	\$ (17,865)	\$ 39,189	\$ 609,215	\$ 630,539	\$ 30,655

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, 2024
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Cash flows from operating activities:					
Cash received from gaming activities	\$ 1,649,698	\$ —	\$ —	\$ 1,649,698	\$ —
Cash received from customers	—	34,314	—	34,314	527,348
Cash received from employer premiums	—	—	248,362	248,362	—
Cash received from grants	—	—	1,455	1,455	—
Cash payments for gaming activities	(1,192,413)	—	—	(1,192,413)	—
Cash payments to suppliers	(7,918)	(16,332)	—	(24,250)	(452,531)
Cash payments to employees	(12,736)	(18,594)	—	(31,330)	(63,227)
Cash payments for benefits - Employment Security Fund	—	—	(193,122)	(193,122)	—
Other operating revenue (expense)	—	(85)	(6,954)	(7,039)	—
Net cash provided by (used for) operating activities	436,631	(697)	49,741	485,675	11,590
Cash flows from non-capital financing activities:					
Loans from other funds	—	—	—	—	540
Loans to other funds	—	—	—	—	1,131
Repayment of loans from other funds	—	—	—	—	(156)
Transfers in	—	41,354	1,274	42,628	—
Transfers out	(425,428)	—	—	(425,428)	—
Cash overdraft	33	—	—	33	—
Net transfers from (to) fiscal agent	—	—	(48,869)	(48,869)	—
Net cash provided by (used for) non-capital financing activities	(425,395)	41,354	(47,595)	(431,636)	1,515
Cash flows from capital and related financing activities:					
Principal paid on capital obligations	—	(20,525)	—	(20,525)	—
Principal and interest under leases	(307)	3,086	—	2,779	(4,350)
Interest paid on capital obligations	—	(7,043)	—	(7,043)	(36)
Proceeds from the sale of capital assets	—	—	—	—	—
Acquisition of capital assets	(30)	(16,586)	—	(16,616)	(415)
Net cash provided by (used for) capital and related financing activities	(337)	(41,068)	—	(41,405)	(4,801)
Cash flows from investing activities:					
Interest on investments	3,417	1,736	—	5,153	1,341
Net cash provided by investing activities	3,417	1,736	—	5,153	1,341
Net increase (decrease) in cash and cash equivalents	14,316	1,325	2,146	17,787	9,645
Cash and cash equivalents, July 1	43,874	38,248	8,000	90,122	31,916
Cash and cash equivalents, June 30	\$ 58,190	\$ 39,573	\$ 10,146	\$ 107,909	\$ 41,561
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	421,446	(8,541)	56,076	468,981	8,083
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	435	9,964	—	10,399	3,712
Other revenue (expense) and transfers in (out)	2,328	(3,364)	(6,692)	(7,728)	—
Net changes in assets and liabilities:					
Receivables (net)	(6,591)	574	(5,379)	(11,396)	(1,521)
Lease receivables	91	—	—	91	—
Inventory	3	—	—	3	(305)
Deferred outflows of resources	494	—	—	494	—
Prepaid items	(4)	(33)	—	(37)	—
Due to / due from transactions	(21)	—	1,928	1,907	—
Accounts and other payables	4,344	44	3,808	8,196	1,364
Accrued expenses	465	—	—	465	257
Net pension liability	(928)	—	—	(928)	—
Net OPEB liability	(666)	—	—	(666)	—
Deferred inflows of resources	238	—	—	238	—
Unearned revenue	12,825	659	—	13,484	—
Prize awards payable	2,172	—	—	2,172	—
Total adjustments	15,185	7,844	(6,335)	16,694	3,507
Net cash provided by (used for) operating activities	\$ 436,631	\$ (697)	\$ 49,741	\$ 485,675	\$ 11,590

(Continued)

State of Rhode Island
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2024
(Expressed in Thousands)

Supplemental disclosure of noncash financing activities:

Proprietary Funds

RI Convention Center

Recognition of lease receivable and related deferred lease revenues and interest	<u><u>\$ 93</u></u>
Disposal of capital assets	<u><u>\$ 79</u></u>

(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, 2024
(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	\$ 16,099	\$ —	\$ 7,376	\$ —
Deposits held for others	—	—	—	48,119
Receivables:				
Contributions	35,193	—	—	—
Due from State for teachers	25,747	—	—	—
Due from other plans	2,904	—	—	—
Other	1,506	—	—	24,100
Miscellaneous	—	—	437	—
Total receivables	65,350	—	437	24,100
Prepaid expenses	1,122	—	—	—
Investments, at fair value:				
Equity in short-term investment fund	—	44,163	—	—
Equity in pooled trusts	12,075,495	—	—	—
Other investments	2,095,996	—	4,109,809	—
Total investments	14,171,491	44,163	4,109,809	—
Total assets	14,254,062	44,163	4,117,622	72,219
Liabilities				
Accounts payable	6,507	48	14,039	—
Due to other plans	2,904	—	—	—
Incurred but not reported claims	1,048	—	—	—
Other	10,108	—	—	—
Unclaimed property claims	—	—	—	2,065
Due to inmates and beneficiaries	—	—	—	626
Total liabilities	20,567	48	14,039	2,691
Net position				
Restricted for:				
Pension benefits	13,569,700	—	—	—
Other postemployment benefits	663,795	—	—	—
External investment pool participants	—	44,115	—	—
Tuition savings program	—	—	4,093,672	—
Individuals, organizations and other governments	—	—	—	69,528
Other	—	—	9,911	—
Total fiduciary net position	\$ 14,233,495	\$ 44,115	\$ 4,103,583	\$ 69,528

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, 2024
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
Additions				
Contributions				
Member contributions	\$ 243,557	\$ —	\$ —	\$ —
Employer contributions	629,834	—	—	—
Additional employer contributions	1,836	—	—	—
Supplemental employer contributions	6,605	—	—	—
State contributions for teachers	126,825	—	—	—
Interest on service credits purchased	112	—	—	—
Service credit transfers	7,738	—	—	—
From program participants	—	223,940	327,614	—
Total contributions	<u>1,016,507</u>	<u>223,940</u>	<u>327,614</u>	<u>—</u>
Other income	<u>2,858</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investment income				
Increase (Decrease) in fair value of investments	1,392,504	—	191,164	(323)
Interest	103,761	3,929	—	—
Dividends	68,868	—	155,270	—
Other investment income	562	—	—	—
	<u>1,565,695</u>	<u>3,929</u>	<u>346,434</u>	<u>(323)</u>
Less: investment expense	<u>(156,725)</u>	<u>(89)</u>	<u>—</u>	<u>—</u>
Net investment income (loss)	<u>1,408,970</u>	<u>3,840</u>	<u>346,434</u>	<u>(323)</u>
Unclaimed property	—	—	—	44,523
Deposits for patients, clients and inmates	—	—	—	9,400
Miscellaneous	—	—	—	13,946
Total additions	<u>2,428,335</u>	<u>227,780</u>	<u>674,048</u>	<u>67,546</u>
Deductions				
Retirement benefits	1,032,786	—	—	—
Death benefits	3,849	—	—	—
Distributions	58,547	245,005	—	—
Program participant redemptions	—	—	776,311	—
Refund of contributions	8,243	—	—	—
Administrative expense	13,074	—	14,461	—
Service credit transfers	7,739	—	—	—
OPEB benefits	32,855	—	—	—
Payments and transfers of unclaimed property	—	—	—	43,888
Payments made on behalf of individuals in State care	—	—	—	10,174
Miscellaneous	—	—	—	11,474
Total deductions	<u>1,157,093</u>	<u>245,005</u>	<u>790,772</u>	<u>65,536</u>
Change in net position restricted for:				
Pension benefits	1,182,385	—	—	—
Other postemployment benefits	88,857	—	—	—
External investment pool participants	—	(17,225)	—	—
Tuitions savings program	—	—	(118,746)	—
Other	—	—	2,022	2,010
Fiduciary net position - beginning	<u>12,962,253</u>	<u>61,340</u>	<u>4,220,307</u>	<u>67,518</u>
Fiduciary net position - ending	<u>\$ 14,233,495</u>	<u>\$ 44,115</u>	<u>\$ 4,103,583</u>	<u>\$ 69,528</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, 2024
(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	\$ 59,128	\$ 19,617	\$ 1,423	\$ 10,646	\$ 1,132
Investments	52,958	—	—	1,415	—
Receivables (net)	19,218	2,499	257	34,091	77
Lease receivables	1,878	—	—	—	—
Restricted assets:					
Cash and cash equivalents	24,334	212,969	8,547	—	12,176
Investments	—	2,533	—	—	9,560
Receivables (net)	—	81	—	—	984
Due from primary government	375	7,296	11	13,894	1,465
Due from other governments	345	—	—	—	—
Due from other component units	—	350	—	—	—
Inventories	—	—	—	1,769	42
Other assets	456	261	120	255	1,247
Total current assets	<u>158,692</u>	<u>245,606</u>	<u>10,358</u>	<u>62,070</u>	<u>26,683</u>
Non-current assets:					
Investments	—	272	—	2,317	—
Receivables (net)	—	9,660	—	—	—
Lease receivables	15,449	—	—	—	—
Restricted assets:					
Cash and cash equivalents	41,253	4,742	—	—	14,989
Investments	9,995	2,579	—	—	124,599
Receivables (net)	1,675	7,542	—	—	—
Other assets	—	—	—	—	—
Capital assets - non-depreciable	88,954	8,726	899	65,731	16,617
Capital assets - depreciable (net)	420,393	1,280	162	133,140	201,193
Other assets	253	2,040	556	2,405	—
Total non-current assets	<u>577,972</u>	<u>36,841</u>	<u>1,617</u>	<u>203,593</u>	<u>357,398</u>
Total assets	<u>736,664</u>	<u>282,447</u>	<u>11,975</u>	<u>265,663</u>	<u>384,081</u>
Deferred outflows of resources	<u>163</u>	<u>1,636</u>	<u>—</u>	<u>30,313</u>	<u>—</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2024
(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	10,778	3,426	272	35,300	782
Notes payable	—	—	—	—	—
Due to primary government	—	—	—	1,331	46
Due to other component units	—	—	—	—	—
Lease liability	—	408	—	—	—
Subscription-based IT liability	—	7	—	218	—
Accrued expenses	10,520	—	—	10,543	4,927
Unearned revenue	5,199	13,081	499	2,223	7,151
Other liabilities	5,128	12,074	1,125	—	—
Compensated absences	—	—	—	151	—
Current portion of long-term debt	18,150	1,555	—	—	6,935
Total current liabilities	<u>49,775</u>	<u>30,551</u>	<u>1,896</u>	<u>49,766</u>	<u>19,841</u>
Non-current liabilities:					
Due to primary government	—	—	—	5,569	—
Unearned revenue	—	1,025	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Lease liability	—	714	—	—	—
Subscription-based IT liability	—	2	—	499	—
Net pension liability	1,073	—	—	85,087	—
Net OPEB liability	115	—	—	72,910	—
Other liabilities	—	1,464	—	11,891	—
Compensated absences	—	—	—	452	—
Bonds payable	193,865	3,467	—	—	183,841
Total non-current liabilities	<u>195,053</u>	<u>6,672</u>	<u>—</u>	<u>176,408</u>	<u>183,841</u>
Total liabilities	<u>244,828</u>	<u>37,223</u>	<u>1,896</u>	<u>226,174</u>	<u>203,682</u>
Deferred inflows of resources	<u>16,546</u>	<u>1,583</u>	<u>—</u>	<u>14,311</u>	<u>50</u>
Net position (deficit)					
Net investment in capital assets	315,932	9,933	1,061	159,736	50,015
Restricted for:					
Debt	29,691	—	—	—	129,545
Capital Projects	—	—	—	—	—
Program purposes	—	—	—	—	—
Other	5,594	792	7,112	291	—
Nonexpendable	17,117	201,927	—	—	—
Unrestricted (deficit)	107,119	32,625	1,906	(104,536)	789
Total net position (deficit)	<u>\$ 475,453</u>	<u>\$ 245,277</u>	<u>\$ 10,079</u>	<u>\$ 55,491</u>	<u>\$ 180,349</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2024
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets and deferred outflows of resources					
Current assets:					
Cash and cash equivalents	\$ 250,001	\$ 48,501	\$ 44,592	\$ 131,460	\$ 566,500
Investments	12,901	—	—	—	67,274
Receivables (net)	63,653	4,747	6,418	30,915	161,875
Lease receivables	—	—	61	41	1,980
Restricted assets:					
Cash and cash equivalents	—	—	—	836,882	1,094,908
Investments	—	—	—	17,835	29,928
Receivables (net)	—	—	—	101,661	102,726
Other assets	—	—	1,097	62,619	63,716
Due from primary government	13,532	3,721	3,843	15,618	59,755
Due from other governments	—	—	—	1,266	1,611
Due from other component units	—	—	—	547	897
Inventories	3,190	—	113	4,768	9,882
Other assets	4,892	3,765	4,426	20,112	35,534
Total current assets	348,169	60,734	60,550	1,223,724	2,196,586
Non-current assets:					
Investments	284,039	44,566	6,701	—	337,895
Receivables (net)	7,737	901	3,483	20,849	42,630
Lease receivables	—	—	284	1,131	16,864
Restricted assets:					
Cash and cash equivalents	2,479	513	—	74	64,050
Investments	—	—	—	1,630,503	1,767,676
Receivables (net)	—	—	—	1,238,074	1,247,291
Other assets	25,885	1,170	—	1,263,123	1,290,178
Capital assets - non-depreciable	48,280	28,024	28,117	208,600	493,948
Capital assets - depreciable (net)	818,768	176,686	62,890	358,477	2,172,989
Other assets, net of amortization	3,920	—	—	370,927	380,101
Total non-current assets	1,191,108	251,860	101,475	5,091,758	7,813,622
Total assets	1,539,277	312,594	162,025	6,315,482	10,010,208
Deferred outflows of resources	25,205	8,062	6,796	21,491	93,666

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2024
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	45,323	14,062	10,531	24,829	145,303
Notes payable	—	83	—	63,751	63,834
Loans payable	126	—	—	2,323	2,449
Due to primary government	1,790	2,051	—	59	5,277
Due to other component units	—	—	—	1,211	1,211
Lease liability	699	9	5	1,742	2,863
Subscription-based IT liability	5,923	527	623	5	7,303
Accrued expenses	19,398	1,910	—	—	47,298
Unearned revenue	19,123	4,555	3,671	6,348	61,850
Other liabilities	2,612	125	—	536,138	557,202
Compensated absences	2,385	5,064	3,387	788	11,775
Current portion of long-term debt	15,613	538	—	118,219	161,010
Total current liabilities	<u>112,992</u>	<u>28,924</u>	<u>18,217</u>	<u>755,413</u>	<u>1,067,375</u>
Non-current liabilities:					
Due to primary government	12,330	5,249	—	—	23,148
Unearned revenue	—	—	—	999	2,024
Notes payable	—	—	—	300,329	300,329
Loans payable	229	—	—	18,461	18,690
Lease liability	5,877	—	15	52,123	58,729
Subscription-based IT liability	4,261	985	1,152	—	6,899
Net pension liability	89,814	29,498	24,872	28,329	258,673
Net OPEB liability	14,042	6,000	4,983	18,409	116,459
Other liabilities	5,502	23	—	438,514	457,394
Compensated absences	23,305	547	1,076	3,424	28,804
Bonds payable	234,495	9,244	—	2,541,425	3,166,337
Total non-current liabilities	<u>389,855</u>	<u>51,546</u>	<u>32,098</u>	<u>3,402,013</u>	<u>4,437,486</u>
Total liabilities	<u>502,847</u>	<u>80,470</u>	<u>50,315</u>	<u>4,157,426</u>	<u>5,504,861</u>
Deferred inflows of resources	<u>26,728</u>	<u>12,824</u>	<u>9,514</u>	<u>231,246</u>	<u>312,802</u>
Net position (deficit)					
Net investment in capital assets	602,083	157,133	89,212	484,370	1,869,475
Restricted for:					
Debt	—	—	—	192,449	351,685
Program purposes	—	—	—	993,043	993,043
Other	164,234	20,434	5,575	42,229	246,261
Nonexpendable	139,441	24,266	7,525	—	390,276
Unrestricted (deficit)	129,149	25,529	6,680	236,210	435,471
Total net position (deficit)	<u>\$ 1,034,907</u>	<u>\$ 227,362</u>	<u>\$ 108,992</u>	<u>\$ 1,948,301</u>	<u>\$ 4,286,211</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, 2024
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	\$ 80,575	\$ 74,712	\$ 3,464	\$ 154,097	\$ 34,436	\$ 688,838	\$ 161,662	\$ 147,661	\$ 457,334	\$ 1,802,779
Program revenues:										
Charges for services	75,964	5,205	999	20,416	33,470	399,478	59,020	33,475	277,390	905,417
Operating grants and contributions	6,528	31,056	35,317	111,574	—	288,811	98,826	114,261	194,959	881,332
Capital grants and contributions	26,308	—	—	43,751	15,694	37,671	27,634	13,656	91,787	256,501
Total program revenues	108,800	36,261	36,316	175,741	49,164	725,960	185,480	161,392	564,136	2,043,250
Net (expenses) revenues	28,225	(38,451)	32,852	21,644	14,728	37,122	23,818	13,731	106,802	240,471
General revenues:										
Interest and investment earnings (losses)	8,900	9,835	177	668	6,647	38,610	8,166	2,569	51,468	127,040
Miscellaneous revenue	114	71,435	—	3,185	92	—	1,286	—	1,485	77,597
Gain (Loss) on sale of capital assets	—	—	(13)	—	—	—	—	—	24	11
Total general revenue	9,014	81,270	164	3,853	6,739	38,610	9,452	2,569	52,977	204,648
Change in net position	37,239	42,819	33,016	25,497	21,467	75,732	33,270	16,300	159,779	445,119
Net position (deficit) - beginning	438,214	202,458	(22,937)	29,994	158,882	959,175	194,092	92,692	1,788,522	3,841,092
Net position (deficit) - ending	<u>\$ 475,453</u>	<u>\$ 245,277</u>	<u>\$ 10,079</u>	<u>\$ 55,491</u>	<u>\$ 180,349</u>	<u>\$1,034,907</u>	<u>\$ 227,362</u>	<u>\$ 108,992</u>	<u>\$ 1,948,301</u>	<u>\$ 4,286,211</u>

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

Index

Note 1. Summary of Significant Accounting Policies	A-54
A.Basis of Presentation	A-54
B.Reporting Entity	A-54
C.Financial Statement Presentation	A-60
D.Measurement Focus and Basis of Accounting	A-63
E.Cash and Cash Equivalents	A-64
F. Funds on Deposit with Fiscal Agent	A-64
G.Investments	A-64
H.Receivables	A-65
I. Due From Other Governments and Agencies	A-65
J.Interfund Activity	A-65
K.Inventories	A-65
L.Capital Assets	A-65
M.Bonds Payable	A-66
N. Leases and Subscription-Based Information Technology Arrangements (SBITA)	A-66
O.Pensions	A-68
P.Other Postemployment Benefits (OPEB)	A-69
Q.Compensated Absences	A-69
R.Other Assets and Liabilities	A-69
S.Deferred Outflows of Resources	A-69
T.Deferred Inflows of Resources	A-69
U.Fund Balances	A-69
V.Recently Issued Accounting Standards	A-70
 Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust	 A-71
A.Primary Government-Governmental and Business-Type Activities	A-71
B.Concentration of Credit Risk	A-77
C.Pension Trusts	A-77
D.OPEB Trusts	A-90
E.Private Purpose Trusts	A-101
F.Custodial Funds	A-101
 Note 3. Receivables	 A-101

Note 4. Intra-Entity Receivables and Payables	A-102
Note 5. Capital Assets	A-103
Note 6. Notes Payable and Line of Credit Arrangements	A-106
Note 7. Long-Term Liabilities	A-107
A.Changes in Long-Term Liabilities	A-107
B.Bonds Payable	A-108
C.Loans Payable	A-112
D.Certificates of Participation	A-113
E.Defeased Debt	A-113
F.Conduit Debt	A-114
G.Pollution Remediation Liabilities	A-115
H.Compensated Absences	A-115
I.Arbitrage Rebate & Yield Reduction Liabilities	A-115
J.Due to the Primary Government	A-115
K.Other Long-Term Liabilities	A-116
Note 8. Deferred Outflows of Resources and Deferred Inflows of Resources	A-117
Note 9. Governmental Fund Balance, Budget Reserve and Cash Stabilization Account, and Net Position Restricted for Enabling Legislation	A-119
A.Governmental Funds Balances	A-119
B.Budget Reserve and Cash Stabilization Account	A-119
C.Net Position Restricted for Enabling Legislation	A-120
Note 10. Restatements - Net Position and Fund Balances	A-121
Note 11. Taxes	A-121
Note 12. Tax Abatements	A-122
Note 13. Pledged Revenue	A-128

Note 14. Transfers	A-129
Note 15. Leases and Subscription-Based Information Technology Arrangements	A-130
A. Leases	A-130
B. Subscription-Based IT Arrangements (SBITAs)	A-132
Note 16. Commitments	A-133
Note 17. Contingencies	A-143
Note 18. Employer Pension Plans	A-148
A. Summary of Employer Plans	A-148
B. Defined Benefit Plan Descriptions - Trust Funded Plans	A-149
C. Defined Benefit Trust Funded Plans - Summary of Significant Accounting Policies	A-156
D. Defined Benefit Plan - Non-Contributory (pay-as-you-go) Pension Plan	A-156
E. Special Funding Situation - ERS Plan - Teachers	A-156
F. Contributions and Funding Policy	A-156
G. Net Pension Liability	A-158
H. Changes in the Net Pension Liability (Asset)	A-163
I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources	A-163
J. Defined Contribution Plan - ERS	A-167
K. Defined Benefit Plan - LIUNA	A-168
L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program	A-168
M. Other Pension Plans - Component Units	A-169
Note 19. Postemployment Benefit Plans	A-170
A. Summary of Employer Plans	A-170
B. Benefit Plan Descriptions	A-171
C. Contributions and Funding Policy	A-173
D. Net OPEB Liability (Asset)	A-174
E. Changes in Net OPEB Liability (Asset)	A-179
F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources	A-180

G.Component Unit Postemployment Benefit Plans	A-184
Note 20. Deferred Compensation	A-185
Note 21. Risk Management.....	A-186
Note 22. Other Information	A-188
A.Elimination Entries	A-188
B.Related Party Transactions	A-188
C.Budgeting, Budgetary Control, and Legal Compliance	A-190
D.Significant Transactions with Component Units	A-192
E.Individual Fund Deficits	A-192
Note 23. Subsequent Events.....	A-193

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.

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.

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. 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 RIC and 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.commercieri.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 RIIFC 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 Life Science Hub (RILSH)

RILSH was authorized by an Act of the Rhode Island General Assembly on May 5, 2023 to establish a quasi-public corporate body and agency of the State for the express purpose of acting as the central entity and coordinating organization of life science initiatives. This entity will serve as a government and community resource to bolster biotech and life sciences business expansion in Rhode Island. For more detailed information, visit the website at www.rilifescience.com.

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:

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.

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.” 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.

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 governments 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, 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 or soon enough thereafter to pay liabilities of the current period (i.e.,

earned and collected within the next 12 months). Significant sources of tax revenues susceptible to accrual in the current period are limited to 60 days thereafter and 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., expenses) 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 expenses 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 expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses 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 that 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.

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

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.

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.

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
Intangibles: right to use lease assets	\$100 thousand	3 - 10 years
Intangibles: subscription-based IT assets	\$5 thousand	2 - 5 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 expenditure 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 State'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, 2023 measurement date, the State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, 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 Laborer's International Union of North America (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. 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.

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.

U. Fund Balances

In the fund financial statements, governmental funds report fund balance as nonspendable, 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:

- Nonspendable – 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, 2024, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*.

In fiscal year 2024, the State implemented GASB Statement No. 100, *Accounting Changes and Error Corrections, an amendment of GASB Statement No. 62*. This Statement 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 and in practice.

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

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.

GASB Statement No. 102, *Certain Risk Disclosures*, will be effective for fiscal years beginning after June 15, 2024. The objective of this statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability.

GASB Statement No. 103, *Financial Reporting Model Improvements*, will be effective for fiscal years beginning after June 15, 2025. The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues.

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, will be effective for fiscal years beginning after June 15, 2025. State and local governments are required to provide detailed information about capital assets in the notes to the financial statements. GASB Statement No. 34, *Basic Financial Statements— Management's Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class of capital assets. The objective of this statement is to provide users of governmental financial statements with essential information about certain types of capital assets.

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, 2024 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, 2024, of the \$1.6 billion invested, \$240.2 million were collateralized purchase agreements.

All bank balances of the primary government and its blended component units in FY24 were fully collateralized. This collateralization was achieved through federal depository insurance, securities held by an independent third party in the State or the blended component unit's name, or through 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, 2024:

Pooled cash equivalents (at amortized cost)

Financial company commercial paper	\$ 508,880
Asset backed commercial paper	220,903
U.S. Government agency repurchase agreement	167,230
Variable Rate Demand Note	15,005
U.S. Treasury debt	352,574
Certificates of deposit	57,035
Non-Negotiable time deposit	162,200
Non-Financial company commercial paper	45,000
U.S. Treasury repurchase agreement	73,000
Total investments	1,601,827
Less: other liabilities in excess of other assets	967
Total investment pool	1,600,860

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

Amounts held by fiduciary trust funds:

Pension trust	2,461
OPEB trust	2,609

Amounts held by discretely presented component units:

URI	81,484
RIC	35,319
RIIRBA	2
RIRRC	14,745
RIHEBC	4,423
RIPTA	7,296

Amounts held for external parties 44,115

Primary government pooled cash equivalents \$ 1,408,406

Add: other primary government cash equivalents and investments

Money market mutual funds 79,393

Total primary government cash equivalents and investments \$ 1,487,799

Cash equivalents and investments	\$ 1,487,799
Cash deposits and interest bearing deposits	1,890,400
Total cash, cash equivalents and investments	\$ 3,378,199

Statement of Net Position

Cash and cash equivalents	\$ 3,299,031
Restricted cash and cash equivalents	79,168
Total cash, cash equivalents and investments	\$ 3,378,199

State restricted cash and cash equivalents total approximately \$79.2 million at June 30, 2024. Of this total, \$49.3 million is held by the Tobacco Settlement Financing Corporation and \$29.8 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, 2024, information about the State's exposure to interest rate risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Maturities (in days)							
Investment Type	Fair Value	Amortized Cost	0-30	31-90	91-180	181-397	
Financial Company Commercial Paper	\$ 508,880	\$ 508,880	\$ 189,772	\$ 173,912	\$126,196	\$ 19,000	
Asset Backed Commercial Paper	220,903	220,903	115,962	101,008	3,933	—	
U.S. Government Agency Repurchase Agreements	167,230	167,230	167,230	—	—	—	
Variable Rate Demand Note	15,005	15,005	15,005	—	—	—	
U.S. Treasury Debt	352,574	352,574	312,285	40,289	—	—	
U.S. Treasury Repurchase Agreement	73,000	73,000	73,000	—	—	—	
Certificates of Deposit	57,035	57,035	57,035	—	—	—	
Non-Negotiable Time Deposit	162,200	162,200	162,200	—	—	—	
Non-Financial Company Commercial Paper	45,000	45,000	45,000	—	—	—	
	<u>\$ 1,601,827</u>	<u>\$ 1,601,827</u>	<u>\$ 1,137,489</u>	<u>\$ 315,209</u>	<u>\$130,129</u>	<u>\$ 19,000</u>	

At June 30, 2024 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

Quality Ratings (1)

Investment Type	At Fair Value	Total Amortized Cost	P-1	P-2
Financial Company Commercial Paper	\$ 508,880	\$ 508,880	\$ 508,880	\$ —
Asset Backed Commercial Paper	220,903	220,903	220,903	—
U.S. Government Agency Repurchase Agreements	167,230	167,230	167,230	—
Variable Rate Demand Note	15,005	15,005	15,005	—
U.S. Treasury Debt	352,574	352,574	352,574	—
U.S. Treasury Repurchase Agreement	73,000	73,000	73,000	—
Certificates of Deposit	57,035	57,035	57,035	—
Non-Negotiable Time Deposit	162,200	162,200	148,200	14,000
Non-Financial Company Commercial Paper	45,000	45,000	45,000	—
	<u>\$ 1,601,827</u>	<u>\$ 1,601,827</u>	<u>\$ 1,587,827</u>	<u>\$ 14,000</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, 2024, 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	\$ 18,160	Money Market	AAA-mf	25
Dreyfus Treasury Securities	\$ 11,551	Money Market	AAA-mf	40
Goldman Sachs Financial Square Treasury Instruments Fund	49,682	Money Market	Aaa-mf	41
	<u>\$ 79,393</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, 2024 with the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	\$ 51,237	\$ 51,002	\$ 235	—
U.S. Government Agencies	13	13	—	Aaa
Money Market Funds	207,303	207,303	—	Aaa-mf
Fixed Income	22,993	22,286	707	See Table
	281,546	<u>\$ 280,604</u>	<u>\$ 942</u>	
Cash/Cash Reserve	5,744			
Funds on Deposit with fiscal agent	<u>\$ 287,290</u>			

Cash includes \$5.7 million in uninsured and non-collateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	P-1	Total
Fixed Income	\$ 1,236	\$ 1,248	\$ —	\$ 893	\$ 760	\$ 486	\$ 485	\$ 17,885	\$ 22,993

The following table (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2024:

	Fair Value June 30, 2024	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		(Level 1)	(Level 2)
Investments at Fair Value			
U.S. Treasuries	\$ 51,237	\$ 51,237	\$ —
U.S. Government Agencies	13	—	13
Fixed Income	22,993	—	22,993
Total investments by fair value level	<u>\$ 74,243</u>	<u>\$ 51,237</u>	<u>\$ 23,006</u>
Investments Measured at Net Asset Value (NAV)			
Money Market Mutual Funds	207,303		
Cash/Cash Reserve	<u>5,744</u>		
Total Funds on Deposit with Fiscal Agent	<u>\$ 287,290</u>		

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 \$525.6 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.

ERSRI (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, infrastructure, and crisis protection class - trend following 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, and infrastructure represented 7.2%, 21.5%, 5.3%, and 4.0%, respectively, of the total reported fair value of ERSRI's pooled investment trust at June 30, 2024.

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, infrastructure, crisis protection class and equity options), 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, 2024, the carrying amount of pension trust cash deposits was approximately \$9.5 million and the bank balance was approximately \$9.9 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, 2024 (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 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, 2024:

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, 2024:

Investment Type	Fair Value (in thousands)
Cash and Cash Equivalents:	
US Cash	\$ 15,699
Non-US Cash	5,176
Commercial Paper	24,270
Repurchase Agreements	5,900
Short-Term Collective Investment Funds	165,532
US Government Securities	607,841
US Government Agency Securities	203,674
Collateralized Mortgage Obligations	29,720
Corporate Bonds	1,007,202
Term Loans	60
Commingled Funds - International Equity	1,028,945
Domestic Equity Securities	2,792,869
International Equity Securities	483,088
Equity Options - Private LLC Investment	198,518
Private Equity	2,455,772
Real Estate	610,152
Hedge Funds	820,790
Crisis Protection Class - Trend Following - Limited partnerships	499,605
Infrastructure	457,355
Derivatives:	
Equity and Fixed Income Index Futures	2,628
Credit Default Swaps	405
Investments at Fair Value	\$ 11,415,201
Investment receivable	298,632
Investment payable	(304,438)
Total Pooled Investment Trust	\$ 11,409,395

(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, 2024	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
<u>Equity Investments</u>				
Global Equity	\$ 3,275,957	\$ 3,271,924	\$ 3,902	\$ 131
	<u>\$ 3,275,957</u>	<u>\$ 3,271,924</u>	<u>\$ 3,902</u>	<u>\$ 131</u>
<u>Fixed Income</u>				
US Government Securities	\$ 607,841	\$ 607,841	\$ —	\$ —
US Government Agency Securities	203,674	—	203,674	—
Corporate Bonds	1,007,202	—	1,007,202	—
Collateralized Mortgage Obligations	29,720	—	29,720	—
Term loans	60	—	—	60
	<u>\$ 1,848,497</u>	<u>\$ 607,841</u>	<u>\$ 1,240,596</u>	<u>\$ 60</u>
<u>Derivative Investments</u>				
Equity and Fixed Income Index Futures	\$ 2,628	\$ 2,628	\$ —	\$ —
Credit Default Swaps	405	—	405	—
	<u>\$ 3,033</u>	<u>\$ 2,628</u>	<u>\$ 405</u>	<u>\$ —</u>
<u>Commercial Paper</u>	<u>\$ 24,270</u>	<u>\$ —</u>	<u>\$ 24,270</u>	<u>\$ —</u>
Total Investment at Fair Value Level	<u>\$ 5,151,757</u>	<u>\$ 3,882,393</u>	<u>\$ 1,269,173</u>	<u>\$ 191</u>
<u>Investments Measured at Net Asset Value (NAV)</u>				
Short-Term Collective Investment Funds	\$ 165,532			
Commingled Funds - International Equity	1,028,945			
Hedge Funds	820,790			
Private Equity	2,455,772			
Real Estate	610,152			
Infrastructure	457,355			
Equity Options - Private LLC Investment	198,518			
Crisis Protection Class - Trend Following	499,605			
	<u>\$ 6,236,669</u>			
<u>Cash and Cash Equivalents</u>				
US Cash	\$ 15,699			
Non-US Cash	5,176			
Repurchase Agreements	5,900			
	<u>\$ 26,775</u>			
<u>Net Investment Payable</u>	<u>(5,806)</u>			
Total Pooled Investment Trust	<u>\$ 11,409,395</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) and related notes:

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Short-Term Collective Investment Funds (1)	\$ 165,532	\$ —	daily	none
Commingled Funds - International Equity (2)	1,028,945	—	daily	see note below
Hedge Funds (3)	820,790	—	see note below	see note below
Private Equity (4)	2,455,772	1,130,869	see note below	see note below
Real Estate (5)	610,152	159,687	see note below	see note below
Infrastructure (6)	457,355	180,484	see note below	see note below
Crisis Protection Class - Trend Following (7)	499,605	—	see note below	see note below
Equity Options - Private LLC investment (8)	198,518	—	see note below	see note below
	<u>\$ 6,236,669</u>	<u>\$ 1,471,040</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, 2024. Of the underlying holdings within the hedge funds approximately 57% 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 45 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

(4) Private equity – these 143 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, 2024.

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 25 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, 2024.

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) Infrastructure – These 15 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, 2024.

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, 2024. 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) 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, 2024. The underlying investments at June 30, 2024, 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, 2024, 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, 2024	10.14%	10.91%	10.41%	10.19%	10.18%	6.78%	10.53%

(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
- Bloomberg Barclays US Corporate Bond Index
- Bloomberg Barclays Securitized MBS/ABS/CMBS Index

At June 30, 2024, 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, 2024:

Investment Type	Fair Value (in thousands)	Effective Duration
US Government Agency Securities	\$ 203,674	7.35
US Government Securities	607,841	13.16
Collateralized Mortgage Obligations	29,720	2.65
Corporate Bonds	1,007,202	3.96
Term Loans	60	—
Total Fixed Income	<u>\$ 1,848,497</u>	7.34

At June 30, 2024, the System had investments totaling \$165.0 million in short-term collective investment funds. The cash-equivalent type investments held in those funds had a weighted average maturity of 37 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's repurchase agreements outstanding at June 30, 2024 had maturities of one to two days.

At June 30, 2024, the System had investment in commercial paper totaling \$24.3 million, with maturities ranging from 11 to 271 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's 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, 2024 is as follows (in thousands):

Moody's Quality Rating	US Government Agency	CMO	Corporate Bonds	Term Loans	Grand Total
A1	\$ —	\$ 555	\$ 44,388	\$ —	\$ 44,943
A2	—	76	28,426	—	28,502
A3	—	—	37,675	—	37,675
Aa1	466	4,087	5,811	—	10,364
Aa2	—	2,470	23,310	—	25,780
Aa3	—	836	8,562	—	9,398
Aaa	181,394	20,710	48,879	—	250,983
B1	—	—	58,479	—	58,479
B2	—	—	62,670	—	62,670
B3	—	246	35,569	—	35,815
Ba1	—	—	48,998	—	48,998
Ba2	—	—	64,844	—	64,844
Ba3	—	—	110,094	—	110,094
Baa1	—	—	57,311	—	57,311
Baa2	—	656	76,744	—	77,400
Baa3	—	84	108,231	—	108,315
Ca	—	—	1,083	—	1,083
Caa1	—	—	25,156	—	25,156
Caa2	—	—	11,283	—	11,283
Caa3	—	—	747	—	747
Not Rated	21,814	—	148,462	—	170,276
WR	—	—	480	60	540
Grand Total	\$ 203,674	\$ 29,720	\$ 1,007,202	\$ 60	\$ 1,240,656

Ratings provided by Moody's Investors Service

Investments in commercial paper totaling \$24.3 million at June 30, 2024 were rated Aa2, 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 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, 2024, all securities were registered in the name of Employees' Retirement System Pooled Trust (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, 2024, 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	Private Equity	Cash	Credit Default Swaps	Futures	Corporate Bonds	Total
Australian Dollar	\$ 40,282	\$ 27,655	\$ —	\$ 89	\$ —	\$ (25)	\$ —	\$ 68,001
Brazilian Real	18,460	—	—	—	—	—	—	18,460
Canadian Dollar	63,981	53,733	11	380	—	(41)	—	118,064
Chilean Peso	1,812	—	—	—	—	—	—	1,812
Chinese Yuan	9,614	—	—	—	—	—	—	9,614
Colombian Peso	459	—	—	—	—	—	—	459
Czech Republic Koruna	625	—	—	—	—	—	—	625
Danish Krone	21,011	23,523	—	39	—	—	—	44,573
Egyptian Pound	347	—	—	—	—	—	—	347
Euro Currency	179,815	121,622	68,735	1,482	12	141	10,680	382,487
Great Britain Pound	80,468	61,965	45,536	482	—	29	—	188,480
Hong Kong Dollar	89,132	13,737	—	504	—	19	—	103,392
Hungarian Forint	1,175	—	—	—	—	—	—	1,175
Indian Rupee	81,514	—	—	—	—	—	—	81,514
Indonesia Rupiah	6,375	—	—	—	—	—	—	6,375
Israeli Shekel	1,784	—	—	5	—	—	—	1,789
Japanese Yen	121,309	97,297	—	1,014	—	(112)	—	219,508
Kuwaiti Dinar	2,933	—	—	—	—	—	—	2,933
Malaysian Ringgit	5,821	—	—	—	—	—	—	5,821
Mexican Peso	9,220	—	—	—	—	—	—	9,220
New Taiwan Dollar	81,473	—	—	—	—	—	—	81,473
New Zealand Dollar	916	1,939	—	111	—	—	—	2,966
Norwegian Krone	3,132	1,294	—	45	—	—	—	4,471
Philippine Peso	2,239	—	—	—	—	—	—	2,239
Polish Zloty	4,286	—	—	—	—	—	—	4,286
Qatari Real	3,167	—	—	—	—	—	—	3,167
Saudi Riyal	16,125	—	—	—	—	—	—	16,125
Singapore Dollar	6,183	3,620	—	1	—	—	—	9,804
Swedish Krona	17,380	14,825	—	284	—	(3)	—	32,486
Swiss Franc	51,115	61,878	—	740	—	—	—	113,733
South African Rand	11,880	—	—	—	—	—	—	11,880
South Korean Won	51,920	—	—	—	—	—	—	51,920
Thailand Baht	5,491	—	—	—	—	—	—	5,491
Turkish Lira	3,294	—	—	—	—	—	—	3,294
United Arab Emirates Dirham	4,554	—	—	—	—	—	—	4,554
Total	\$ 999,292	\$ 483,088	\$ 114,282	\$ 5,176	\$ 12	\$ 8	\$ 10,680	\$ 1,612,538
United States Dollar	29,653	—	2,341,490	—	393	2,620	996,522	3,370,678
Grand Total	\$ 1,028,945	\$ 483,088	\$ 2,455,772	\$ 5,176	\$ 405	\$ 2,628	\$ 1,007,202	\$ 4,983,216

(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, credit default swaps, 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 index futures.

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, 2024:

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2023	Fair Value at June 30, 2024	Notional Amount
Fixed income futures - long	\$ 2,419	\$ 445	\$ 2,864	\$ 394,750
Fixed income futures - short	3,407	(3,489)	(82)	(8,648)
Equity index futures - long	(525)	866	341	3,593
Equity index futures - short	2,795	(3,290)	(495)	(167,568)
Credit default swaps	128	277	405	—
Total	\$ 8,224	\$ (5,191)	\$ 3,033	

Foreign Currency Forward Contracts Payable

Pending receivable (asset)

\$ 667

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, 2024 was \$667 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 six counterparties were Aa3 (two counterparties), Aa2 (two counterparties), and Aa1 (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 years-to-retirement asset allocation model currently serving as the plan's default. It is composed of investment options offered in the plan's core investment lineup that also serve as standalone options. Each model is based on a target date strategy and corresponds to a specific range of years to retirement (e.g. 10-12 years to retirement). An individual investment option can be a mutual fund, annuity contract, trust, or any other option that is part of the plan's core investment lineup. The term "investment option" does not include investments available solely through brokerage accounts or investments that otherwise are closed to participant-directed allocations.

The majority (91%) of investments held by participants in the defined contribution plan are annuities or equity funds. Annuities are guaranteed insurance contracts that are not categorized as investments for purposes of federal securities laws. Equity index funds seek to replicate the price and yield performance of a particular index.

The 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 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, 2024, all non-annuity assets, including mutual funds, that are traded and held in retirement plans by TIAA were held at TIAA-Trust, N.A., (formerly TIAA-CREF Trust Company, FSB) as custodian/trustee.

The majority of the defined contribution plan investment options are asset allocation models that facilitate investments directly into the individual investment options available within the plan; the models 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 are subject to interest rate, inflation and credit risks. 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.

Private equity, real estate, and private real assets ex-real estate represented 3.8%, 2.8%, and 1.3%, respectively, of the total reported fair value of all pooled OPEB trust investments at June 30, 2024.

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, and private real assets ex-real estate), 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, 2024, the carrying amount of the OPEB System cash deposits was approximately \$4.0 million and the bank balance was \$4.0 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, 2024 (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 \$2.6 million invested in the Ocean State Investment Pool at June 30, 2024. 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. An investment policy statement was adopted by the SIC on June 22, 2022 and was effective from January 1, 2023 through December 31, 2023. The SIC approved a revised Investment Policy Statement on December 6, 2023 with an effective date of January 1, 2024. The Investment Policy Statements may be amended by a majority vote of SIC members. 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 January 1, 2024:

Asset Class	Target Asset Allocation
GROWTH	
Public Growth	40.0 %
Private Growth	5.0 %
<i>Subtotal</i>	<u>45.0 %</u>
INCOME	
Equity Options	4.0 %
Liquid Credit	8.0 %
Collateralized Loan Obligations (CLOs)	4.0 %
Private Credit	5.0 %
<i>Subtotal</i>	<u>21.0 %</u>
STABILITY	
Inflation Protection - Core Real Estate	4.0 %
Inflation Protection - Private Real Assets (ex-Real Estate)	4.0 %
Volatility Protection	26.0 %
<i>Subtotal</i>	<u>34.0 %</u>
Total	<u>100.0 %</u>

Consistent with a target asset allocation model adopted by the SIC, the OPEB 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, 2024:

Investment Type	Fair Value (in thousands)
US Cash and Cash Equivalents:	
US Cash	\$ 86
Non-US Cash	46
Money Market Mutual Funds	4,587
Corporate Bonds	13,152
Derivatives:	
Equity and Fixed Income Index Futures	13
Commingled Funds - International Equity	103,387
Commingled Funds - Domestic Equity Index Funds	464,693
Equity Options	27,388
Private Equity	25,273
Real Estate	18,463
Private Real Assets ex-Real Estate	8,906
Investment at Fair Value	\$ 665,994
Investment receivable	106
Total Pooled Investment Trust	\$ 666,100

(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, 2024 (expressed in thousands):

Investments at Fair Value	Fair Value June 30, 2024	Quoted Prices in Active Market for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Fixed Income:			
Corporate Bonds	\$ 13,152	\$ —	\$ 13,152
Derivatives:			
Equity and Fixed Income Futures	\$ 13	\$ 13	\$ —
Total investments by fair value level	<u>\$ 13,165</u>	<u>\$ 13</u>	<u>\$ 13,152</u>

Investments measured at the net asset value (NAV)

Commingled Funds - International Equity	\$ 103,387
Commingled Funds - Domestic Equity Index Funds	464,693
Equity Options	27,388
Money Market Funds	4,587
Private Equity	25,273
Real Estate	18,463
Private Real Assets ex-Real Estate	8,906
	<u>\$ 652,697</u>

Cash and Cash Equivalents

US Cash and Cash Equivalents	86
Non-US Cash	46
	<u>132</u>

Net investment receivable

106

Total Pooled Investment Trust

\$ 666,100

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):

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Commingled Funds - International Equity	\$ 103,387	\$ —	daily	none
Commingled Funds - Domestic Equity Index Funds	464,693	—	daily	see note below
Equity Options	27,388	—	see note below	see note below
Money Market Fund	4,587	—	see note below	see note below
Private Equity	25,273	12,310	see note below	see note below
Real Estate	18,463	3,865	see note below	see note below
Private Real Assets ex-Real Estate	8,906	3,340	see note below	see note below
	<u>\$ 652,697</u>	<u>\$ 19,515</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, 2024. The underlying investments at June 30, 2024, 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 14 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, 2024. 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 12 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, 2024.

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), 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 – these four funds provide 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 these investments have been determined using the NAV per share of the investment as reported by the general partner at June 30, 2024.

With the exception of two open-ended core funds which allow for quarterly liquidity (with a notice period of between 45 to 60 days), these investments cannot be redeemed. Redemptions may not be fulfilled in a timely manner due to market conditions and initial lock-up period. The nature of these investments provide 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, 2024, 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, 2024	12.65%	3.62%	10.45%	11.86%	19.76%	11.85%

(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 credit managers, the OPEB 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
- Bloomberg US Aggregate Bond Index

At June 30, 2024, 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, 2024 (expressed in thousands):

<u>Investment Type:</u>	<u>Fair Value</u>	<u>Effective Duration</u>
Corporate Bonds	\$ 13,152	2.44
Total Fixed Income	<u>\$ 13,152</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 at June 30, 2024 (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	\$ 198,274	6.13
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$ 76,948	3.09

(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 OPEB System may be exposed to credit risk with respect to its fixed income investments. The OPEB 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 OPEB System vary by asset class and reflect the manager's strategy and the OPEB 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, 2024 is as follows (expressed in thousands):

<u>Quality Rating (1)</u>	<u>Corporate Bonds</u>
Ba2	2,001
Ba3	1,724
B3	19
Not rated	9,408
Fair Value	<u>13,152</u>

(1) Moody's Investors Service Ratings

In addition to the exposure to credit risk on corporate bonds shown, the following table depicts credit ratings for two commingled domestic equity fund investments at June 30, 2024 (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	\$198,274	AA3	Aaa-3.6%, Aa-70.4%, A-11.6%, Baa-12.4%, Not rated-2.0%
US High Yield Bond Index NL	Commingled Funds - Domestic Equity	\$76,948	B1	BBB or higher - 0.8%, BB-49.6%, B-36.2%, CCC or lower-12.4%, Not rated-1.0%

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 fund 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, 2024, all securities were registered in the name of State of Rhode Island OPEB Systems Trust (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 OPEB System's exposure to foreign currency risk at June 30, 2024, is detailed in the following table:

Currency Code	Currency	Commingled Funds
AUD	Australian Dollar	\$ 4,930
ATS	Austrian Schilling	123
BEF	Belgian Franc	628
BRL	Brazilian Real	1,273
CAD	Canadian Dollar	7,693
CLP	Chilean Peso	132
CNY	Chinese Yuan	7,544
COP	Colombian Peso	33
CZK	Czech Republic Koruna	40
DKK	Danish Krone	2,617
NLG	Dutch Guilder	3,551
EGP	Egyptian Pound	20
FIM	Finnish Markka	664
FRF	French Franc	7,379
DEM	German Deutsche Mark	5,681
GBP	Great Britain Pound	9,785
GRD	Greek Drachmae	148
HKD	Hong Kong Dollar	1,172
HUF	Hungarian Forint	73
INR	Indian Rupee	5,739
IDR	Indonesia Rupiah	473
IEP	Irish Pound	229
ILS	Israeli Shekel	483
ITL	Italian Lira	1,768
JPY	Japanese Yen	14,941
KWD	Kuwaiti Dinar	219
MYR	Malaysian Ringgit	409
MXN	Mexican Peso	641
TWD	New Taiwan Dollar	5,815
NZD	New Zealand Dollar	115
NOK	Norwegian Krone	392
PEN	Peruvian Nouveau Sol	92
PHP	Philippine Peso	155
PLN	Polish Zloty	289
PTE	Portuguese Escudo	126
QAR	Qatari Real	236
SAR	Saudi Riyal	1,161
SGD	Singapore Dollar	894
ESP	Spanish Peseta	1,744
SEK	Swedish Krona	2,126
CHF	Swiss Franc	6,363
ZAR	South African Rand	885
KRW	South Korean Won	3,644
THB	Thailand Baht	397
TRY	Turkish Lira	235
AED	United Arab Emirates Dirham	330
Total		\$ 103,387

(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 summarizes the System's exposure to specific derivative investments (in thousands) at June 30, 2024:

Investment Derivative Instruments	Change in Fair Value Included in Investment Income	Fair Value at June 30, 2023	Fair Value at June 30, 2024	Notional Amount
Fixed income futures - long	\$ 14	\$ 1	\$ 15	\$ 3,068
Fixed income futures - short	\$ 154	\$ (154)	N/A	N/A
Equity index futures - long	\$ (8)	\$ 9	\$ 1	\$ 460
Equity index futures - short	\$ 76	\$ (79)	\$ (3)	\$ 828
Total	\$ 236	\$ (223)	\$ 13	

E. Private Purpose Trusts

The Tuition Savings Program had investments of approximately \$4.1 billion in a number of mutual funds and other investment vehicles as of June 30, 2024. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$652.7 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 \$4.2 million in the Fidelity Balanced Fund as of June 30, 2024. 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, 2024. 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, 2024, 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, 2024 (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	\$ 898,777	\$ 462,205	\$ 2,618	\$ 1,363,600	\$ (353,112)	\$ 1,010,488	\$ 510,290
Less current portion	882,949	350,147	1,876	1,234,972	(334,882)	900,090	489,396
Non-current portion	\$ 15,828	\$ 112,058	\$ 742	\$ 128,628	\$ (18,230)	\$ 110,398	\$ 20,894
Business-type activities receivables	\$ 79,070	\$ 61,167	\$ —	\$ 140,237	\$ (41,344)	\$ 98,893	\$ 1,558
Less current portion	79,070	61,167	—	140,237	(41,344)	98,893	1,558
Non-current portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

Within the governmental activities, 69.75% of the net receivables is attributed to net taxes receivable (\$194 million is uncollectible) and 30.0% to net accounts receivables (\$159.2 million is uncollectible). In fiscal year 2024, a significant amount of the account receivables related to the opioid settlement, which totaled \$96.8 million and Medicaid accruals, which totaled \$36.7 million. These amounts represent 32.0% and 12.1% of the net accounts receivable, respectively.

The due from other governments and agencies include \$146.4 million in Medicaid accruals due from the federal government, which represents 28.7% of the total due from other governments.

Receivables related to the Employment Security Fund totaled \$82.8 million, which represent 83.7% 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, 2024 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	\$ 23,101	\$ —	Assessed Fringe Benefits overpayment refunds and RI Lottery residual net income transfer
Intermodal Surface Transportation	4,313	—	Transportation funding
RI Capital Plan	—	10,560	Project Funding
Total Major Funds	27,414	10,560	
Non-Major Funds			
RI Temporary Disability Insurance	—	3,209	Operating expenses
Permanent School	37	—	Operating expenses
RI Clean Water Act.	1	—	Investment Interest
Bond Capital	—	7,079	Project funding
Large Systems Initiatives Fund	—	79	Project funding
Total Non-Major Funds	38	10,367	
Total Governmental Funds	27,452	20,927	
Proprietary Funds			
Enterprise Funds			
RI Lottery	18	6,228	RI Lottery residual net income transfer to General Fund
RI Convention Center	78	—	Project funding and operating assistance
Employment Security Trust	—	327	Benefit payments
Total Enterprise Funds	96	6,555	
Internal Service Funds	8,802	8,868	Settlement of services rendered
Total Primary Government	<u>\$ 36,350</u>	<u>\$ 36,350</u>	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2024 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	\$ 419,652	\$ 6,448	\$ (1,429)	\$ 424,671
Works of art	5,643	30	—	5,673
Intangibles	188,513	2,516	—	191,029
Construction in progress	1,113,561	510,740	(276,045)	1,348,256
Intangibles: Subscription-based IT assets (in dev)	—	23,241	—	23,241
Total capital assets not being depreciated or amortized	1,727,369	542,975	(277,474)	1,992,870
Capital assets being depreciated or amortized:				
Land improvements	8,331	3,105	—	11,436
Buildings	885,416	4,907	(540)	889,783
Building improvements	582,048	7,668	—	589,716
Furniture and equipment	391,416	35,965	(6,611)	420,770
Intangibles	342,252	—	(2,799)	339,453
Intangibles: right to use lease assets				
Buildings	93,321	6,274	(4,577)	95,018
Furniture and equipment	657	3,510	(387)	3,780
Intangibles: subscription-based IT assets	16,020	13,042	(2,554)	26,508
Infrastructure	5,663,705	248,752	(15,792)	5,896,665
Total capital assets being depreciated or amortized	7,983,166	323,223	(33,260)	8,273,129
Less accumulated depreciation or amortization for:				
Land improvements	5,058	252	—	5,310
Buildings	407,671	16,860	(217)	424,314
Building improvements	275,787	19,433	(250)	294,970
Furniture and equipment	325,210	23,498	(6,311)	342,397
Intangibles	216,996	32,909	(1,679)	248,226
Intangibles: right to use lease assets				
Buildings	30,597	15,092	(3,984)	41,705
Furniture and equipment	650	708	(341)	1,017
Intangibles: subscription-based IT assets	6,014	8,361	(422)	13,953
Infrastructure	2,995,003	169,956	(3,553)	3,161,406
Total accumulated depreciation or amortization	4,262,986	287,069	(16,757)	4,533,298
Total capital assets being depreciated or amortized, net	3,720,180	36,154	(16,503)	3,739,831
Governmental activities capital assets, net *	\$ 5,447,549	\$ 579,129	\$ (293,977)	\$ 5,732,701

*Net governmental activities capital assets includes Internal Service Fund net capital assets totaling \$5.9 million at June 30, 2024.

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

General government	\$ 31,403
Health and human services	37,540
Education	7,115
Public safety	25,797
Natural resources	9,064
Transportation	176,150
Total depreciation or amortization expense - governmental activities	\$ 287,069

Business-type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	6,264	12,809	(12,046)	7,027
Intangibles: Subscription-based IT assets (in dev)	—	705	—	705
Total capital assets not being depreciated	53,072	13,514	(12,046)	54,540
Capital assets being depreciated or amortized:				
Buildings	281,736	6,681	(197)	288,220
Machinery and equipment	53,174	5,396	(970)	57,600
Intangibles: right to use lease assets - equipment	1,401	—	(64)	1,337
Total capital assets being depreciated	336,311	12,077	(1,231)	347,157
Less accumulated depreciation or amortization for:				
Buildings	203,576	6,894	(118)	210,352
Machinery and equipment	43,046	3,166	(946)	45,266
Intangibles: right to use lease assets - equipment	404	339	(64)	679
Total accumulated depreciation or amortization	247,026	10,399	(1,128)	256,297
Total capital assets being depreciated or amortized (net)	89,285	1,678	(103)	90,860
Business-type activities capital assets (net)	<u>\$ 142,357</u>	<u>\$ 15,192</u>	<u>\$ (12,149)</u>	<u>\$ 145,400</u>

Discretely Presented Component Units	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 139,427	\$ 772	\$ (3,022)	\$ 137,177
Construction in progress	359,448	184,835	(187,762)	356,521
Other	250	—	—	250
Total capital assets not being depreciated or amortized	499,125	185,607	(190,784)	493,948
Capital assets being depreciated or amortized:				
Buildings	2,913,483	169,385	(98)	3,082,770
Land improvements	342,599	24,206	(188)	366,617
Leasehold improvements	97	27	(90)	34
Machinery and equipment	601,690	56,535	(14,053)	644,172
Intangibles: right to use lease assets	45,037	22,771	(146)	67,662
Intangibles: subscription-based IT assets	19,416	15,318	(1,953)	32,781
Infrastructure	392,616	1,387	—	394,003
Total capital assets being depreciated or amortized	4,314,938	289,629	(16,528)	4,588,039
Less accumulated depreciation or amortization for:				
Buildings	1,416,333	87,917	(52)	1,504,198
Land improvements	230,012	12,338	—	242,350
Leasehold improvements	59	4	(57)	6
Machinery and equipment	438,266	31,360	(13,330)	456,296
Intangibles : right to use lease assets	2,567	6,565	(664)	8,468
Intangibles: subscription-based IT assets	6,835	9,628	(361)	16,102
Infrastructure	173,841	13,789	—	187,630
Total accumulated depreciation or amortization	2,267,913	161,601	(14,464)	2,415,050
Total capital assets being depreciated or amortized (net)	2,047,025	128,028	(2,064)	2,172,989
Total capital assets (net)	<u>\$ 2,546,150</u>	<u>\$ 313,635</u>	<u>\$ (192,848)</u>	<u>\$ 2,666,937</u>

Note 6. Notes Payable and Line of Credit Arrangements**Discretely Presented Component Units**

Notes payable (expressed in thousands) at June 30, 2024 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 2025	\$ 83
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 5 years	1,143
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0% to 6.3% interest, payable through 2047	84,710
	<u>85,936</u>
Less: current portion	63,834
Non-current portion	<u>\$ 22,102</u>

Other

R.I. Housing and Mortgage Finance Corporation federal bank note, 2.2% to 4.8% interest, payable from 2056 through 2064.	<u>\$ 278,227</u>

Direct borrowing – Line of credit arrangements

R.I. Housing and Mortgage Finance Corporation (RIHMFC) - As of June 30, 2024, RIHMFC may borrow up to a maximum of \$135.0 million under various revolving loan agreements expiring between August 2024 and January 2025. 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, 2024, the borrowings were \$30.0 million and the rate was 5.97%. The remaining line of credit arrangements have fixed rates which range from 5.98% to 6.16%. Outstanding borrowings under these agreements totaled \$30.0 million at June 30, 2024.

Note 7. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2024 are presented in the following table (expressed in thousand):

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
<i>Bonds Payable</i>						
General Obligation bonds (see section B)	\$ 1,466,490	\$ 146,705	\$ (129,975)	\$ 1,483,220	\$ 118,930	\$ 1,364,290
RICC Grant Anticipation Revenue bonds	454,660	—	(43,180)	411,480	41,860	369,620
RICC Rhode Island Motor Fuel Tax Revenue bonds	15,075	—	(4,605)	10,470	4,360	6,110
Tobacco Settlement asset-backed bonds	522,873	—	(25,665)	497,208	14,020	483,188
Accreted interest on TSFC bonds	167,587	16,695	—	184,282	—	184,282
RICC Historic Tax Credit bonds	54,370	—	(17,765)	36,605	8,740	27,865
RIHEBC State Appropriation-Backed Revenue Bonds	—	93,520	(3,890)	89,630	2,940	86,690
Net unamortized premium/discount	168,155	15,026	(28,126)	155,055	—	155,055
Bonds payable (net)	<u>2,849,210</u>	<u>271,946</u>	<u>(253,206)</u>	<u>2,867,950</u>	<u>190,850</u>	<u>2,677,100</u>
Certificates of Participation (see section D)	79,365	—	(21,070)	58,295	17,450	40,845
Net unamortized premium/discount	4,221	—	(1,209)	3,012	—	3,012
Certificates of Participation (net)	<u>83,586</u>	<u>—</u>	<u>(22,279)</u>	<u>61,307</u>	<u>17,450</u>	<u>43,857</u>
Lease liability (see note 15)	70,385	10,225	(18,953)	61,657	17,055	44,602
SBITA liability (see note 15)	8,489	10,601	(9,666)	9,424	4,142	5,282
Net pension liability (see note 18)**	1,994,860	6,152	(59,679)	1,941,333	—	1,941,333
Net pension liability-special funding (see note 18)**	1,148,198	—	(116,490)	1,031,708	—	1,031,708
Net OPEB liability (see note 19 D)**	256,682	—	(67,704)	188,978	—	188,978
Compensated absences (see section H)**	103,261	10,158	(6,815)	106,604	83,024	23,580
Pollution remediation (see section G)	13,298	7,575	(17,380)	3,493	670	2,823
Other liabilities (see section K)	86,679	59,550	(27,815)	118,414	22,405	96,009
Total Governmental Long-term Liabilities	<u>\$ 6,614,648</u>	<u>\$ 376,207</u>	<u>\$ (599,987)</u>	<u>\$ 6,390,868</u>	<u>\$ 335,596</u>	<u>\$ 6,055,272</u>
Business-type Activities						
Revenue bonds (see section B)	\$ 160,725	\$ —	\$ (20,525)	\$ 140,200	\$ 21,225	\$ 118,975
Lease liability (see note 15)	1,014	—	(329)	685	339	346
Net pension liability**	18,689	—	(927)	17,762	—	17,762
Net OPEB liability **	2,578	—	(667)	1,911	—	1,911
Unearned revenue	17,126	13,485	—	30,611	5,672	24,939
Compensated absences (see section H)**	656	578	(509)	725	354	371
Total Business-type Long-term Liabilities	<u>\$ 200,788</u>	<u>\$ 14,063</u>	<u>\$ (22,957)</u>	<u>\$ 191,894</u>	<u>\$ 27,590</u>	<u>\$ 164,304</u>
Component Units						
Bonds payable (see section B)	\$ 2,839,835	\$ 580,905	\$ (257,539)	\$ 3,163,201	\$ 139,485	\$ 3,023,716
Bonds payable - direct placements	96,077	—	(16,598)	79,479	12,874	66,605
Net unamortized premium/discount	98,768	4,709	(12,882)	90,595	10,674	79,921
Refunding credits	(8,205)	—	2,277	(5,928)	(2,023)	(3,905)
Bonds payable (net)	<u>3,026,475</u>	<u>585,614</u>	<u>(284,742)</u>	<u>3,327,347</u>	<u>161,010</u>	<u>3,166,337</u>
Loans payable (see section C)	22,235	343	(1,939)	20,639	1,949	18,690
Lease liability	45,196	20,643	(4,247)	61,592	2,863	58,729
SBITA liability	10,112	13,925	(9,835)	14,202	7,303	6,899
Net pension liability**	276,587	1	(17,915)	258,673	—	258,673
Net OPEB liability**	124,581	9,225	(17,347)	116,459	—	116,459
Compensated absences (see section H)**	38,483	5,181	(3,085)	40,579	11,775	28,804
Due to primary government (see section J)	32,257	—	(4,455)	27,802	4,654	23,148
Unearned revenue	43,439	6,955	(23,243)	27,151	25,127	2,024
Due to component units	386	776	(266)	896	896	—
Other Long-term liabilities						
Arbitrage rebate (see section I)	28	900	(27)	901	—	901
Pollution remediation (see section G)	14,006	—	(1,854)	12,152	1,002	11,150
Other liabilities (see section K)	417,944	48,725	(20,240)	446,429	1,086	445,343
Total Component Units Long-term Liabilities	<u>\$ 4,051,729</u>	<u>\$ 692,288</u>	<u>\$ (389,195)</u>	<u>\$ 4,354,822</u>	<u>\$ 217,665</u>	<u>\$ 4,137,157</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, 2024, 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
2025	\$ 190,850	\$ 103,670	\$ 21,225	\$ 6,306	\$ 139,485	\$ 119,185	\$ 12,874	\$ 2,377
2026	199,685	94,866	21,975	5,560	135,465	114,616	5,603	2,106
2027	190,010	86,074	21,095	4,778	139,007	109,712	7,659	1,869
2028	178,895	77,835	5,960	3,970	137,117	104,538	8,021	1,599
2029	158,895	70,118	6,285	3,647	94,674	85,953	8,299	1,312
2030- 2034	663,210	248,535	37,005	12,652	524,741	161,257	24,427	3,446
2035 - 2039	464,915	131,873	18,310	3,730	712,278	144,889	12,596	710
2040 - 2044	208,470	58,235	8,345	726	563,869	78,958	—	—
2045 - 2049	46,665	32,382	—	—	365,945	42,729	—	—
2050 - 2054	227,018	1,417,779 *	—	—	302,260	20,158	—	—
2055 - 2059	—	—	—	—	41,500	3,001	—	—
2060 - 2064	—	—	—	—	6,860	256	—	—
	<u>\$2,528,613</u>	<u>\$2,321,367</u>	<u>\$140,200</u>	<u>\$ 41,369</u>	<u>\$3,163,201</u>	<u>\$ 985,252</u>	<u>\$ 79,479</u>	<u>\$ 13,419</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 2023, the State issued \$146.7 million of general obligation bonds with interest rates from 5.0% - 6.5%, maturing from 2025 through 2044. The total premium paid on these bonds was \$7.2 million. In accordance with certain bond statutes, net premiums of \$1.0 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and \$5.6 million was transferred to the Rhode Island Capital Plan Fund.

In fiscal year 2023, the State issued 2022 Series B general obligation bonds in the aggregate amount of \$60.3 million. The fiscal year 2024 State budget contained significant appropriations to pay down existing State debt obligations for the purpose of achieving out-year savings. As such, in January of 2024, the State partially redeemed two of the Series B bonds in the cumulative amount of \$12.2 million that were planned to mature in August of 2031 and August of 2032. This redemption reduced the outstanding bonds payable principal amount to \$43.3 million.

At June 30, 2024, general obligation bonds authorized by the voters and unissued amounted to approximately \$471.5 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. 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.

State Appropriation-Backed Revenue Bonds (Series 2023 Bonds) - The R.I. Health and Education Building Corporation (RIHEBC), on behalf of the State of Rhode Island (the "Borrower") and the City of Central Falls, issued \$93.5 million in State appropriations-backed revenue bonds for Central Falls School Projects on August 17, 2023. The bonds were issued with interest rates of 4.00% - 5.00%, maturing from 2024 through 2043. The premium paid on these bonds was \$7.8 million. These bonds, combined with the premium, were deposited in a corporate trust with US Bank to fund construction of Central Falls High

School. At June 30, 2024, bonds authorized by the General Assembly pursuant to General Law Chapter 35-18, but not issued for the school construction in the City of Central Falls totaled \$50.4 million.

The Series 2023 Bonds are special limited obligations of the Corporation and are payable solely from and secured by the pledge of payments to be made by the State of Rhode Island pursuant to the terms of a financing agreement by and among RIHEBC, the State of Rhode Island, City of Central Falls, and the Central Falls School District Board of Trustees. Under the financing agreement, the State covenants and agrees that the Governor's recommended budget shall include the annual debt service amount due on the Series 2023 Bonds in the proposed State budget for that fiscal year. The annual appropriation request would be subject to annual appropriation by the State General Assembly.

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-seven cents (\$.37) 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 2024 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. As of June 30, 2024 there were \$36.6 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 year ended June 30, 2024, the Corporation utilized \$12.4 million 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, 2024 and 2023, outstanding bond indebtedness totaled \$140.2 million and \$160.7 million, respectively.

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, 2024, 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, 2024.

In November 2017, the 2009 Series A Bonds outstanding in the amount of \$64,800,000 were advance refunded via the Authority's issuance of Revenue Refunding Bonds, 2017 Series A (federally taxable) ("2018 Series A Bonds").

Concurrent with the issuance of the RICCA's 2009 Series A Bonds, a financial guaranty insurance policy was issued by Assured Guaranty Corp. The policy provided maximum coverage for principal and interest

payments on the 2009 Series A Bonds of \$127,472,366. Coverage under the policy terminated with the advance refunding of the 2009 Series A Bonds.

Simultaneous with the issuance of the 2009 Series A and Series B Bonds ("2009 Series Bonds"), a Debt Service Reserve Fund Facility (the "Facility") was issued by Assured Guaranty Municipal Corp. ("AGM") to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of \$16,230,945. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the bonds issued under 1991 General Revenue Bond Resolution (i.e., 2017 Series A and 2021 Series A) are no longer outstanding. Effective August 1, 2024, AGM completed its merger with and into Assured Guaranty Inc. ("AG") with AG as the surviving company. At the time of the merger, AG and AGM had identical financial strength ratings of AA by S&P and A1 by Moody's. These are the most recent ratings available as of the date the Authority's financial statements were available to be issued.

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, 2024, 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, 2024 revenue bonds outstanding were approximately as follows: URI - \$237.2 million, RIC - \$9.5 million, and CCRI - \$0.

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, 2024, 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 \$133.5 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 \$50.3 million for the year ended June 30, 2024. Principal and interest payments for the year ended June 30, 2024 were approximately \$20.9 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, 2024, RIAC had approximately \$37.9 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. In November 2023, the State of Rhode Island as part of the Governor's budget appropriated additional funds to fully redeem and payoff the bonds. Bond principal payments of \$30.1 million and \$1.9 million were made during the years ended June 30, 2024 and 2023, respectively through state appropriations and proceeds from sales of parcels. Interest expense for the years ended June 30, 2024 and 2023 was \$743.4 thousand and \$1.4 million, respectively.

The outstanding balance of the 2013 Series A Bonds was \$0 and \$30.1 million as of June 30, 2024 and 2023, respectively.

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 \$354 thousand and \$20.3 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, 2024, 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, 2024, future debt service requirements for Certificates of Participation were as follows (expressed in thousands):

Fiscal Year Ending June 30	Principal	Interest
2025	\$ 17,450	\$ 2,439
2026	6,930	1,847
2027	6,520	1,507
2028	5,690	1,192
2029	5,985	918
2030 - 2034	15,720	1,623
	<u>\$ 58,295</u>	<u>\$ 9,526</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, 2024 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583	\$ 83,655	\$ 131,928
Building Improvements	86,737	49,910	36,827
Computer Systems	52,395	35,710	16,685
Infrastructure	26,754	10,969	15,785
	<u>\$ 381,469</u>	<u>\$ 180,244</u>	<u>\$ 201,225</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, 2024, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 20,860
Component Units:	
R.I. Infrastructure Bank	\$ 91,275

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 RIHMFC for any of those bonds. At June 30, 2024, the bonds have an aggregate outstanding principal amount payable of \$149.4 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 RIHEBC, 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 RIHEBC or the State, and accordingly are not reflected in the financial statements. The amount of conduit debt outstanding on June 30, 2024 was \$3.9 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, 2024 was \$35.6 million for RIIFC and \$696.0 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, 2024, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of \$35.9 million.

The Rhode Island Industrial-Recreational Building Authority (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, 2024 totaled approximately \$7.3 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, 2024, 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 & Yield Reduction Liabilities

A liability accrues for income on the investment of debt proceeds determined to be arbitrage earnings in accordance with federal regulations. These accrued amounts are generally payable to the federal government every fifth year after the issuance date of the bonds over the life of the issuance. As of June 30, 2024, the State carries \$12.9 million in arbitrage rebate.

The cumulative amount accrued can fluctuate over the five year measurement window. The State's accrued liability is remeasured annually.

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 and other 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:

- Asset Retirement Obligations – General and RI Capital Plan.
- 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, 2024 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	\$ 9,422	\$ 1,255	\$ 10,677	\$ 8,639
Deferred pension costs - ERS	442,849	3,078	445,927	32,681
Deferred pension costs - single employer plans and other	38,551	—	38,551	26,014
Deferred OPEB costs - multiple employer plans	42,644	805	43,449	23,703
Deferred OPEB costs - single employer plans	11,011	—	11,011	—
Asset Retirement Obligations	37,566	—	37,566	—
Derivatives	—	—	—	2,629
Total deferred outflows of resources	<u>\$ 582,043</u>	<u>\$ 5,138</u>	<u>\$ 587,181</u>	<u>\$ 93,666</u>
Deferred inflows of resources:				
Deferred gain on refunding of debt	\$ 22,605	\$ —	\$ 22,605	\$ 1,368
Deferred pension credit - ERS	144,576	856	145,432	26,184
Deferred pension credit - single employer plans and other	15,080	—	15,080	1,432
Deferred OPEB credit - multiple employer plans	107,759	1,219	108,978	57,612
Unavailable Revenue	—	—	—	—
Deferred OPEB credit - single employer plans	27,629	—	27,629	—
Leases	22,125	24,592	46,717	226,206
Total deferred inflows of resources	<u>\$ 339,774</u>	<u>\$ 26,667</u>	<u>\$ 366,441</u>	<u>\$ 312,802</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2024 are as follows (expressed in thousands):

	General Fund	IST Fund	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:				
Taxes	\$ 15,828	\$ —	\$ —	\$ 15,828
Other general revenue	7,640	—	—	7,640
Restricted revenue	86,771	—	—	86,771
Federal revenue	883	19,236	—	20,119
Leases	18,833	3,065	229	22,127
Total deferred inflows of resources	<u>\$ 129,955</u>	<u>\$ 22,301</u>	<u>\$ 229</u>	<u>\$ 152,485</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:					
Nonspendable:					
Prepaid expenditures and permanent funds principle	\$ 164,678	\$ —	\$ —	\$ 174	\$ 164,852
Restricted for:					
Purposes specified by enabling legislation	386,773	—	—	—	386,773
RI Capital Plan	—	—	938,278	—	938,278
Debt Service	—	9,391	—	70,583	79,974
Capital Projects	—	—	—	519,277	519,277
Temporary Disability Insurance	—	—	—	190,725	190,725
Historic Tax Credit Redemption	—	—	—	92,821	92,821
Transportation-Infrastructure	—	147,104	—	—	147,104
Mission 360 Loan Program	—	1,695	—	—	1,695
Other	—	—	—	623	623
Committed to:					
Transportation-Maintenance	—	167,186	—	—	167,186
Other	41,188	—	—	216	41,404
Assigned to:					
Subsequent Years Expenditures	317,639	744	—	382	318,765
Unassigned:					
Budget Reserve and Cash Stabilization	291,875	—	—	—	291,875
Supplemental Budget Reserve	76,650	—	—	—	76,650
Other	(117,342)	—	—	—	(117,342)
Permanent Fund Principal	—	—	—	(97)	(97)
Totals	\$ 1,161,461	\$ 326,120	\$ 938,278	\$ 874,704	\$ 3,300,563

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 2024, 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 2024, the Budget Reserve and Cash Stabilization Account had been fully funded.

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, the Supplemental State Budget Reserve was created at the close of fiscal year 2023 within the General Fund and is to be administered by the State Controller. This Reserve should be used solely to provide sums as may be appropriated to fund any unanticipated general revenue deficit. However, the transfer made after fiscal year 2023 was clawed back during fiscal year 2024.

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 \$1.5 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

There were no restatements of beginning net position for fiscal year 2024.

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	\$ 1,815,219	\$ 1,810,107
General Business Taxes:		
Business Corporations	367,174	366,685
Public Utilities Gross Earnings	75,170	75,170
Financial Institutions	47,678	47,678
Insurance Companies	175,018	175,018
Bank Deposits	5,519	5,519
Health Care Provider Assessment	40,684	40,684
Sub-total - General Business Taxes	711,243	710,754
Sales and Use Taxes:		
Sales and Use	1,635,428	1,637,202
Motor Vehicle	14	14
Cigarettes	119,314	119,314
Alcoholic Beverages	20,789	20,789
Sub-total - Sales and Use Taxes	1,775,545	1,777,319
Other Taxes:		
Inheritance and Gift	49,842	49,842
Racing and Athletics	665	665
Realty Transfer	15,732	15,732
Sub-total - Other Taxes	66,239	66,239
Total - General Fund	4,368,246	4,364,419
Intermodal Surface Transportation Fund		
Gasoline	171,335	171,335
RI Highway Maintenance	77,474	77,474
Other Governmental Funds	261,098	261,096
Total Taxes	\$ 4,878,153	\$ 4,874,324

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 \$92.8 million is available in the Historic Tax Credit Fund at June 30, 2024.

The following is a summary of taxes abated during fiscal 2024 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	\$ —	\$ 3,828	\$ —	\$ 10,780	\$ —	\$ —	\$14,608
Motion Picture Production Tax Credits	2,579	5,761	2,450	\$ —	—	—	10,790
Qualified Jobs Incentive Tax Credit	476	—	—	—	—	—	476
Rebuild Rhode Island Tax Credit	1,125	26	7,548	—	—	—	8,699
Historic Preservation Tax Credits	3,974	331	5,400	—	—	—	9,705
Tax Credit for Contributions to Qualified Scholarship Organizations	1,024	—	139	—	—	—	1,163
Tax Increment Financing (PILOT)	—	—	—	—	214	1,367	1,581
Tax Increment Financing (Traditional)	—	—	—	—	172	1,535	1,707
Wavemaker Fellowship	34	—	—	—	—	—	34
Total	\$ 9,212	\$ 9,946	\$ 15,537	\$ 10,780	\$ 386	\$ 2,902	\$48,763

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

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- 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, 2024, direct payments made to Wavemaker fellows totaled approximately \$512 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, 2024.

<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 outsize 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)	\$	43,056
Investment income		2,667
Total revenues		45,723
General and administrative expenses, cash basis		100
Net revenue available for debt service	\$	45,623

Required debt service payments	\$	33,876

Coverage ratio before "turbo redemption" principal payments (b) 134.68 %

Turbo redemptions - principal (c)		12,375

Total annual debt service	\$	46,251

Coverage ratio after "turbo redemption" principal (d) 98.64 %

Term of commitment - through June 2052

Revenue Bonds-GARVEE (Federal Highway)

Revenue - FHWA participation	\$	65,647
Less: operating expenses		—
Net available revenue	\$	65,647

Debt service

Principal	\$	43,180
Interest	\$	22,633
Total debt service	\$	65,813

Coverage (b) 99.75 %

Term of commitment - through June 2035

Revenue Bonds-Motor Fuel (Gas Tax)

Revenue - 2 cents per gallon of the gasoline tax	\$	8,632
Less: operating expenses		—
Net available revenue	\$	8,632

Debt service

Principal	\$	4,605
Interest		754
Total debt service	\$	5,359

Coverage (b) 161.07 %

Term of commitment - through June 2027

- (a) Included for fiscal year 2024 are certain one-time revenue items totaling \$2,814,382.
- (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 requirements to the early redemption of the bonds are discussed in Note 7 to the Financial Statements.
- (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, 2024 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Fund		
General		
Major Funds		
Intermodal Surface Transportation	\$ 58,045	Debt service and operating assistance
RI Capital Plan	419	Capital expenditures
Non-major Funds		
Historic Tax Credit Financing	9,704	Tax credits claimed
Bond Capital	17,838	Interest earnings transfer and debt service
Proprietary Funds		
Lottery	426,420	Net income transfer
Total General Fund	<u>512,426</u>	
Intermodal Surface Transportation		
RI Capital Plan	<u>111,788</u>	Infrastructure funding
Total Intermodal Surface Transportation	<u>111,788</u>	
RI Capital Plan		
General	154,366	Transfer statutory excess in budget reserve
Bond Capital	<u>5,590</u>	Transfer of excess bond premiums
Total RI Capital Plan	<u>159,956</u>	
Non-major Funds		
RI Public Rail Corp		
Intermodal Surface Transportation	3,438	Operating assistance
Large System Initiative Fund		
General	<u>127,999</u>	FY24 budget appropriation to transfer IT Investment Fund accounts to LSIF.
Total Non-major Funds	<u>131,437</u>	
Total Governmental Funds	<u>\$ 915,607</u>	
Proprietary Funds		
RI Convention Center		
General	\$ 24,932	Debt service and operating assistance
RI Capital Plan	<u>16,559</u>	Capital improvements
Total Proprietary Funds	<u>41,491</u>	
Total Transfers Primary Government	<u>\$ 957,098</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, 2024, the State recorded \$108.8 million and \$48.7 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 2024. 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, 2023 and expires on June 30, 2026.

At June 30, 2024, the Lottery recorded a right to use asset in the amount of \$1.3 million and accumulated amortization in the amount of \$634 thousand. There was no variable lease payments related to this lease for fiscal year 2024.

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, 2024, the RICCA recorded \$68 thousand and \$45 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	
2025	\$ 16,883	\$ 897	\$ 339	\$ 17	\$ 18,136
2026	15,462	668	344	5	16,479
2027	9,025	470	2	—	9,497
2028	8,588	294	—	—	8,882
2029	7,335	142	—	—	7,477
2030-2032	4,192	80	—	—	4,272
Total minimum lease payments	\$ 61,485	\$ 2,551	\$ 685	\$ 22	\$ 64,743

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	\$ 3,828	\$ 1,337	\$ 5,165
Buildings	94,970	—	94,970
Computer Systems	9,972	—	9,972
Less: accumulated amortization	(48,705)	(679)	(49,384)
	\$ 60,065	\$ 658	\$ 60,723

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, 2024, the State recognized \$893 thousand and \$504 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, 2024, the Lottery recognized \$91 thousand in lease revenue, and \$58 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, 2024, the Authority recognized \$3.0 million and \$377 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	
2025	\$ 920	\$ 525	\$ 2,740	\$ 392	\$ 4,577
2026	959	503	1,617	358	3,437
2027	996	482	1,652	334	3,464
2028	1,035	459	1,645	309	3,448
2029	1,075	436	1,668	286	3,465
2030-2034	5,577	1,807	5,764	1,266	14,414
2035-2039	3,478	1,245	4,181	679	9,583
2040-2044	2,975	838	4,517	343	8,673
2045-2049	2,878	464	1,298	42	4,682
2050-2054	1,824	126	—	—	1,950
2055-2059	239	26	—	—	265
2060 and thereafter	63	4	—	—	67
Total minimum lease payments	\$ 22,019	\$ 6,915	\$ 25,082	\$ 4,009	\$ 58,025

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 has entered into certain SBITAs for various terms under long-term, non-cancelable agreements. The SBITAs expire at various dates through fiscal year 2029 and provide for renewal options of one year.

At June 30, 2024, the State recorded \$26.5 million and \$14.0 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
2025	\$ 3,964	\$ 265	\$ 4,229
2026	2,657	157	2,814
2027	1,780	83	1,863
2028	845	25	870
2029	—	—	—
Total minimum SBITA payments	<u>\$ 9,246</u>	<u>\$ 530</u>	<u>\$ 9,776</u>

At June 30, 2024, the State had commitments totaling \$23.2 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, 2024 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.

At June 30, 2024, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$854.1 million, and contract commitments for the design, construction and renovation of buildings of approximately \$128.9 million.

At June 30, 2024 the primary government had software development and implementation contract commitments totaling approximately \$140.5 million. Of this amount, \$62.6 million is associated with two major technology system contractual commitments: the enterprise-wide ERP system (\$31.1 million) and the DCYF CCWIS (\$31.5 million). These commitments will carry forward into fiscal year 2025. These amounts include only purchase orders and related amendments generally processed through June 30, 2024. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

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. In March 2024, after further inspections and analysis by multiple consultants, it was determined the westbound side of the bridge would need to be replaced. In April 2024, a new traffic configuration on the eastbound bridge was implemented providing three lanes in each direction. Additionally, the eastbound bridge underwent inspections and analysis to ensure it was safe to handle the additional traffic. In June 2024, DOT issued the award for the demolition of the superstructure which was later revised to include the demolition of the sub structure. The total cost of this project is \$97.9 million with substantial completion of the superstructure demolition in February 2025 and the substantial completion of the sub structure in December 2025. Another solicitation was put out for the replacement of the bridge. The solicitation was done as a two-step process with the RFQ issued in October 2024. Four highly qualified firms responded to the RFQ and in December 2024, two firms were shortlisted to compete in the RFP phase. The RFP was issued in December 2024 and is currently in the procurement process with tentative award in June 2025. The final schedule and budget for this project will be determined by the successful design build team's proposal.

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 \$295.0 million, per federal law, subject to a self-insured retention of \$7.5 million.

City of Pawtucket Downtown Redevelopment Project (Tidewater Soccer Stadium)

The State has entered into an Economic Activity Taxes Agreement (EATs) with the City of Pawtucket and Pawtucket Redevelopment Agency pursuant to Section 45-33.4-4 of Rhode Island General Laws related to the City of Pawtucket Downtown Redevelopment Project. Pursuant to this agreement, the State will deposit certain baseline and incremental revenues generated within certain legally defined districts into the Downtown Pawtucket Redevelopment Economic Activity Taxes Fund which may be used for the purpose of paying debt service on bonds, funding debt service reserves, paying costs of infrastructure improvements, funding future debt service on bonds, and funding a redevelopment revolving fund in accordance with R.I. General Laws § 45-33-1. Baseline revenues generated in the districts shall only be deposited to Economic Activity Taxes Fund following certification by the Rhode Island Commerce Corporation. Incremental revenues shall be deposited to the Economic Activity Taxes Fund in any year in which the State tax revenues generated in the districts exceed the baseline amounts generated in the districts established in 2019.

In February 2021, the Commerce Corporation certified an award of baseline revenues for the Tidewater Landing Project which is comprised of a soccer stadium and related development. The Pawtucket Redevelopment Agency subsequently issued Series 2024A bonds in February 2024 with a schedule of debt service payments commencing in state fiscal year 2027 but only after the Commerce Corporation certifies that the project has been placed in service. At such time, the State will segregate baseline revenues generated in the district and deposit them into the Economic Activity Taxes Fund for the purpose of paying debt service on the 2024A bonds. Monies anticipated to pay debt service on the Series 2024A Bonds are subject to annual appropriation by the General Assembly.

The Governor of Rhode Island has covenanted and agreed to include the Narrative Appropriation of State EATs in the Governor's proposed budget of revenues and appropriations submitted annually to the General Assembly. The Governor has also covenanted and agreed to include in the Governor's proposed budget for Fiscal Year 2027 and for each Fiscal Year thereafter during which the Series 2024A Bonds are

outstanding the Dollar Amount Appropriation equal to the dollar amount designated by the Commerce Corporation to be made available for the Phase 1A Project for the coming Fiscal Year in the Final Verification's payment schedule. The Governor has covenanted and agreed to include the full Dollar Amount Appropriation in the Governor's proposed budget. Consistent with the Statute, the State EATs Agreement provides that nothing in the State EATs Agreement limits the authority of the General Assembly to appropriate revenues of the State other than State EATs to make deposits into the Fund to pay debt service on the Series 2024A Bonds. Accordingly, if Baseline Taxes are insufficient in any Fiscal Year, the Dollar Amount Appropriation could be made from State EATs and/or from any other legally available funds of the State.

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.

United States Environmental Protection Agency Consent Decree

Rhode Island Department of Transportation (RIDOT) entered into a 10-year 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 that is expected to end in the 2025 fiscal year.

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 receives 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.

In December 2024, the State received Monitoring Report #12, in which the court-appointed monitors found the State in compliance with Section 6.2 of the Settlement Agreement. The State has achieved compliance with Sections 1-10, leaving only two remaining provisions related to annual reporting. As of January 15, 2025, the State has submitted a draft notice of exit from Section 6.2 and is discussing its final exit from the entire agreement with plaintiffs and the monitoring team. Once those discussions are completed, the State will seek court approval for its final exit from the Settlement Agreement. During 2025, the State anticipates that it will be responsible for additional attorneys' fees awarded to plaintiffs, as well as costs associated with ongoing monitoring efforts.

On May 13, 2024, the Health and Human Services(HHS) and the U.S. Attorney's Office issued a letter notifying DCYF and the State of Rhode Island of its findings that Rhode Island is violating Title II of the ADA. The State acknowledges HHS and the U.S. Attorney's Office's findings and, while the State disputes aspects of those findings, the State remains committed to achieving the shared goal of fostering and strengthening community-based services for those children with behavioral health disabilities in the care and custody of DCYF.

On November 13, 2024, the Disability Rights Rhode Island, Children's Rights, and the American Civil Liberties Union of Rhode Island filed a class action lawsuit against the State for denying Medicaid-eligible children and youth their right to appropriate mental health care. A consent decree was filed on December 19, 2024 in the U.S. District Court of Rhode Island. This decree acknowledges the findings of the Department of Justice and Department of Health and Human Services of the unnecessary segregation of children with behavioral health disabilities at Bradley Hospital by the DCYF. This decree is under the intention to remedy the noncompliance with the Americans with Disability Act and Section 504 by reinforcing home-based care and crisis intervention resources. The consent decree is pending approval from a federal judge.

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 \$10.7 million has been recorded as of June 30, 2024. 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 35 years as of June 30, 2024. During fiscal 2024 amortization expense of \$1.1 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, 2024 was \$37.6 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 PPCSD, attempted to improve the PPCSD 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 PPCSD students, RIDE engaged the Institute for Education Policy at Johns Hopkins University (the Institute) to conduct a review of the PPCSD 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 PPCSD, 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 PPCSD 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 PPCSD effective November 1, 2019. In September of 2024 the Council of Elementary and Secondary Education voted to extend the state take over of Providence Schools through October 25, 2027. The Board action allows for an earlier return if warranted by improved performance. The State appointed a turnaround superintendent to manage PPCSD operations and develop and implement a long-term improvement plan for at least the next five years, effective February 2, 2020.

More than four years into the State intervention, the Commissioner 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.

On November 8, 2024, Rhode Island Superior Court issued, in accordance with the Crowley Act, that school districts under state intervention must increase municipal funding by the same percentage as the increase in statewide school aid. As such, the City of Providence and PPSD reached a settlement agreement that will provide PPSD with millions in additional municipal funding over the course of four fiscal years commencing in year 2024 with a contribution of \$4.0 million.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider – International Game Technology (IGT)

Effective February 17, 2022, 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 paid \$27.0 million to the Lottery at June 30, 2024. In the event that the contract is terminated before its full term, a court may determine that the Lottery would need to refund some portion of the purchase price.

The contract mandates commission percentages as detailed in the following chart.

Commission Percentages	
On-Line and Instant Tickets	
Total Lottery Sales in the Year	Percent Thereof
\$0 - \$275 Million	5.00%
Over \$275 Million - \$400 Million	4.00%
Over \$400 Million	5.00%
Video Lottery Central System	
Total Net Terminal Income for the Year	Percent Thereof
\$0 - \$500 Million	2.50%
Over \$500 Million - \$1 Billion	1.00%
Over \$1 Billion	2.50%

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, "Rhode Island VLT Company LLC", is owned by IGT and the Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The Rhode Island VLT Company LLC 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 42-61.2-5. 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.

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, 2022, 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. As of December 31, 2023, Bally's converted UTGR, Inc. to UTGR, LLC.

Pursuant to the Crisafulli Act, as of January 1, 2023, Bally's or Affiliates of Bally's is part of the VLT Joint Venture with IGT as the exclusive technology provider of video lottery terminals through June 30, 2043. The VLT Joint Venture, "Rhode Island VLT Company LLC", is owned by IGT and the Affiliates of Bally's but controlled by IGT or an Affiliate of IGT. The Rhode Island VLT Company LLC is the exclusive Technology Provider of VLTs, and is regulated by the Lottery as a Technology Provider.

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal year 2024, allowable promotional points are 20.0% of prior year net terminal income plus \$1.5 million. In fiscal year 2024, the combined promotional points authorized and issued to facility patrons were approximately \$100.5 million.

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 2024 (60.8% for Bally's Twin River Lincoln Casino Resort and 60.3% for Bally's Tiverton Casino & Hotel). For fiscal year 2024, the Lottery accrued \$3.6 million and \$506 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 \$3.0 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 2024, there was a shortfall to the Town of Tiverton, therefore the State was required to make a payment of \$908 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 required that the Lottery enter into a contract with the Affiliates of Bally's to be the exclusive iGaming platform vendor. On March 1, 2024, the Lottery entered into a contract with the subsidiary UTGR, LLC to be the iGaming Platform provider with a contract term ending on June 30, 2043. The contract obligates the UTGR, LLC to: (a) regularly update and replace the server-based system for iGaming on schedules agreed by the Lottery, (b) fund the Lottery's responsible gambling programs, (c) provide the Lottery with reporting and player account management, provide funds management (including fraud and security controls), maintain all custodial accounts, pay for all digital transactions fees, incur all costs associated with the implementation of the system, provide a player call center, etc. The Lottery pays UTGR, LLC commissions at statutory rates for both iSlots and iTables.

The legislation further required the Lottery to enter into a contract with the Affiliates of Bally's to be the exclusive iGaming game provider. On March 1, 2024, the Lottery entered into a contract with UTGR, LLC to be the iGaming game provider with a contract term ending on June 30, 2043. The legislation also required the Affiliates of Bally's to enter into an assignment and assumption agreement between the Affiliates of Bally's (UTGR, LLC) and the iGaming Joint Venture. The iGaming Joint Venture (Bally's RI iCasino LLC) is the exclusive iGaming game provider. This joint venture is owned by the Affiliates of Bally's and IGT and controlled by Bally's. Under the terms of this contract, UTGR, LLC is to provide the platform with iSlots and iTables game offerings. This includes requirements for licensed games, a minimum number of game changes, as well as premium games starting in fiscal year 2025, and a limitation on the number of proprietary iSlot game developed by Bally's or its Affiliates of 20%. The Lottery pays Bally's RI iCasino LLC commissions at statutory rates for both iSlots and iTables.

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 \$124.0 million as of June 30, 2024 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2024
Phase I	\$ 566
Phase II and III	11,501
Phase IV	15,393
Phase V	52,803
Phase VI	43,206
Other	513
	<u>\$ 123,982</u>

As of June 30, 2024, 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	\$ 5,508	90.6 %	1 year 4 month
Phase VI	\$ 78,332	8.0 %	22 years 5 months

As of June 30, 2024 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$503 thousand decrease of the corresponding liability from \$136.6 million at June 30, 2023 to \$136.1 million at June 30, 2024.

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, 2024 is \$90.9 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, 2024 is as follows:

Balance, June 30, 2023	Additions	Reductions	Balance, June 30, 2024	Current Portion
\$ 14,006	\$ —	\$ 1,854	\$ 12,152	\$ 1,002

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 \$48.7 million as of June 30, 2024.

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 \$12.2 million as of June 30, 2024.

Rhode Island Public Transit Authority

The RI Public Transit Authority (RIPTA) is committed under various contracts in the amount of \$56.4 million at June 30, 2024.

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 \$8.6 million at June 30, 2024.

Rhode Island Convention Center Authority

The RI Convention Center Authority (RICCA) is committed under various construction project contracts in the amount of \$4.0 million at June 30, 2024.

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, 2024, RIAC's commitments with contractors were approximately \$83.0 million.

I-195 Redevelopment District

The I-195 Redevelopment District (I-195) is committed under project development initiatives contracts in the amount of \$2.2 million at June 30, 2024.

Quonset Development Corporation

At June 30, 2024, Quonset Development Corporation was obligated for the completion of certain construction contracts under commitments totaling approximately \$82.0 million which are expected to be funded from capital appropriations and grants, reimbursements and cash and cash equivalents.

Rhode Island Health and Educational Building Corporation

School Construction Bond Program

Project awards consist of capital grants awarded by the School Building Authority(SBA) utilizing proceeds from general obligation bonds issued by the State. The State provided funding to PayGo only as needed to meet current disbursement requirements.

During fiscal 2024, the SBA awarded \$122.9 million of PayGo funds to 11 of the State's LEAs. For fiscal year 2024, PayGo reported transfers from the state of \$37.2 million and related project cost expenses of \$32.4 million. This amount reflected LEA project costs incurred during fiscal 2024, as approved and reported by SBA.

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. Also, the pandemic had a negative impact on state employment levels, however, the State has recovered employment levels to be above pre-pandemic levels as of October 2024.

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.

The State is 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 State Fiscal Recovery Funds (SFRF) to address the most pressing needs resulting 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 fiscal year 2023, 2024, and 2025 Enacted Budgets appropriated the remainder of the State's SFRF allocation to expand affordable and middle-income housing, bolster growing sectors of the economy, invest in workforce development and strengthen the health care system. In addition to identifying projects that addressed 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 the first half of fiscal year 2027. While spending continues, the State does not expect any new pandemic-related funding sources to become available, heralding a return to a more typical budgeting outlook for fiscal year 2026.

In addition to the SFRF, Emergency Rental Assistance (ERA) funding totaling \$352.0 million was also awarded to the State that was used to provide rental and utility relief, housing stability, legal services to eligible Rhode Islanders, and the development of affordable rental units for very low-income households. All costs must be incurred by September 30, 2025.

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 threatened is likely to result, either individually or in the aggregate, in final judgments against the State that would materially affect its financial condition. Notwithstanding that 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. 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. On December 6, 2024, the United States Court of Appeals for the First Circuit issued its decision. The Court concluded that the toll caps in the RhodeWorks legislation were unconstitutional but were severable from the rest of the statute and thus the remaining RhodeWorks legislation may go into effect without violating the dormant Commerce Clause of the US Constitution. On March 14, 2025, the Plaintiffs and Defendants each filed motions with the District Court for an award of attorneys' fees and costs. Plaintiffs seek approximately \$20 million in fees and costs.

I-95 Viaduct 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 affects culturally significant land. A similar lawsuit was dismissed without prejudice and a new lawsuit was re-filed. The DC federal District Court dismissed the case and Plaintiff appealed to the DC Circuit Court of Appeals. The State filed a Motion to Dismiss the appeal and/or for summary affirmance of the District Court's decision that there was no personal jurisdiction over the State Defendants. Plaintiff filed its own motion for summary reversal, to which the State objected. Plaintiff has also filed a motion for a protective order, to which the State has objected. The case and these motions are currently pending in the Court of Appeals.

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, one remains pending. 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, and partially dismissed by the compliant. The defendants moved for summary judgement on the remaining aspects of the complaint. The court issued a decision finding that the 2010-13 CBA incorporated the version of the pension statute, as amended. The Court determined there were fact issues regarding aspects of the CBA that may provide "enhanced" benefits beyond what is provided in the statute, which precluded summary judgment. Next steps are being assessed and the case may proceed to discovery.

Primary Government - Other Contingencies

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 2024 NPM adjustments have been settled through 2023. Future NPM adjustment claims remain possible for calendar year 2024 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, 2024.

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. Discussions continue for a tribal casino in Taunton, MA. In July 2024, Massachusetts legalized the implementation of iLottery during fiscal year 2025. 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.

On May 29, 2024, the Lottery and the Rhode Island Department of Business Regulation entered into a letter agreement with Bally's or one of its Affiliates, with respect to the acceptance of wagers placed in Massachusetts through mobile devices, which activities constitute competitive activities in the operation of casino gaming (which includes sports wagering) in Massachusetts. Bally's will, or will cause an Affiliate to, reimburse the State of Rhode Island, through the Lottery, for a dollar-for-dollar up to \$1.5 million per year, with such reimbursement annually adjusted based on the change to the Consumer Price Index (CPI) beginning with calendar year 2024 and including, but ending with the fifth (5th) calendar year thereafter during which Bally's or an Affiliate conducts Massachusetts mobile sports betting.

In connection with the iGaming platform contract, Bally's shall provide financial protection to the State related to the negative revenue impact (Shortfall) on Traditional Lottery Products as of a result of iGaming

whereby Bally's shall make an annual payment to the Lottery in an amount equal to 100% of the first one million dollars (\$1 million) of any Shortfall, and 50% of any Shortfall between \$1 million and \$2 million. The Shortfall will be calculated on the base year revenue (Shortfall to Base Year Revenue), which is fiscal year 2023, for any difference in the net revenue received for the current fiscal year compared to the base year. Keno, iKeno, instant ticket games, and eInstant ticket games constitutes traditional lottery products. For fiscal year 2024, the Lottery has recorded a receivable due from UTGR, LLC in the amount of \$1.3 million for the financial protection relating to the Shortfall provision.

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 2024 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.

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 exceed \$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 \$575.0 million of fraudulent claims were paid during fiscal years 2020, 2021 and 2022: \$121.0 million of fraudulent benefits have been confirmed and \$454.0 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, 2024.

Department of Administration - FEMA is reviewing and auditing the prior COVID related claims. Disallowance is unknown currently.

Department of Human Services - DHS had a FNS SNAP Major Systems Failure penalty in FY 2024 related to SNAP benefits overpayments of \$37.0 million. While it will likely take years to settle, depending on ruling, it could have a material impact on the State and its financial statements. DHS timely appealed this penalty on May 17, 2024, to the USDA FNS State SNAP Appeals Board. The hearing date has been continued as DHS and FNS continue settlement discussions.

Component Units - Contingencies

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, 2024, 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, 2024 are \$7.3 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, 2024 is \$237.3 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, 2024 were \$71,640.

Various lawsuits are pending or threatened against the University that arose from the ordinary course of operations. In the opinion of management, no other litigation is now pending, or threatened, that has a probability of materially affecting the University's financial position.

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 2024 pension expense (credit)	Net pension liability (asset) at June 30, 2023 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	\$133,571	\$1,747,517
			Business-type activities	\$1,901	\$17,762
			Special funding – teachers - state share (see Note Section 18-E)	\$80,483	\$1,031,708
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$4,502	\$15,776
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	(\$14)	(\$7,185)
D	RI Judicial Retirement Fund Trust (RIJRFT)	Single-employer defined benefit plan – funded through a trust	Covers 7 judges appointed prior to January 1, 1990	\$239	\$17,658
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	\$7,168	\$127,648
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	(\$145)	\$32,734
	Totals			\$227,705	\$2,983,618
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	\$6,800	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, 2022 actuarial valuations (with the exception of JNCRP which has a June 30, 2023 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	11,365	4,651	7,674	3,146	26,836
JRBT	31	1	17	43	92
RIJRFT	3	—	4	—	7
SPRBT	102	62	55	212	431
SPRFT	238	—	—	—	238
JNCRP	40	—	—	—	40

B. Defined Benefit Plan Descriptions – Trust 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.

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%.

Effective 1/1/2024, until the funding level of a plan exceeds 80% funded, eligible retirees may receive 25% of the COLA benefit adjustment annually effective the month following their specific COLA eligibility date.

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 \$29,776 (indexed as of January 1, 2024) 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 \$29,776 is replaced with \$35,731 (indexed as of January 1, 2024) 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 \$29,776).

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 \$29,776 (indexed as of January 1, 2024) 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 \$29,776 is replaced with \$35,731 (indexed as of January 1, 2024) 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 \$29,776).

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 sixty-five (65) 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 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.

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 \$29,776 (indexed as of January 1, 2024) 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 \$29,776 is replaced with \$35,731 (indexed as of January 1, 2024) 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 \$29,776).

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 \$29,776 (indexed as of January 1, 2024) 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 \$29,776 is replaced with \$35,731 (indexed as of January 1, 2024) 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 \$29,776).

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 \$29,776 (indexed as of January 1, 2024) 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 \$29,776 is replaced with \$35,731 (indexed as of January 1, 2024) 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 \$29,776).

C. Defined Benefit Trust Funded Plans - Summary of Significant Accounting Policies

The Fiduciary Net Position presented for defined benefit plans which are 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 approximately 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, 2023 is approximately \$2.4 billion and the State's share of the net pension liability is approximately \$1.0 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, 2024 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 42.5%, a decrease of 0.002% 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 and JNCRP, employers are required by statute to make annual actuarial determined contributions to the respective defined benefit plans.

Employer contributions for the defined contribution plan are prescribed by statute. Plan member contributions for the defined benefit and the defined contribution plans are fixed by statute. Member and employer contribution rates are subject to amendment by the General Assembly.

Actuarial determined contributions for defined benefit plans 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 2024 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, 2023.

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 20 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 18 years from June 30, 2016. The actuarial accrued liability will be fully amortized by year 2035. Upon Statutory creation of the RISPRFT in fiscal year 2017, an annual contribution amount totaling \$16.4 million was actuarially 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, 2024 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP**
Contribution rate:						
State	28.97%	22.12%	\$1,182	20.66%	\$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	11.13%	—	—	—	—	—
Contributions made for state employees	\$235,745	\$2,983	\$601	\$6,437	\$16,387	\$3,415
Contribution made for teachers	\$126,825	—	—	—	—	—

*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(e) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers, including state contributions to the defined contribution plan, 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 actuarially 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 2024, no supplemental contribution was required in accordance with this provision of the General Laws.

The fiscal year 2024 enacted budget included a requirement that 50% of all State general revenue received in a fiscal year, net of transfers 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 System. In February of 2024, the State of Rhode Island's final audited Fiscal Year 2023 report was

released and the State Controller's Office determined the additional reserved amount to be \$6.53 million. The amount was transferred accordingly in April of 2024.

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 \$74,934 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 2023. The State's proportion for the ERS Plan for State employees was 90.76%, an increase of 0.36% since the prior reporting period. At June 30, 2023 measurement date, the Lottery's proportion was 0.92%, a decrease of (0.03)% 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, 2023 (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 \$ 1,925,480

Less portion attributable to other entities:

Enterprise Fund - Rhode Island Lottery (Business-Type Activities) (17,762)

Discretely Presented Component Units

University of Rhode Island 89,814

Rhode Island College 29,498

Community College of RI 24,872

RI Division of Higher Education Assistance 127

RI Airport Corporation 1,073

(145,384)

Related organization - Narragansett Bay Commission (14,817)

ERS - Net Pension Liability \$ 1,747,517

Net Pension Liability - Single Employer Defined Benefit Pension Plans

RIJRFT \$ 17,658

SPRBT 15,776

SPRFT 127,648

JNCRP 32,734

Total Net Pension Liability - All Plans (Governmental Activities) \$ 1,941,333

Net Pension Asset - Single Employer Defined Benefit Pension Plans

JRBT \$ (7,185)

Total Net Pension Asset - Single Employer Defined Benefit Pension Plans \$ (7,185)

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, 2023 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 97,882	\$ 19,153	\$ 221,795	\$ 154,789
Plan fiduciary net position	105,067	1,495	206,019	27,141
Net pension liability (asset)	\$ (7,185)	\$ 17,658	\$ 15,776	\$ 127,648
Plan fiduciary net position as a percentage of total pension liability	107.3 %	7.8 %	92.9 %	17.5 %

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2022 and rolled forward to the June 30, 2023 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, 2023. 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	6/30/2022 rolled forward to 6/30/2023	6/30/2022 rolled forward to 6/30/2023	6/30/2022 rolled forward to 6/30/2023	6/30/2022 rolled forward to 6/30/2023	6/30/2022 rolled forward to 6/30/2023	6/30/2022 rolled forward to 6/30/2023	06/30/23
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%	3.86%	7.00%	7.00%	3.86%
Projected Salary increases	3.25% to 7.25%	3.0% to 13.0%	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	It was assumed the COLA was suspended through 2027 and that it would be 2.1% thereafter.						

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2023 measurement date were consistent with the 2023 Actuarial Experience Investigation Study for the six-year period ending June 30, 2022, adopted by the Board on May 17, 2023.

Factors affecting trends for amounts related to the net pension liability

There was a change in assumption for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.86% as of June 30, 2023. This rate was 3.69% at June 30, 2022.

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 calculated 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 42 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, 2023 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
GROWTH		
Global Equity		
U.S. Equity	25.10 %	6.46 %
International Developed Equity	10.70 %	6.91 %
Emerging Markets Equity	4.20 %	8.92 %
Subtotal	40.00 %	
Private Growth		
Private Equity	12.50 %	10.30 %
Non-Core Real Estate	2.50 %	5.01 %
Subtotal	15.00 %	
INCOME		
Equity Options	2.00 %	6.20 %
Liquid Credit	5.00 %	4.56 %
Private Credit	3.00 %	4.56 %
Collateralized Loan Obligations	2.00 %	4.56 %
Subtotal	12.00 %	
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00 %	0.76 %
Systematic Trend	5.00 %	4.07 %
Subtotal	10.00 %	
Inflation Protection		
Core Real Estate	4.00 %	5.01 %
Private Infrastructure	4.00 %	5.91 %
Subtotal	8.00 %	
Volatility Protection		
IG Crop Credit	3.25 %	2.46 %
Securitized Credit	3.25 %	2.46 %
Absolute Return	6.50 %	4.07 %
Cash	2.00 %	0.76 %
Subtotal	15.00 %	
Total	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 RIJRFT 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, as actuarially determined. Based on those assumptions and the projection of cash flows as of each fiscal year ending, the pension plan's fiduciary net position and future contributions were projected to be available to make all projected future benefit payments to 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 except the RIJRFT and JNCRP.

For the RIJRFT and JNCRP plans, the State has not opted to make actuarially determined employer contributions. Based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments to 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", 3.86% at June 30, 2023 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 3.86% at June 30, 2023, 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	\$ 2,184,090	\$ 1,747,517	\$ 1,350,841
ERS - Teachers (State share)	\$ 1,322,956	\$ 1,031,708	\$ 767,075
JRBT	\$ 2,126	\$ (7,185)	\$ (15,644)
SPRBT	\$ 36,627	\$ 15,776	\$ (3,165)
SPRFT	\$ 143,044	\$ 127,648	\$ 113,656
	1.00% Decrease (2.86%)	Municipal Bond Index Rate (3.86%)	1.00% Increase (4.86%)
RIJRFT	\$ 19,429	\$ 17,658	\$ 16,048
JNCRP	\$ 34,986	\$ 32,734	\$ 30,743

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	\$ 22,199	\$ 17,762	\$ 13,730

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	\$ 3,815	\$ 263	\$ 6,392	\$ —	\$ —
Interest	6,727	707	14,642	10,715	1,281
Differences between expected and actual experience	(3,881)	3	(730)	61	(257)
Changes of assumptions	(372)	(548)	204	(1,335)	(1,166)
Benefit payments	(5,210)	(601)	(9,384)	(15,415)	(3,676)
Net change in Total Pension Liability	1,079	(176)	11,124	(5,974)	(3,818)
Total Pension Liability - beginning	96,803	19,329	210,671	160,763	36,552
Total Pension Liability - ending	\$ 97,882	\$ 19,153	\$ 221,795	\$ 154,789	\$ 32,734
Plan Fiduciary Net Position					
Employer contributions	\$ 2,843	\$ 490	\$ 6,209	\$ 16,387	\$ 3,676
Employee contributions	1,371	111	2,601	—	—
Net investment income	8,310	69	16,241	2,295	—
Benefit payments	(5,210)	(601)	(9,384)	(15,415)	(3,676)
Administrative expenses	(88)	(1)	(174)	(21)	—
Other	—	—	3	—	—
Net change in Fiduciary Net Position	\$ 7,226	\$ 68	\$ 15,496	\$ 3,246	\$ —
Plan Fiduciary Net Position - beginning	97,841	1,427	190,523	23,895	—
Plan Fiduciary Net Position - ending	\$ 105,067	\$ 1,495	\$ 206,019	\$ 27,141	\$ —
Net Pension Liability (Asset)	\$ (7,185)	\$ 17,658	\$ 15,776	\$ 127,648	\$ 32,734

*This is a non-trusted 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, 2024, the State recognized net pension expense of \$147.2 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 \$80.5 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, 2024 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	\$ 233,376	\$ 126,825	\$ 360,201
Differences between expected and actual experience	41,748	11,962	53,710
Changes of assumptions	—	4,417	4,417
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,605	10,916	24,521
Totals	\$ 288,729	\$ 154,120	\$ 442,849
<u>Deferred Inflows of Resources</u>			
Net difference between projected and actual earnings on pension plan investments	\$ 14,281	\$ 36,648	\$ 50,929
Differences between expected and actual experience	515	23,995	24,510
Changes of assumptions	12,080	40,791	52,871
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	16,266	16,266
Totals	\$ 26,876	\$ 117,700	\$ 144,576

The \$233.4 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, 2025. In addition, the \$126.8 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, 2025. 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:		
2025	\$ (13,932)	\$ (33,836)
2026	(22,399)	(50,960)
2027	62,747	16,921
2028	2,061	(13,888)
2029	—	(5,407)
Thereafter	—	(3,235)
	\$ 28,477	\$ (90,405)

Business-type Activities:

For the year ended June 30, 2024, the Lottery, a proprietary fund of the State, recognized pension expense of \$1.9 million. At June 30, 2024, the Lottery reported deferred outflows and inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	2,369
Differences between expected and actual experience		424
Changes in proportion and differences between employer contributions and proportionate share of contributions		285
Totals	\$	3,078

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments		145
Differences between expected and actual experience		5
Changes of assumptions		123
Changes in proportion and differences between employer contributions and proportionate share of contributions		583
Totals	\$	856

The \$2.4 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 ending June 30, 2025. 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:		
2025	\$	(170)
2026		(431)
2027		502
2028		(48)
	\$	(147)

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2024, the table below provides information about pension expense (credit) recognized for each of the State's five single employer plans (expressed in thousands):

Plan	Annual Pension Expense (Credit)
JRBT	\$ (14)
RIJRFT	239
SPRBT	4,502
SPRFT	7,168
JNCRP	(145)
Total	<u>\$ 11,750</u>

As of June 30, 2024, 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):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,983	\$ 601	\$ 6,437	\$ 16,387	\$ 3,415	\$ 29,823
Differences between expected and actual experience	43	—	4,196	—	—	4,239
Change of Assumptions	601	—	3,888	—	—	4,489
Totals	<u>\$ 3,627</u>	<u>\$ 601</u>	<u>\$ 14,521</u>	<u>\$ 16,387</u>	<u>\$ 3,415</u>	<u>\$ 38,551</u>
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ 1,310	\$ 41	\$ 2,380	\$ 1,223	\$ —	\$ 4,954
Differences between expected and actual experience	5,094	—	4,718	—	—	9,812
Change of assumptions	301	—	13	—	—	314
Totals	<u>\$ 6,705</u>	<u>\$ 41</u>	<u>\$ 7,111</u>	<u>\$ 1,223</u>	<u>\$ —</u>	<u>\$ 15,080</u>

The amount of \$29.8 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 ending June 30, 2025. 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
2025	\$ (2,076)	\$ (22)	\$ (877)	\$ (659)	—	\$ (3,634)
2026	(2,912)	(23)	(1,744)	(716)	—	(5,395)
2027	285	7	5,086	270	—	5,648
2028	(1,198)	(3)	(721)	(118)	—	(2,040)
2029	(160)	—	(352)	—	—	(512)
Thereafter	—	—	(419)	—	—	(419)
	<u>\$ (6,061)</u>	<u>\$ (41)</u>	<u>\$ 973</u>	<u>\$ (1,223)</u>	<u>—</u>	<u>\$ (6,352)</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 \$6.8 million for the fiscal year ended June 30, 2024, 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 years of contributory service. Service credit prior to July 1, 2012 is credited to the member for vesting purposes. 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 in the year the member attains age 73 or terminate employment, if later. Members have the option to receive benefit payments in the form of a single life annuity, two-life annuity, lump-sum benefits, or installments. These payments are subject to any restrictions in the investment vehicles.

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, 2024, 805 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 2024. 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 Funds, which are age-appropriate, or TIAA's Stable Value offering, which is a capital preservation fund.

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 the Teachers Insurance and Annuity Association 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 \$23.4 million during the year ended June 30, 2024.

The Rhode Island Public Transit Authority has two defined benefit pension plans that cover eligible employees which are described below. More 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 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, 2023 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$85.1 million. Accordingly, a net pension liability

of that amount has been recorded as of June 30, 2024. For the fiscal year ended June 30, 2024, pension expense of \$15.0 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 2024. 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 2024 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2023 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	\$ (4,537)	\$ 188,956
			Business-type activities	\$ 69	\$ 1,911
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ (776)	\$ (8,299)
C	Judges	Single-employer plan – advance funded through a trust	Judges and magistrates	\$ (713)	\$ (5,982)
D	State Police	Single-employer plan – advance funded through a trust	State police officers	\$ (1,299)	\$ (8,830)
E	Legislators	Single-employer plan – advance funded through a trust	Retired and former members of the General Assembly	\$ (339)	\$ (3,378)
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	\$ (3)	\$ 22
	Totals			\$ (7,598)	\$ 164,400

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, 2022 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 0% to 50%.

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 0% to 50%.

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, 2024, the State and other participating employers paid \$47.3 million into the plans.

The fiscal year 2024 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2021.

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, 2024 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	4.52 %	— *	— *	17.81 %	— *	2.15 %
Plan members	—	—	—	—	—	0.9 %
Contributions made:	\$ 35,678	\$ —	\$ —	\$5,265	\$ —	\$ 11

* 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 2023.

The State's proportion for the State Employees Plan and Board of Education Plan for State employees was 90.8% and 0.24%, respectively. At the June 30, 2023 measurement date, the Lottery's proportionate share of the net OPEB liability, reported under Business-type activities, was 0.92%.

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, 2023 (expressed in thousands):

Net OPEB Liability - Multiple Employer Cost-sharing OPEB Plans:

Total Net OPEB Liability - State Employees Plan	\$	208,167
<i>Less portion attributable to other entities:</i>		
Enterprise Fund - Rhode Island Lottery	\$	(1,911)
Discretely Presented Component Units		
University of Rhode Island	\$	9,728
Rhode Island College		3,209
Community College of RI		2,699
RI Division of Higher Education Assistance		13
RI Commerce Corporation		—
RI Airport Corporation		114
		(15,763)
Related organization - Narragansett Bay Commission		(1,537)
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities	\$	188,956
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities		22
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities	\$	188,978
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities	\$	1,911
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans	\$	190,889
Net OPEB Liability - All Plans	\$	190,889
Net OPEB (Asset) - Single Employer OPEB Plans		
Teachers	\$	(8,299)
Judges		(5,982)
State Police		(8,830)
Legislators		(3,378)
Total Net OPEB (Asset)	\$	(26,489)

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	\$ 188,978	\$ 1,911	\$ 190,889
Net OPEB (Asset)	\$ (26,489)	\$ —	\$ (26,489)

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer OPEB plans (expressed in thousands) which was measured as of June 30, 2023 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 6,913	\$ 166	\$ 84,035	\$ 779
Plan fiduciary net position	15,212	6,148	92,865	4,157
Net OPEB liability (asset)	<u>\$ (8,299)</u>	<u>\$ (5,982)</u>	<u>\$ (8,830)</u>	<u>\$ (3,378)</u>
Plan fiduciary net position as a percentage of total OPEB liability (asset)	<u>220.04 %</u>	<u>3,699.67 %</u>	<u>110.51 %</u>	<u>533.43 %</u>

a. Actuarial assumptions used in determining total OPEB liability

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2022 and rolled forward to the June 30, 2023 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%			3.75%	3.25%	3.25%
	to 6.25%	N/A	2.75%	to 11.75%	to 6.25%	to 6.25%
Valuation Health Care Cost Trend Rate	Pre-Medicare: 7.25% in 2023, grading to 3.5% in 2033 Medicare: 6.00% in 2023, 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 Retire 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 used in the June 30, 2022 valuation and the calculation of the total OPEB liability (asset) at June 30, 2023 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 42 nationally recognized consulting firms (27 of which provided long-term assumptions). The June 30, 2023 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity	40.00%	6.84%
Private Growth	5.00%	9.24%
Subtotal	45.00%	
INCOME		
Equity Options	4.00%	6.20%
Liquid Credit	4.00%	4.56%
Emerging Market Debt	4.00%	4.53%
Collateralized Loan Obligations	4.00%	4.56%
Private Credit	5.00%	4.56%
Subtotal	21.00%	
STABILITY		
Inflation Protection		
Core Real Estate	4.00%	5.01%
Private Real Assets	4.00%	5.91%
Subtotal	8.00%	
Volatility Protection		
US Aggregate Bond	26.00%	1.78%
Subtotal	26.00%	
Total	100.00%	

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 and the projection of cash flows as of each fiscal year ending, the OPEB plan's fiduciary net position and future contributions were 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	\$ 259,615	\$ 188,956	\$ 130,371
Teachers	\$ (7,740)	\$ (8,299)	\$ (8,788)
Judges	\$ (5,973)	\$ (5,982)	\$ (5,993)
State Police	\$ (1,753)	\$ (8,830)	\$ (15,166)
Legislators	\$ (3,323)	\$ (3,378)	\$ (3,427)
BOE	\$ 49	\$ 22	\$ —

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	\$ 2,626	\$ 1,911	\$ 1,319

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	\$ 110,646	\$ 188,956	\$ 287,658
Teachers	\$ (8,934)	\$ (8,299)	\$ (7,581)
Judges	\$ (5,995)	\$ (5,982)	\$ (5,970)
State Police	\$ (18,240)	\$ (8,830)	\$ 2,261
Legislators	\$ (3,448)	\$ (3,378)	\$ (3,299)
BOE	\$ (6)	\$ 22	\$ 59

Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 1,119	\$ 1,911	\$ 2,909

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 Police	Legislators
Total OPEB Liability				
Service cost	\$ —	\$ 9	\$ 4,790	\$ 30
Interest	348	13	4,509	44
Difference between expected and actual experience	79	(150)	(11,473)	(75)
Changes of assumptions	—	—	—	—
Benefit payments, net of retiree	(965)	61	(3,163)	(174)
Net change in Total OPEB Liability	(538)	(67)	(5,337)	(175)
Total OPEB Liability - beginning	7,451	233	89,372	954
Total OPEB Liability - ending	\$ 6,913	\$ 166	\$ 84,035	\$ 779
Plan Fiduciary Net Position				
Employer contributions	\$ —	\$ —	\$ 6,058	\$ —
Net investment income	1,620	536	8,965	399
Benefit payments	(965)	61	(3,163)	(174)
Administrative expenses	(2)	(1)	(17)	(1)
Other	116	25	403	83
Net change in Fiduciary Net Position	\$ 769	\$ 621	\$ 12,246	\$ 307
Plan Fiduciary Net Position - beginning	14,443	5,527	80,619	3,850
Plan Fiduciary Net Position - ending	\$ 15,212	\$ 6,148	\$ 92,865	\$ 4,157
Net OPEB Liability (Asset)	\$ (8,299)	\$ (5,982)	\$ (8,830)	\$ (3,378)

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, 2024, the State recognized OPEB expense (credit) of \$(4.5) million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2024, 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:

	State Employees	BOE	Totals
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 35,321	\$ 11	\$ 35,332
Differences between expected and actual experience	1,929	12	1,941
Net difference between projected and actual investment earnings			
Changes of assumptions	1,629	3	1,632
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,701	38	3,739
Totals	<u>\$ 42,580</u>	<u>\$ 64</u>	<u>\$ 42,644</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 73,378	\$ 26	\$ 73,404
Net difference between projected and actual investment earnings	5,832	2	5,834
Changes of Assumptions	28,473	19	28,492
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	29	29
Totals	<u>\$ 107,683</u>	<u>\$ 76</u>	<u>\$ 107,759</u>

The \$35.3 million reported as deferred outflows of resources related to OPEB 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, 2024), will be recognized as a reduction in the net OPEB liability in the subsequent fiscal year ended June 30, 2025.

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:		
2024	\$ (28,521)	\$ (7)
2025	(27,165)	(4)
2026	(13,816)	1
2027	(19,005)	(6)
2028	(6,659)	(3)
Thereafter	(5,258)	(4)
	<u>\$ (100,424)</u>	<u>\$ (23)</u>

Business-type Activities:

For the year ended June 30, 2024, the Lottery, a proprietary fund of the State, recognized OPEB expense of \$69 thousand. At June 30, 2024, 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	\$	358
Differences between expected and actual experience		20
Changes of assumptions		16
Changes in proportion and differences between employer contributions and proportionate share of contributions		396
Totals	<u>\$</u>	<u>790</u>
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	\$	742
Net difference between projected and actual investment earnings		59
Changes of assumptions		288
Changes in Proportion		130
Totals	<u>\$</u>	<u>1,219</u>

The \$358 thousand reported as deferred outflows of resources related to OPEB 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, 2024), will be recognized as a reduction in the net OPEB liability in the subsequent fiscal year ended June 30, 2025.

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:		
2024	\$	(174)
2025		(167)
2026		(96)
2027		(203)
2028		(78)
Thereafter		(68)
	\$	<u>(786)</u>

Other Single Employer OPEB Plans

For the fiscal year ended June 30, 2024, the table below provides information about OPEB expense (credit) recognized for each of the State's four single employer plans (expressed in thousands):

Plan	Annual OPEB Expense (Credit)
Teachers	\$ (776)
Judges	(713)
State Police	(1,299)
Legislators	(339)
Total	\$ <u>(3,127)</u>

The June 30, 2023 measurement date information includes pension credits of \$776 thousand, \$713 thousand, \$1.3 million, \$339 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, 2024, 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):

	Teachers	Judges	State Police	Legislators	Totals
<u>Deferred Outflows of Resources</u>					
Employer contributions subsequent to the measurement date	\$ —	\$ —	\$ 5,265	\$ —	\$ 5,265
Differences between expected and actual experience	—	—	251	98	349
Change of Assumptions	—	7	5,362	28	5,397
Net difference between projected and actual investment earnings					—
Totals	\$ —	\$ 7	\$ 10,878	\$ 126	\$ 11,011
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 234	\$ 20,679	\$ 247	\$ 21,160
Change of assumptions	—	2	4,299	188	4,489
Net difference between projected and actual investment earnings	363	49	1,488	80	1,980
Totals	\$ 363	\$ 285	\$ 26,466	\$ 515	\$ 27,629

The amount of \$5.3 million reported as deferred outflows of resources, related to OPEB 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, 2024), will be recognized as a reduction in the net OPEB liability in the subsequent year ended June 30, 2025.

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):

	Teachers	Judges	State Police	Legislators
Year ended June 30:				
2024	\$ (292)	\$ (168)	\$ (4,896)	\$ (129)
2025	(211)	(116)	(4,423)	(126)
2026	324	76	(1,586)	(14)
2027	(184)	(70)	(4,277)	(84)
2028	—	—	(2,855)	(24)
Thereafter	—	—	(2,815)	(13)
	\$ (363)	\$ (278)	\$ (20,852)	\$ (390)

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, 2024, the plan's total OPEB liability totaled \$72.9 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2023 rolled forward to June 30, 2024. For the fiscal year ended June 30, 2024, OPEB expense of \$2.6 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, 2024, each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$ 14,042
Rhode Island College	6,000
Community College of Rhode Island	4,983
Total	<u><u>\$ 25,025</u></u>

The net OPEB liabilities in the table above were measured as of June 30, 2023, 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, 2022 rolled forward to the June 30, 2023 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal year 2023 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2024, each institution recognized OPEB expense (credit) as follows (in thousands):

University of Rhode Island	\$ (1,934)
Rhode Island College	(1,276)
Community College of Rhode Island	956
Total	<u><u>\$ (2,254)</u></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 2024, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

Employee and non-Medicare eligible retiree healthcare - The State also has a contract with an insurance carrier/administrator to provide health care benefits to active and non-Medicare eligible 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, 2024 and June 30, 2023 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1, 2023</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2024</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 20,280	\$ 377,251	\$ 376,794	\$ 20,737
	<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

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 \$12.4 million at June 30, 2024 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	\$ 27,452	\$ 8,802	\$ 36,254	\$ (29,795)	\$ 6,459
Loans to other funds	27,462	382	27,844	(27,844)	—
Total assets	<u>\$ 54,914</u>	<u>\$ 9,184</u>	<u>\$ 64,098</u>	<u>\$ (57,639)</u>	<u>\$ 6,459</u>
Liabilities					
Due to other funds	\$ 20,927	\$ 8,868	\$ 29,795	\$ (29,795)	\$ —
Loans from other funds	27,008	836	27,844	(27,844)	—
Total liabilities	<u>\$ 47,935</u>	<u>\$ 9,704</u>	<u>\$ 57,639</u>	<u>\$ (57,639)</u>	<u>\$ —</u>
Program revenue					
General government	\$ —	\$ 522,446	\$ 522,446	\$ (522,446)	\$ —
Public safety	—	10,747	10,747	(10,747)	—
Expenses					
General government	—	(521,077)	(521,077)	521,077	—
Public safety	—	(12,116)	(12,116)	12,116	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 915,607	\$ —	\$ 915,607	\$ (530,678)	\$ 384,929
Transfers out	(530,678)	—	(530,678)	530,678	—
Net transfers	<u>\$ 384,929</u>	<u>\$ —</u>	<u>\$ 384,929</u>	<u>\$ —</u>	<u>\$ 384,929</u>
	Total Business-type Activities		Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 96	\$ —	\$ 96	\$ (6,555)	\$ (6,459)
Total assets	<u>\$ 96</u>	<u>\$ —</u>	<u>\$ 96</u>	<u>\$ (6,555)</u>	<u>\$ (6,459)</u>
Liabilities					
Due to other funds	\$ 6,555	\$ —	\$ 6,555	\$ (6,555)	\$ —
Total liabilities	<u>\$ 6,555</u>	<u>\$ —</u>	<u>\$ 6,555</u>	<u>\$ (6,555)</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 41,491	\$ —	\$ 41,491	\$ (41,491)	\$ —
Transfers out	(426,420)	—	(426,420)	41,491	(384,929)
Net transfers	<u>\$ (384,929)</u>	<u>\$ —</u>	<u>\$ (384,929)</u>	<u>\$ —</u>	<u>\$ (384,929)</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 \$3.5 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, 2024 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. For fiscal year 2025, the State approved an appropriation for \$453 thousand in the enacted budget to cover fiscal 2024 deficit. The RIIRBA has estimated the insured commitments payable to be \$920 thousand as of June 30, 2024.

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 \$31.3 million in fiscal year 2024. Also the State appropriated \$3.9 million for operations during fiscal year 2024. The State has appropriated \$30.0 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, 2024 and 2023 are \$477 thousand and \$2.2 million, 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, 2024, I-195 RDC received \$84 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. The 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, 2024, the College has a \$7.3 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 Postsecondary Commissioner are to be used to fund Rhode Island Promise scholarships. For the year ended June 30, 2024, the state administrative fees total \$175 thousand and the Student Fund contributions total \$525 thousand.

In addition to the 1.5 basis points paid to the Student Fund from program assets, the investment manager of the fund is required to contribute 9.5 basis points (0.095%) to the Student Fund. Such contributions,

which total \$3.3 million for the year ended June 30, 2024, 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 2024, RIHEBC reported bond proceed transfers from the State of \$37.2 million and related project cost expenses of \$32.4 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 \$1.1 million was transferred to RIIB for this fund during fiscal year 2024. 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 \$64.5 million during fiscal year 2024 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately \$197.9 million reserved for economic development initiatives at June 30, 2024 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 2024, 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, except that excess revenues from fiscal year 2023 shall not be transferred to the supplemental state budget reserve account.

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	\$ 112,856	Operating assistance
Rhode Island College	69,109	Operating assistance
Community College of Rhode Island	61,691	Operating assistance
Central Falls School District	74,594	Operating assistance
The Met	15,059	Operating assistance
I-195 District Commission	26,034	Operating assistance
R.I. Commerce Corporation	67,995	Operating assistance
R.I. Division of Higher Education Assistance	3,853	Operating assistance
R.I. Public Transit Authority	3,125	Operating assistance
R.I. Health and Educational Building Corporation	71,018	School Building Authority Capital Fund/School Housing Aid
R.I. Housing and Mortgage Finance Corporation	70,789	Infrastructure improvements and bond proceeds
Quonset Development Corporation	13,360	Infrastructure improvements
IST		
R.I. Public Transit Authority	59,438	Operating assistance
R.I. Turnpike and Bridge Authority	16,083	Infrastructure improvements
I-195 District Commission	4,854	Infrastructure improvements
Bond Capital		
University of Rhode Island	6,173	Construction, improvements or purchase of assets
Rhode Island College	5,243	Construction, improvements or purchase of assets
Community College of Rhode Island	5,851	Construction, improvements or purchase of assets
Quonset Development Corporation	8,233	Infrastructure improvements and bond proceeds
R.I. Housing and Mortgage Finance Corporation	23,649	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	37,200	Construction and building improvements
R. I. Capital Plan		
University of Rhode Island	28,164	Construction, improvements or purchase of assets
Rhode Island College	22,071	Construction, improvements or purchase of assets
Community College of Rhode Island	7,805	Construction, improvements or purchase of assets
Total Governmental Activities	<u>\$ 814,247</u>	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2024:

- DCAMM (\$554 thousand)
- Central Utilities (\$2.535 million)
- Correctional Industries (\$383 thousand)
- Records Center (\$94 thousand)
- Health Insurance Active (\$153 thousand)
- Capitol Police (\$11 thousand)

The deficits will be eliminated through service charges during fiscal year 2025.

Note 23. Subsequent Events

Primary Government

Bond Issuance – In August 2024, the Rhode Island Commerce Corporation, on behalf of the State, issued special obligation debt - Grant Anticipation Bonds: \$123.9 million, Series 2024A.

Department of Housing – The Department of Housing acquired 100 Randall Street to be used as a shelter and possibly long-term housing. Federal funds were utilized to acquire this property. Anticipated repairs and maintenance costs may be significant during FY25.

Major Data Breach – Integrated Eligibility System – Health and Human Services - On December 13, 2024, the State was informed by its vendor, Deloitte, that there was a major security threat to the RIBridges system. In response, the system was taken offline so that the State and Deloitte can work to address the threat and restore the system as quickly as possible. Additionally, Deloitte confirmed that there is a high probability that a cybercriminal has obtained files with personally identifiable information from RIBridges. Deloitte and State officials estimate that data for approximately 650,000 individuals could be affected by this breach, with 320,000 individuals enrolled at the time of the incident. Participants were informed of their rights and recommended actions to secure their personally identifiable information. As of the date of the issuance of these financial statements, the system is fully operational.

Employees' Retirement System – As of July 1, 2024, the State's Legislature enacted provisions that impact the Employees' Retirement System of the State of Rhode Island. These include modifying the Final Average Salary ("FAS") Formula for State employees, teachers and municipal employees from the average highest five consecutive years of compensation to the average highest three consecutive years of compensation. Additionally, retired state employees, teachers and municipal employees who retired on or before June 30, 2012, will have reinstated COLAs for eligible members at the full amount. This provision also reduces the minimum funded requirement for COLA restoration from 80% to 75%.

The provisions also include benefit changes for State Public Safety Professionals, which include active state employees currently employed as deputy sheriffs, capitol police officers, environmental police officers, juvenile program workers, shift coordinators, firefighters, crew chiefs, assistant chiefs, fire investigators, fire safety inspectors, fire safety training officers, explosives and flammable liquids technicians, and campus police officers. These State public safety professionals will be eligible to retire earlier and will receive a higher benefit multiplier and members will no longer be participants in the defined contribution plan, however, their contribution to the defined benefit plan will increase to 10%. Also, there is a provision for Rebuttable Presumption of Post Traumatic Stress Disorder for municipal police officers and fire fighters diagnosed with PTSD.

The Retirement Board has revised upward the fiscal 2025 and 2026 employer contribution rates to account for the above provisions.

Component Units

Rhode Island Housing and Mortgage Finance Corporation - Bond Redemption - Homeownership Opportunity Bonds 8/15/24 \$4.6 million and Multi-Family Development 9/1/24 \$8.7 million.

Rhode Island Housing and Mortgage Finance Corporation - Bond Issuance - Homeownership Opportunity Bonds 7/23/24 \$192.6 million, Homeownership Opportunity Bonds 10/23/24 \$187.5 million and Multi-Family Development 9/19/24 \$87.8 million.

Rhode Island Infrastructure Bank (RIIB) - Defeased Bonds - RIIB will occasionally refund bonds if market conditions are amenable to reducing the aggregate debt service. When a bond is refunded, the Bank deposits bond proceeds from refunding bonds with an escrow agent to provide resources for all future debt service payments on the refunded bonds. As a result, the bonds are defeased and the liability is no longer included in the Bank's financial statements. At June 30, 2024, the Bank had \$91.7 million of bonds outstanding, respectively, that are defeased.

University of Rhode Island (URI) - The Internal Revenue Service issued Notices of Proposed Issue in connection with two series of bonds issued in 2018 by the Rhode Island Health and Educational Building Corporation (RIHEBC) that are payable by the University. The bonds financed several infrastructure-related projects for the University, including the repaving of roadways and walkways, and upgrades to utility and fire alarm systems. The notices make a preliminary finding that the bond proceeds were not expended within required timeframes. This is not a final determination, and the University is evaluating how it will respond. URI takes seriously its obligations with respect to debt issuance and, in partnership with RIHEBC, has worked collaboratively with the IRS and has taken steps to strengthen internal compliance practices.

Required Supplementary Information



State of Rhode Island

Fiscal Year Ended
June 30, 2024



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, 2024
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,853,900	\$ 1,785,200	\$ 1,819,193	\$ 33,993
General Business Taxes:				
Business Corporations	310,900	372,500	367,505	(4,995)
Public Utilities Gross Earnings	67,800	73,600	75,170	1,570
Financial Institutions	26,900	42,200	47,678	5,478
Insurance Companies	163,300	168,700	180,418	11,718
Bank Deposits	4,600	5,000	5,519	519
Health Care Provider Assessment	39,600	39,600	40,684	1,084
Sales and Use Taxes:				
Sales and Use	1,628,600	1,640,000	1,635,428	(4,572)
Motor Vehicle	—	—	14	14
Cigarettes	125,600	121,600	119,314	(2,286)
Alcohol	22,500	21,100	20,789	(311)
Other Taxes:				
Inheritance and Gift	42,400	42,800	49,842	7,042
Racing and Athletics	600	600	665	65
Realty Transfer Tax	14,900	15,500	15,732	232
<i>Total Taxes (1)</i>	<u>4,301,600</u>	<u>4,328,400</u>	<u>4,377,951</u>	<u>49,551</u>
Departmental Revenue	531,100	551,800	552,303	503
Total Taxes and Departmental Revenue	<u>4,832,700</u>	<u>4,880,200</u>	<u>4,930,254</u>	<u>50,054</u>
Other Sources:				
Lottery	436,800	428,800	426,420	(2,380)
Unclaimed Property	18,700	24,900	23,591	(1,309)
Other Miscellaneous	30,200	39,963	38,438	(1,525)
Total Other Sources	<u>485,700</u>	<u>493,663</u>	<u>488,449</u>	<u>(5,214)</u>
Total General Revenues	<u>5,318,400</u>	<u>5,373,863</u>	<u>5,418,703</u>	<u>44,840</u>
Federal Revenues	5,157,864	5,149,311	4,514,512	(634,799)
Restricted Revenues	387,489	431,146	391,363	(39,783)
Other Revenues	63,678	62,279	65,319	3,040
Non-budgeted SBITA Proceeds	—	—	9,147	9,147
Non-budgeted Lease Proceeds	—	—	7,877	7,877
<i>Total Revenues (2)</i>	<u>10,927,431</u>	<u>11,016,599</u>	<u>10,406,921</u>	<u>(609,678)</u>
Expenditures:				
General government	1,785,638	1,772,782	1,373,162	399,620
General government - non-budgeted lease and SBITA expenditures	—	—	3,146	(3,146)
General government - non-budgeted transfer to ERSRI	—	—	6,530	(6,530)
Total general government	<u>1,785,638</u>	<u>1,772,782</u>	<u>1,382,838</u>	<u>389,944</u>
Health and human services	6,003,831	5,884,586	5,685,118	199,468
Health and human services - non-budgeted lease and SBITA expenditures	—	—	12,793	(12,793)
Total health and human services	<u>6,003,831</u>	<u>5,884,586</u>	<u>5,697,911</u>	<u>186,675</u>
Education	2,355,069	2,438,221	2,379,764	58,457
Education - non-budgeted lease and SBITA expenditures	—	—	233	(233)
Total education	<u>2,355,069</u>	<u>2,438,221</u>	<u>2,379,997</u>	<u>58,224</u>
Public safety	774,342	756,097	712,469	43,628
Public safety - non-budgeted lease and SBITA expenditures	—	—	852	(852)
Total public safety	<u>774,342</u>	<u>756,097</u>	<u>713,321</u>	<u>42,776</u>
Natural resources	115,291	125,974	106,365	19,609
<i>Total Expenditures (2)</i>	<u>11,034,171</u>	<u>10,977,660</u>	<u>10,280,432</u>	<u>\$ 697,228</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, 2024
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	154,366	
Transfer of scholarship revenue to RI Division of Higher Education (3)	—	—	3,853	
Total Expenditures and Transfers	\$ 11,034,171	\$ 10,977,660	\$ 10,438,651	
Change in Fund Balance			(31,730)	
Fund balance - beginning			1,193,191	
Fund balance - ending			<u>\$ 1,161,461</u>	

Expenditures by Source:

General Revenues	\$ 5,425,140	\$ 5,334,924	\$ 5,236,112	\$ 98,812
Federal Funds	5,157,864	5,149,311	4,490,700	658,611
Restricted Receipts	387,489	431,146	473,264	(42,118)
Other Funds	63,678	62,279	56,802	5,477
Non-budgeted SBITA Expenditures	—	—	9,147	(9,147)
Non-budgeted Lease Expenditures	—	—	7,877	(7,877)
Non-budgeted transfer to ERSRI	—	—	6,530	(6,530)
	<u>\$ 11,034,171</u>	<u>\$ 10,977,660</u>	<u>\$ 10,280,432</u>	<u>\$ 697,228</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 2024 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	\$ 1,815,219	\$ 3,974	\$ 1,819,193
Business Corporations	367,174	331	367,505
Insurance Companies	175,018	5,400	180,418
Financial Institutions	47,678	—	47,678

(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.

(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, 2024
(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	\$ 1,382,838	\$ 5,697,911	\$ 2,379,997	\$ 713,321	\$ 106,365	\$ —	\$ 158,219	\$ 10,438,651
Reclassifications:								
Debt Service	(199,919)	(5,913)	(52,201)	(1,145)	(2,779)	261,957	—	—
Other Transfers - RIDHEA	3,853	—	—	—	—	—	(3,853)	—
Other Transfers - RICCA	(24,932)	—	—	—	—	—	24,932	—
Other Transfers - LSI	(127,999)	—	—	—	—	—	127,999	—
Financial Statement Presentation	\$ 1,033,841	\$ 5,691,998	\$ 2,327,796	\$ 712,176	\$ 103,586	\$ 261,957	\$ 307,297	\$ 10,438,651

(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, 2024
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

		Budgetary Perspective	
	Fund Balance Reported in the Financial Statements	Fund Balance Not Available for Appropriation in Fiscal Year 2025	Fund Balance Available for Appropriation in Fiscal Year 2025
Nonspendable	\$ 164,678	\$ —	\$ 164,678
Restricted	386,773	386,773	—
Committed	41,188	41,188	—
Assigned	317,639	38,620 (a)	279,019 (b)
Unassigned	251,183	368,525 (c)	(117,342) (d)
Total Fund Balance	<u>\$ 1,161,461</u>	<u>\$ 835,106</u>	<u>\$ 326,355</u>

(a) Assigned fund balance not available for appropriation in fiscal year 2025 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.

(b) Assigned fund balance available for appropriation in fiscal 2025 includes fiscal 2024 ending surplus amounts of \$279 million appropriated as resources in the 2024 enacted budget.

(c) The Budget Reserve and Cash Stabilization Account and the Supplemental State Budget Reserve Account - for financial statement purposes, these accounts are classified as unassigned, yet, are not considered available for recurring operational appropriations.

(d) 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, 2024
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 216,107	\$ 227,883	\$ 248,809	\$ 20,926
Licenses, fines, sales, and services	33,443	28,928	24,906	(4,022)
Departmental restricted revenue	6,210	6,116	2,490	(3,626)
Federal grants	460,860	454,739	447,171	(7,568)
Other revenues	9,523	5,376	9,521	4,145
Total revenues	726,143	723,042	732,897	9,855
Revenues and Other Financing Sources (unbudgeted):				
Miscellaneous revenue			4,888	
Total revenues			737,785	
Other financing sources:				
Transfers from RI Capital Plan			111,788	
Subscription-based IT financing			—	
Total other financing sources			111,788	
Total revenues and other financing Sources			849,573	
Expenditures (budgeted):				
Central management				
Federal funds	15,011	12,897	5,646	7,251
Gasoline tax	8,696	8,644	6,101	2,543
Total - central management	23,707	21,541	11,747	9,794
Management and budget				
Gasoline tax	4,210	5,670	4,976	694
Total - management and budget	4,210	5,670	4,976	694
Infrastructure - engineering-GARVEE/motor fuel tax bonds				
Federal funds	445,849	437,573	432,710	4,863
Restricted receipts	6,210	6,116	1,962	4,154
Gasoline tax	81,370	71,533	70,126	1,407
Toll revenue	1,500	5,150	5,150	—
Land sale revenue	9,523	5,376	7,216	(1,840)
Total - infrastructure - engineering	544,452	525,748	517,164	8,584
Infrastructure - maintenance				
Federal funds	—	4,269	4,069	200
Gasoline tax	29,322	48,395	41,873	6,522
Rhode Island highway maintenance account	107,493	200,002	76,234	123,768
Total - infrastructure - maintenance	136,815	252,666	122,176	130,490
Total expenditures (budgeted)	\$ 709,184	\$ 805,625	\$ 656,063	\$ 149,562
Expenditures and other financing uses (unbudgeted):				
Infrastructure expenditures - GARVEE and State match funded by RI Capital Plan and bond capital funds			\$ 151,821	
I-195 redevelopment district project			(57)	
Mission 360 loan program				
Transfers to general fund - gas tax			46,583	
Subscription-based IT financing				
Total Expenditures and other financing uses (unbudgeted)			198,347	
Total expenditures and other financing uses			854,410	
Net change in fund balance			(4,837)	
Fund balance, beginning			330,957	
Fund balance, ending			<u>\$ 326,120</u>	

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, 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 2024 reflect a June 30, 2023 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 - Teachers**
- **ERS - Schedule of State Contributions - State Employees - Business-Type Activities**

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 Ten Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	June 30, 2024	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, 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
State's proportion of the net pension liability	90.8 %	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	\$ 1,747,517	\$ 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	\$ 737,116	\$ 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	237.1 %	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	61.3 %	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.

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 Ten Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees - Business-Type Activities

Rhode Island Lottery

Year Ended	June 30, 2024	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, 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
Lottery's proportion of the net pension liability	0.9 %	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	\$ 17,762	\$ 18,689	\$ 16,558	\$ 21,652	\$ 20,850	\$ 17,142	\$ 16,869	\$ 16,260	\$ 15,074	\$ 13,315
Lottery's covered payroll	\$ 7,492	\$ 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	237.1 %	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	61.3 %	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.

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 Ten Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Share-Teachers (Special Funding Situation)

Year Ended	June 30, 2024	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, 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
State's proportion of the net pension liability	42.5 %	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	\$ 1,031,708	\$ 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	65.8 %	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.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Ten Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

	2024	2023	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 233,376	\$ 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	233,376	206,466	197,171	184,004	179,281	169,365	156,083	157,299	144,696	138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 805,578	\$ 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	28.97 %	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.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Ten Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Share-Teachers (Special Funding Situation)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 126,825	\$ 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	126,825	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.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Ten Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees - Business-Type Activities

Rhode Island Lottery

	2024	2023	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,369	\$ 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	2,369	2,099	2,066	1,900	1,900	1,738	1,321	1,314	1,219	1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 8,178	\$ 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	28.97 %	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.

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 2024 reflect a June 30, 2023 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

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 Ten Fiscal Years
(Expressed in Thousands)

State Police Retirement Benefits Trust

Year Ended	June 30, 2024	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, 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
Total Pension Liability										
Service cost	\$ 6,392	\$ 5,829	\$ 5,827	\$ 5,788	\$ 5,342	\$ 4,999	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	14,642	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	(730)	(762)	(322)	(3,126)	624	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	204	—	—	1,541	—	—	9,274	—	—	(364)
Benefit payments	(9,384)	(7,849)	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Net Change in Total Pension Liability	11,124	11,116	11,743	10,379	11,509	11,650	28,717	4,650	7,889	10,759
Total Pension Liability-Beginning	210,671	199,555	187,812	177,433	165,924	154,274	125,557	120,907	113,018	102,259
Total Pension Liability-Ending	\$ 221,795	\$ 210,671	\$ 199,555	\$ 187,812	\$ 177,433	\$ 165,924	\$ 154,274	\$ 125,557	\$ 120,907	\$ 113,018
Plan Fiduciary Net Position										
Employer contributions	\$ 6,209	\$ 5,211	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,797	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,601	2,387	2,324	2,346	2,130	1,994	2,060	2,035	1,732	2,034
Net investment income	16,241	(5,344)	41,840	5,642	9,161	10,298	13,694	58	2,656	14,124
Benefit payments	(9,384)	(7,849)	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Administrative expenses	(174)	(203)	(153)	(158)	(140)	(137)	(125)	(103)	(100)	(83)
Other	3	16	16	25	1	16	5	1	4	5
Net Change in Plan Fiduciary Net Position	\$ 15,496	\$ (5,782)	\$ 42,396	\$ 6,504	\$ 8,672	\$ 8,944	\$ 13,472	\$ 1,411	\$ 5,227	\$ 17,644
Plan Fiduciary Net Position-Beginning	190,523	196,305	153,909	147,405	138,733	129,789	116,317	114,906	109,679	92,035
Plan Fiduciary Net Position-Ending	\$ 206,019	\$ 190,523	\$ 196,305	\$ 153,909	\$ 147,405	\$ 138,733	\$ 129,789	\$ 116,317	\$ 114,906	\$ 109,679
Net Pension Liability	\$ 15,776	\$ 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	92.9 %	90.4 %	98.4 %	81.9 %	83.1 %	83.6 %	84.1 %	92.6 %	95.0 %	97.0 %
Covered Payroll	\$ 29,687	\$ 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	53.1 %	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.

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 Ten Fiscal Years
(Expressed in Thousands)

Judicial Retirement Benefits Trust

Year Ended	June 30, 2024	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, 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
Total Pension Liability										
Service cost	\$ 3,815	\$ 3,709	\$ 3,387	\$ 3,335	\$ 3,184	\$ 3,215	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	6,727	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	(3,881)	(2,874)	(564)	180	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	(372)	—	—	2,515	—	—	5,173	—	—	(672)
Benefit payments	(5,210)	(4,700)	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Net Change in Total Pension Liability	1,079	2,688	5,053	7,969	1,936	3,530	8,677	3,866	3,151	4,833
Total Pension Liability-Beginning	96,803	94,116	89,063	81,094	79,158	75,628	66,951	63,085	59,934	55,101
Total Pension Liability-Ending	\$ 97,882	\$ 96,804	\$ 94,116	\$ 89,063	\$ 81,094	\$ 79,158	\$ 75,628	\$ 66,951	\$ 63,085	\$ 59,934
Plan Fiduciary Net Position										
Employer contributions	\$ 2,843	\$ 2,611	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,058	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,371	1,398	1,215	1,204	1,109	1,142	1,118	1,053	1,121	1,093
Net investment income	8,310	(2,742)	21,815	2,955	4,821	5,377	7,107	29	1,368	7,221
Benefit payments	(5,210)	(4,700)	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Administrative expenses	(88)	(97)	(80)	(80)	(74)	(71)	(65)	(53)	(51)	(43)
Net Change in Plan Fiduciary Net Position	\$ 7,226	\$ (3,530)	\$ 21,213	\$ 2,544	\$ 4,169	\$ 5,550	\$ 7,477	\$ 908	\$ 3,338	\$ 9,183
Plan Fiduciary Net Position-Beginning	97,841	101,371	80,158	77,614	73,445	67,895	60,418	59,510	56,172	46,989
Plan Fiduciary Net Position-Ending	\$ 105,067	\$ 97,841	\$ 101,371	\$ 80,158	\$ 77,614	\$ 73,445	\$ 67,895	\$ 60,418	\$ 59,510	\$ 56,172
Net Pension Liability (Asset)	\$ (7,185)	\$ (1,037)	\$ (7,255)	\$ 8,905	\$ 3,480	\$ 5,713	\$ 7,733	\$ 6,533	\$ 3,575	\$ 3,762
Plan Fiduciary Net Position as a Percentage of the Total										
Pension Liability	107.3 %	101.1 %	107.7 %	90.0 %	95.7 %	92.8 %	89.8 %	90.2 %	94.3 %	93.7 %
Covered Payroll	\$ 11,996	\$ 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	(59.9)%	(9.1)%	(69.8)%	(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.

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 Ten Fiscal Years
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

Year Ended	June 30, 2024	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, 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
Total Pension Liability										
Service cost	\$ 263	\$ 460	\$ 400	\$ 323	\$ 277	\$ 294	\$ 350	\$ 466	\$ 416	\$ 498
Interest	707	451	550	640	685	726	586	719	673	710
Differences between expected and actual experience	3	(1,250)	(656)	(646)	—	(1,953)	—	(1,060)	(642)	1,617
Changes of assumptions	(548)	(3,358)	1,176	2,060	917	(116)	(666)	1,865	859	(1,160)
Benefit payments	(601)	(500)	(396)	(399)	(399)	(399)	(399)	(231)	—	—
Net Change in Total Pension Liability	(176)	(4,197)	1,074	1,978	1,480	(1,448)	(129)	1,759	1,306	1,665
Total Pension Liability-Beginning	19,329	23,526	22,452	20,474	18,994	20,442	20,571	18,812	17,506	15,841
Total Pension Liability-Ending	<u>\$ 19,153</u>	<u>\$ 19,329</u>	<u>\$ 23,526</u>	<u>\$ 22,452</u>	<u>\$ 20,474</u>	<u>\$ 18,994</u>	<u>\$ 20,442</u>	<u>\$ 20,571</u>	<u>\$ 18,812</u>	<u>\$ 17,506</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 490	\$ 405	\$ 399	\$ 399	\$ 399	\$ 399	\$ 332	\$ 140	\$ —	\$ —
Employee contributions	111	125	126	126	122	117	117	135	159	153
Net investment income	69	(23)	178	23	38	44	64	4	9	12
Benefit payments	(601)	(500)	(396)	(399)	(399)	(399)	(399)	(231)	—	—
Administrative expenses	(1)	(1)	(1)	(1)	(1)	(1)	(1)	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 68	\$ 6	\$ 306	\$ 148	\$ 159	\$ 160	\$ 113	\$ 48	\$ 168	\$ 165
Plan Fiduciary Net Position-Beginning	1,427	1,421	1,114	966	807	647	534	486	318	153
Plan Fiduciary Net Position-Ending	<u>\$ 1,495</u>	<u>\$ 1,427</u>	<u>\$ 1,421</u>	<u>\$ 1,114</u>	<u>\$ 966</u>	<u>\$ 807</u>	<u>\$ 647</u>	<u>\$ 534</u>	<u>\$ 486</u>	<u>\$ 318</u>
Net Pension Liability	<u>\$ 17,658</u>	<u>\$ 17,902</u>	<u>\$ 22,105</u>	<u>\$ 21,338</u>	<u>\$ 19,508</u>	<u>\$ 18,187</u>	<u>\$ 19,795</u>	<u>\$ 20,037</u>	<u>\$ 18,326</u>	<u>\$ 17,188</u>
Plan Fiduciary Net Position as a Percentage of the Total										
Pension Liability	7.8 %	7.4 %	6.0 %	5.0 %	4.7 %	4.2 %	3.2 %	2.5 %	2.6 %	1.8 %
Covered Payroll	\$ 926	\$ 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	1906.9 %	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.

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 Seven Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total Pension Liability							
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	10,715	11,241	11,469	11,878	12,193	11,712	12,589
Benefit Changes	—	—	—	—	—	—	—
Differences between expected and actual experience	61	(3,212)	1,256	(162)	—	12,187	—
Changes of assumptions	(1,335)	—	—	(1,136)	—	—	4,214
Benefit payments	(15,415)	(15,698)	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Net Change in Total Pension Liability	(5,974)	(7,669)	(3,544)	(6,001)	(4,606)	6,626	(589)
Total Pension Liability-Beginning	160,763	168,432	171,976	177,977	182,583	175,957	176,546
Total Pension Liability-Ending	\$ 154,789	\$ 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	\$ 16,387	\$ 31,566
Net investment income	2,295	(272)	6,144	868	770	1,137	1,839
Benefit payments	(15,415)	(15,698)	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Administrative expenses	(21)	(22)	(18)	(17)	(17)	(6)	—
Net Change in Plan Fiduciary Net Position	\$ 3,246	\$ 395	\$ 6,244	\$ 657	\$ 341	\$ 245	\$ 16,013
Plan Fiduciary Net Position-Beginning	23,895	23,500	17,256	16,599	16,258	16,013	—
Plan Fiduciary Net Position-Ending	\$ 27,141	\$ 23,895	\$ 23,500	\$ 17,256	\$ 16,599	\$ 16,258	\$ 16,013
Net Pension Liability	\$ 127,648	\$ 136,868	\$ 144,932	\$ 154,720	\$ 161,378	\$ 166,325	\$ 159,944
Plan Fiduciary Net Position as a Percentage of the Total							
Pension Liability	17.5 %	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 seven 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 Ten Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Retirement Benefits Trust

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 6,437	\$ 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	6,437	6,209	5,211	5,241	4,878	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 31,159	\$ 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	20.66 %	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.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Ten Fiscal Years Ended June 30
(Expressed in Thousands)

Judicial Retirement Benefits Trust

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,983	\$ 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	2,983	2,843	2,611	2,246	2,189	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 13,487	\$ 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	22.12 %	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.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Ten Fiscal Years Ended June 30
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,182	\$ 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	601	490	405	399	399	399	399	332	140	—
Contribution deficiency (excess)	<u>\$ 581</u>	<u>\$ 742</u>	<u>\$ 785</u>	<u>\$ 843</u>	<u>\$ 816</u>	<u>\$ 825</u>	<u>\$ 923</u>	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered payroll	\$ 949	\$ 926	\$ 1,038	\$ 1,051	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	63.33 %	52.92 %	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.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State Contributions
Last Seven Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

	2024	2023	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 16,387	\$ 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	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 seven 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 2024 reflects a June 30, 2023 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 Ten Fiscal Years
(Expressed in Thousands)

Judicial Non-Contributory
Retirement Plan

Year Ended	June 30, 2024	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, 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
Total Pension Liability										
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	1,281	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	(257)	548	(1,215)	3,560	521	916	182	—	328	—
Changes of assumptions	(1,166)	(5,010)	1,855	6,757	1,250	(166)	(2,291)	3,510	1,885	—
Benefit payments	(3,676)	(3,873)	(4,184)	(4,659)	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)
Net Change in Total Pension Liability	(3,818)	(7,526)	(2,455)	6,828	(1,845)	(3,239)	(6,492)	(737)	(1,635)	(3,839)
Total Pension Liability-Beginning	36,552	44,078	46,533	39,705	41,550	44,789	51,281	52,018	53,653	57,492
Total Pension Liability-Ending	<u>\$ 32,734</u>	<u>\$ 36,552</u>	<u>\$ 44,078</u>	<u>\$ 46,533</u>	<u>\$ 39,705</u>	<u>\$ 41,550</u>	<u>\$ 44,789</u>	<u>\$ 51,281</u>	<u>\$ 52,018</u>	<u>\$ 53,653</u>

The State of Rhode Island adopted GASB Statement No. 68 in fiscal year 2015.

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 2024 were determined based on valuations performed as of June 30, 2021, 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, 2023. 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	15 years	17 years	16 years	20 years	20 years	14 years
Asset valuation method	5 year smoothed market				Market Value	Market Value
Amortization period for new gains and losses	20 years				N/A	N/A
Actuarial Assumptions						
Investment Rate of Return	7.0%				3.86%	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. In the original RIRSA legislation it was assumed that the benefit adjustments would be suspended until 2027 and all subsequent valuations have continued to reference this same timeframe. The actual amount of the COLA is determined based on 50% of the plan's five-year average investment rate of return minus 5.00% which will range from zero to 4.0%, and 50% of the lesser of 3% 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, 2023 measurement date:***

The assumptions used for the purposes of this report have been updated since the last actuarial valuation and are based on the 2023 Actuarial Experience Investigation Study for the six-year period ending June 30, 2022, adopted by the Board on May 17, 2023. The RIJRT and JNCRP plans used the municipal bond index rate of 3.86% as of June 30, 2023.

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 RIJRT 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:

The assumptions used for the purposes of this report have been updated since the last actuarial valuation and are based on the 2019 Actuarial Experience Investigation Study for the six-year period ending June 30, 2019, adopted by the Board on May 22, 2020. The RIJRT and JNCRP plans used the municipal bond index rate of 1.92% as of June 30, 2021.

June 30, 2020 measurement date:

The assumptions used for the purposes of this report have been updated since the last actuarial valuation and are based on the 2019 Actuarial Experience Investigation Study for the six-year period ending June 30, 2019, adopted by the Board on May 22, 2020. The RIJRT and JNCRP plans used the municipal bond index rate of 2.45% as of June 30, 2020.

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved.

June 30, 2019 measurement date:

The RIJRT 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 RIJRT 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 RIJRT, 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 RIJRFT 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 RIJRFT 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 2024 reflect a June 30, 2023 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 Seven Fiscal Years
(Expressed in Thousands)

State Employees-Governmental Activities

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2023	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	90.8 %	90.4 %	90.2 %	89.9 %	89.6 %	89.4 %	89.2 %	
State's proportionate share of the net OPEB liability	\$ 188,956	\$ 247,868	\$ 209,192	\$ 324,502	\$ 391,135	\$ 455,475	\$ 463,597	
State's covered payroll	\$ 740,880	\$ 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	25.5 %	34.9 %	31.0 %	47.6 %	59.5 %	71.9 %	73.3 %	
Plan fiduciary net position as a percentage of the total OPEB liability	65.1 %	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 Seven Fiscal Years
(Expressed in Thousands)

State Employees-Business-Type Activities

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	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 %	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability \$	1,911 \$	2,578 \$	2,145 \$	3,420 \$	3,990 \$	3,876 \$	3,864
Lottery's covered payroll \$	7,493 \$	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	25.5 %	34.9 %	31.0 %	47.6 %	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	65.1 %	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 Seven Fiscal Years
(Expressed in Thousands)

State's Share of Board of Education Plan

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Measurement Date	June 30, 2023	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	0.2 %	0.3 %	0.3 %	0.2 %	0.2 %	0.2 %	0.2 %	
State's proportionate share of the net OPEB liability	\$ 22	\$ 63	\$ 18	\$ 89	\$ 80	\$ 87	\$ 111	
State's covered payroll	\$ 331	\$ 169	\$ 417	\$ 335	\$ 276	\$ 411	\$ 264	
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	6.6 %	37.3 %	4.3 %	26.6 %	29.0 %	21.2 %	42.0 %	
Plan fiduciary net position as a percentage of the total OPEB liability	87.9 %	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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Governmental Activities

	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 35,321	\$ 33,191	\$ 37,502	\$ 36,998	\$ 45,323	\$ 39,302	\$ 37,887
Contributions in relation to the actuarial determined contribution	35,321	33,191	37,502	36,998	45,323	39,302	37,887
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 781,429	\$ 740,880	\$ 710,271	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562
Contributions as a percentage of covered payroll	4.52 %	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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Business-Type Activities

Rhode Island Lottery

	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 358	\$ 336	\$ 390	\$ 379	\$ 478	\$ 401	\$ 317
Contributions in relation to the actuarial determined contribution	358	336	390	379	478	401	317
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,918	\$ 7,493	\$ 7,386	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308
Contributions as a percentage of covered payroll	4.52 %	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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

State's Share of Board of Education Plan

	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 11	\$ 6	\$ 6	\$ 12	\$ 14	\$ 12	\$ 18
Contributions in relation to the actuarial determined contribution	11	6	6	12	14	12	18
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 533	\$ 331	\$ 169	\$ 417	\$ 335	\$ 276	\$ 411
Contributions as a percentage of covered payroll	2.15 %	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 2024 reflect a June 30, 2023 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 Seven Fiscal Years
(Expressed in Thousands)

Teachers Plan

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	348	373	477	556	581	612	562
Benefit Changes	—	—	—	—	(1,952)	—	—
Differences between expected and actual experience	79	(69)	(964)	(1,212)	1,954	91	1,625
Changes of assumptions	—	135	(696)	(164)	(45)	—	217
Benefit payments	(965)	(891)	(899)	(629)	(1,438)	(1,202)	(1,610)
Net Change in Total OPEB Liability	(538)	(452)	(2,082)	(1,449)	(900)	(499)	794
Total OPEB Liability-Beginning	7,451	7,902	9,984	11,433	12,333	12,832	12,038
Total OPEB Liability-Ending	\$ 6,913	\$ 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	1,620	(1,708)	3,376	1,082	1,101	780	864
Benefit payments	(965)	(891)	(899)	(629)	(1,438)	(1,202)	(1,610)
Administrative expenses	(2)	(5)	(2)	(24)	(2)	(17)	7
Other	116	34	109	150	117	136	103
Net Change in Plan Fiduciary Net Position	\$ 769	\$ (2,570)	\$ 2,584	\$ 579	\$ 2,055	\$ 2,018	\$ 1,685
Plan Fiduciary Net Position-Beginning	14,443	17,013	14,429	13,850	11,795	9,777	8,092
Plan Fiduciary Net Position-Ending	\$ 15,212	\$ 14,443	\$ 17,013	\$ 14,429	\$ 13,850	\$ 11,795	\$ 9,777
Net OPEB Liability (Asset)	\$ (8,299)	\$ (6,993)	\$ (9,111)	\$ (4,445)	\$ (2,417)	\$ 538	\$ 3,055
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	220.0 %	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	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 Seven Fiscal Years
(Expressed in Thousands)

Judges Plan

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	\$ 9	\$ 8	\$ 13	\$ 22	\$ 22	\$ 15	\$ 20
Interest	13	15	18	64	60	68	50
Benefit Changes	—	—	—	—	(42)	—	—
Differences between expected and actual experience	(150)	(144)	(144)	(960)	102	(271)	(306)
Changes of assumptions	—	13	(7)	(69)	(11)	—	503
Benefit payments	61	82	57	(18)	(54)	72	138
Net Change in Total OPEB Liability	(67)	(26)	(63)	(961)	77	(116)	405
Total OPEB Liability-Beginning	233	259	322	1,283	1,206	1,322	917
Total OPEB Liability-Ending	\$ 166	\$ 233	\$ 259	\$ 322	\$ 1,283	\$ 1,206	\$ 1,322
Plan Fiduciary Net Position							
Employer contributions	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Net investment income	536	(553)	1,080	327	341	293	334
Benefit payments	61	82	57	(18)	(54)	72	138
Administrative expenses	(1)	(2)	(1)	(2)	—	(6)	—
Other	25	27	25	56	49	54	26
Net Change in Plan Fiduciary Net Position	\$ 621	\$ (446)	\$ 1,161	\$ 363	\$ 336	\$ 413	\$ 498
Plan Fiduciary Net Position-Beginning	5,527	5,973	4,812	4,449	4,113	3,700	3,202
Plan Fiduciary Net Position-Ending	\$ 6,148	\$ 5,527	\$ 5,973	\$ 4,812	\$ 4,449	\$ 4,113	\$ 3,700
Net OPEB Liability (Asset)	\$ (5,982)	\$ (5,294)	\$ (5,714)	\$ (4,490)	\$ (3,166)	\$ (2,907)	\$ (2,378)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	3699.7 %	2373.2 %	2307.8 %	1494.3 %	346.8 %	341.0 %	279.9 %
Covered Payroll	\$ 12,597	\$ 12,290	\$ 11,985	\$ 11,636	\$ 11,297	\$ 10,746	\$ 10,746
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(47.5)%	(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 Seven Fiscal Years
(Expressed in Thousands)

State Police Plan

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	\$ 4,790	\$ 4,671	\$ 4,280	\$ 4,481	\$ 4,108	\$ 3,920	\$ 3,836
Interest	4,509	4,353	4,210	4,391	4,369	4,148	4,202
Benefit Changes	—	—	—	—	(4,790)	—	—
Differences between expected and actual experience	(11,473)	(6,713)	(6,873)	(2,230)	630	(907)	(174)
Changes of assumptions	—	3,740	4,148	(6,974)	(1,161)	—	(6,005)
Benefit payments	(3,163)	(2,805)	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Net Change in Total OPEB Liability	(5,337)	3,246	2,377	(3,341)	355	4,312	(1,271)
Total OPEB Liability-Beginning	89,372	86,126	83,749	87,090	86,735	82,423	83,694
Total OPEB Liability-Ending	\$ 84,035	\$ 89,372	\$ 86,126	\$ 83,749	\$ 87,090	\$ 86,735	\$ 82,423
Plan Fiduciary Net Position							
Employer contributions	\$ 6,058	\$ 5,864	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919	\$ 7,702
Net investment income	8,965	(9,286)	17,041	4,775	4,683	3,413	3,491
Benefit payments	(3,163)	(2,805)	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Administrative expenses	(17)	(29)	(12)	(35)	(12)	(73)	(1)
Other	403	423	222	335	277	197	163
Net Change in Plan Fiduciary Net Position	\$ 12,246	\$ (5,833)	\$ 20,041	\$ 9,863	\$ 10,404	\$ 8,607	\$ 8,225
Plan Fiduciary Net Position-Beginning	80,619	86,452	66,411	56,548	46,144	37,537	29,312
Plan Fiduciary Net Position-Ending	\$ 92,865	\$ 80,619	\$ 86,452	\$ 66,411	\$ 56,548	\$ 46,144	\$ 37,537
Net OPEB Liability (Asset)	\$ (8,830)	\$ 8,753	\$ (326)	\$ 17,338	\$ 30,542	\$ 40,591	\$ 44,886
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	110.5 %	90.2 %	100.4 %	79.3 %	64.9 %	53.2 %	45.5 %
Covered Payroll	\$ 30,262	\$ 29,380	\$ 25,401	\$ 24,661	\$ 23,943	\$ 21,334	\$ 21,334
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(29.2)%	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 Seven Fiscal Years
(Expressed in Thousands)

Legislators Plan

Year Ended	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability							
Service cost	\$ 30	\$ 28	\$ 39	\$ 57	\$ 71	\$ 54	\$ 63
Interest	44	51	58	80	79	74	66
Benefit Changes	—	—	—	—	(257)	—	—
Differences between expected and actual experience	(75)	(135)	(88)	(83)	284	102	168
Changes of assumptions	—	38	(41)	(350)	(61)	—	(45)
Benefit payments	(174)	(62)	(164)	(85)	(98)	(161)	(36)
Net Change in Total OPEB Liability	(175)	(80)	(196)	(381)	18	69	216
Total OPEB Liability-Beginning	954	1,035	1,231	1,612	1,594	1,525	1,309
Total OPEB Liability-Ending	\$ 779	\$ 955	\$ 1,035	\$ 1,231	\$ 1,612	\$ 1,594	\$ 1,525
Plan Fiduciary Net Position							
Employer contributions	\$ —	\$ —	\$ —	\$ —	\$ 15	\$ 14	\$ 27
Net investment income	399	(420)	854	263	276	247	283
Benefit payments	(174)	(62)	(164)	(85)	(98)	(161)	(36)
Administrative expenses	(1)	(1)	(1)	(2)	—	(4)	—
Other	83	69	53	79	32	42	29
Net Change in Plan Fiduciary Net Position	\$ 307	\$ (414)	\$ 742	\$ 255	\$ 225	\$ 138	\$ 303
Plan Fiduciary Net Position-Beginning	3,850	4,264	3,522	3,267	3,042	2,904	2,601
Plan Fiduciary Net Position-Ending	\$ 4,157	\$ 3,850	\$ 4,264	\$ 3,522	\$ 3,267	\$ 3,042	\$ 2,904
Net OPEB Liability (Asset)	\$ (3,378)	\$ (2,895)	\$ (3,228)	\$ (2,291)	\$ (1,655)	\$ (1,448)	\$ (1,379)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	533.4 %	403.2 %	412.3 %	287.6 %	202.6 %	190.9 %	190.4 %
Covered Payroll	\$ 2,012	\$ 1,954	\$ 1,925	\$ 1,868	\$ 1,814	\$ 1,719	\$ 1,719
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(167.9)%	(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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

Teachers Plan

	2024	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	N/A
Contributions as a percentage of covered payroll	N/A	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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

Judges Plan

	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarial determined contribution	—	—	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 14,201	\$ 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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Plan

	2024	2023	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 5,265	\$ 6,058	\$ 5,864	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919
Contributions in relation to the actuarial determined contribution	5,265	6,058	5,864	6,178	7,797	8,257	7,919
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 29,560	\$ 29,308	\$ 25,201	\$ 26,505	\$ 26,297	\$ 23,666	\$ 22,698
Contributions as a percentage of covered payroll	17.8 %	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 Seven Fiscal Years Ended June 30
(Expressed in Thousands)

Legislators Plan

	2024*	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	\$ 2,240	\$ 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 actuarially determined contribution rates for fiscal 2024 were determined based on valuations performed as of June 30, 2021. 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	15 Years Closed	Determined by Statutory Contribution	30 Years Open	15 Years Closed	30 Years Open	15 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 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%
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 Retire 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 Ultimate MP16.					
	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 2022, grading to 3.5% in 2033. Medicare: 6.25% in 2022, 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, 2023 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, 2023 measurement date compared to the June 30, 2022 measurement date.

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**

Table of Contents

	<u>Page</u>
Schedule of Expenditures of Federal Awards.....	B-1
Notes to the Schedule of Expenditures of Federal Awards.....	B-18

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, 2024

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 Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001					\$ 47,973	
Plant and Animal Disease, Pest Control, and Animal Care	10.025					466,101	
Inspection Grading and Standardization	10.162					3,642	
Specialty Crop Block Grant Program - Farm Bill	10.170					277,537	\$ 135,349
Specialty Crop Block Grant Program - Farm Bill	10.170	COVID-19				117,776	80,610
Organic Certification Cost Share Programs	10.171					693	
Pandemic Relief Activities: Farm and Food Worker Relief Grant Program	10.181	COVID-19				149	
Pandemic Relief Activities: Local Food Purchase Agreements with States, Tribes, and Local Governments	10.182	COVID-19					
Local Food for Schools Cooperative Agreement Program	10.185					850,890	836,748
Resilient Food System Infrastructure Program	10.190					113,696	
Payments to 1890 Land-Grant Colleges and Tuskegee University	10.205					109,872	72,760
Food Safety Outreach Program	10.328					13,468	
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525					462	
SNAP Fraud Framework Implementation Grant	10.535					94,250	81,212
Child Nutrition-Technology Innovation Grant	10.541					27,667	
Pandemic EBT Food Benefits	10.542	COVID-19				381,356	
SNAP Cluster:						9,550,758	
Supplemental Nutrition Assistance Program	10.551				\$ 341,987,984		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				26,614,948		1,996,840
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	COVID-19			291,696	368,894,628	
Child Nutrition Cluster:							
School Breakfast Program	10.553				11,626,111		10,841,344
National School Lunch Program (See Notes 4 and 9)	10.555				43,089,384		33,615,707
Special Milk Program for Children	10.556				17,663		17,663
Summer Food Service Program for Children (See Notes 4 and 9)	10.559				1,389,772		1,008,358
Fresh Fruit and Vegetable Program	10.582				2,209,853	58,332,783	1,979,698
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557					24,835,238	4,112,688
Child and Adult Care Food Program	10.558					8,052,678	7,574,249
State Administrative Expenses for Child Nutrition	10.560					1,125,943	
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565				219,448		200,311
Emergency Food Assistance Program (Administrative Costs)	10.568				269,276		269,164
Emergency Food Assistance Program (Food Commodities)	10.569				98,817	587,541	98,750
WIC Farmers' Market Nutrition Program (FMNP)	10.572					73,932	50,548
Team Nutrition Grants	10.574					123,676	
Farm to School Grant Program	10.575				137,627		120,000
Farm to School Grant Program	10.575	COVID-19			101,861	239,488	
Senior Farmers Market Nutrition Program	10.576				209,287		181,302
Senior Farmers Market Nutrition Program	10.576	COVID-19			269,963	479,250	159,627
WIC Grants to States (WGS)	10.578					171,578	
Child Nutrition Discretionary Grants Limited Availability	10.579				19,743		16,490
Child Nutrition Discretionary Grants Limited Availability	10.579	COVID-19			42,637	62,380	42,626
Pandemic EBT Administrative Costs	10.649	COVID-19				534,555	
Cooperative Forestry Assistance	10.664					802,570	288,186
Forest Legacy Program	10.676					527,775	
Forest Health Protection	10.680					30,759	11,878
State & Private Forestry Cooperative Fire Assistance	10.698					3,758	3,758
Inflation Reduction Act Urban & Community Forestry Program	10.727					149,980	144,400
Community Project Funds - Congressionally Directed Spending	10.730					12,232	10,000
Environmental Quality Incentives Program	10.912					70,494	
Farm and Ranch Lands Protection Program	10.913					26,050	26,050
Regional Conservation Partnership Program	10.932					12,334	1,140
Total U.S. Department of Agriculture (USDA)						\$ 477,205,912	\$ 63,977,456
U.S. Department of Commerce (DOC)							
NOAA Mission-Related Education Awards	11.008					\$ 10	
State Digital Equity Planning and Capacity Grant	11.032					386,289	
Broadband Equity, Access, and Deployment Program	11.035					1,941,219	
Economic Development Cluster:							
Economic Adjustment Assistance	11.307				\$ 3,222,358	3,222,358	
Interjurisdictional Fisheries Act of 1986	11.407					128,920	
Sea Grant Support	11.417					11,085	
Coastal Zone Management Administration Awards	11.419					1,672,403	\$ 86,300
Coastal Zone Management Estuarine Research Reserves	11.420					1,322,304	645,943

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427	COVID-19				9,304	
Marine Fisheries Initiative	11.433					630,420	
Regional Fishery Management Councils	11.441					55,793	
Unallied Management Projects	11.454					145,607	34,800
Congressionally Identified Awards and Projects	11.469					143,713	
Office for Coastal Management	11.473					137,761	132,135
Atlantic Coastal Fisheries Cooperative Management Act	11.474					528,665	34,746
Total U.S. Department of Commerce (DOC)						\$ 10,335,851	\$ 933,924
U.S. Department of Defense (DOD)							
Procurement Technical Assistance for Business Firms	12.002					\$ 377,386	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113					610,256	
Military Construction, National Guard	12.400					4,471,598	
National Guard Military Operations and Maintenance (O&M) Projects	12.401					37,501,003	
GenCyber Grants Program	12.903					99,617	
Total U.S. Department of Defense (DOD)						\$ 43,059,860	\$ -
U.S. Department of Housing and Urban Development (HUD)							
Mortgage Insurance Homes (See Note 3)	14.117					\$ 446,403,110	
Qualified Participating Entities (QPE) Risk Sharing (See Note 3)	14.189					316,191,213	
Section 8 Project-Based Cluster:							
Project-Based Rental Assistance (PBRA)	14.195				\$ 237,933,880		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856				<u>360,992</u>	238,294,872	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228				13,959,203		\$ 4,850,879
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228	COVID-19			<u>4,356,134</u>	18,315,337	4,354,447
Emergency Solutions Grant Program	14.231					345,464	302,541
Emergency Solutions Grant Program	14.231	COVID-19				318,313	318,081
Home Investment Partnerships Program (See Note 3)	14.239					39,307,486	
Housing Opportunities for Persons with AIDS	14.241				681,106		681,009
Housing Opportunities for Persons with AIDS	14.241	COVID-19			<u>18</u>	681,124	
Continuum of Care Program	14.267					3,899,845	
Housing Trust Fund (See Note 3)	14.275					16,932,131	
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811	14.326					431,448	
Supportive Housing for Persons with Disabilities	14.401					169,942	
Fair Housing Assistance Program	14.401						
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871				<u>24,846,249</u>	24,846,249	
Family Self-Sufficiency Program	14.896					279,394	
Lead Hazard Reduction Grant Program	14.900					654,993	
Total U.S. Department of Housing and Urban Development (HUD)						\$ 1,107,070,921	\$ 10,506,957
U.S. Department of the Interior (DOI)							
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423					\$ 4,162	
Fish and Wildlife Cluster:							
Sport Fish Restoration	15.605				\$ 5,212,447		\$ 380,000
Wildlife Restoration and Basic Hunter Education and Safety	15.611				<u>5,627,573</u>	10,840,020	118,142
Fish and Aquatic Conservation - Aquatic Invasive Species	15.608					71,050	
Cooperative Endangered Species Conservation Fund	15.615					5,421	
Clean Vessel Act	15.616					97,346	75,541
North American Wetlands Conservation Fund	15.623					351	
State Wildlife Grants	15.634					655,970	14,366
White-nose Syndrome National Response Implementation	15.684					22,194	
Cooperative Landscape Conservation	15.669					222,410	222,410
Hurricane Sandy Disaster Relief Activities-FWS	15.677					12,160	
Historic Preservation Fund Grants-In-Aid	15.904					807,741	47,225
Outdoor Recreation Acquisition, Development and Planning	15.916					139,860	
Total U.S. Department of the Interior (DOI)						\$ 12,878,685	\$ 857,684
U.S. Department of Justice (DOJ)							
Sexual Assault Services Formula Program	16.017					\$ 468,930	\$ 442,953
Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19				759,284	
Matthew Shepard and James Byrd, Jr. Hate Crimes Education, Investigation and Prosecution Program	16.040					6,235	6,235
Juvenile Justice and Delinquency Prevention	16.540					309,714	68,540

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Missing Children's Assistance	16.543					279,880	
State Justice Statistics Program for Statistical Analysis Centers	16.550					15,943	
National Criminal History Improvement Program (NCHIP)	16.554					157,253	
Crime Victim Assistance	16.575					5,200,937	4,687,037
Crime Victim Compensation	16.576					285,680	
Edward Byrne Memorial Formula Grant Program	16.579					(17)	
Crime Victim Assistance/Discretionary Grants	16.582					71,234	
Treatment Court Discretionary Grant Program	16.585					108,127	
Violence Against Women Formula Grants	16.588					277,632	161,172
Residential Substance Abuse Treatment for State Prisoners	16.593					85,042	
State Criminal Alien Assistance Program	16.606					2,636,380	
Project Safe Neighborhoods	16.609					151,341	128,083
Public Safety Partnership and Community Policing Grants	16.710					5,388	
Edward Byrne Memorial Justice Assistance Grant Program	16.738					221,853	
DNA Backlog Reduction Program	16.741					461,194	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742					229,582	
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745					36,293	
Support for Adam Walsh Act Implementation Grant Program	16.750					338,041	
Harold Rogers Prescription Drug Monitoring Program	16.754					338,614	
Second Chance Act Reentry Initiative	16.812					66,345	
John R. Justice Prosecutors and Defenders Incentive Act	16.816					88,182	
Smart Prosecution Initiative	16.825					53,621	
Justice Reinvestment Initiative	16.827					98,755	
Body Worn Camera Policy and Implementation	16.835					436,526	359,501
Equitable Sharing Program	16.922					1,471,565	
Total U.S. Department of Justice (DOJ)						\$ 14,659,554	\$ 5,853,521
U.S. Department of Labor (DOL)							
Labor Force Statistics	17.002					\$ 798,227	
Compensation and Working Conditions	17.005					51,809	
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207				\$ 2,131,398		
Jobs for Veterans State Grants	17.801				<u>188,192</u>	2,319,590	
Unemployment Insurance (See Note 6)	17.225				214,700,262		
Unemployment Insurance (See Note 6)	17.225	COVID-19			<u>353,984</u>	215,054,246	
Senior Community Service Employment Program	17.235					480,356	
Trade Adjustment Assistance	17.245					605,409	\$ 61,000
WIOA Cluster:							
WIOA Adult Program	17.258				3,914,746		1,243,604
WIOA Youth Activities	17.259				3,592,342		1,118,133
WIOA Dislocated Worker Formula Grants	17.278				<u>3,981,114</u>	11,488,202	651,207
H-1B Job Training Grants	17.268					10,915	
WIOA National Dislocated Worker Grants / WIA National Emergency Grants	17.277					7,318,421	
Registered Apprenticeship	17.285					1,261,197	554,316
Community Project Funding/Congressionally Directed Spending	17.289					33,013	33,013
Consultation Agreements	17.504					621,398	
Local Veterans' Employment Representative Program	17.804					313,862	
Total U.S. Department of Labor (DOL)						\$ 240,356,645	\$ 3,661,273
U.S. Department of Transportation (DOT)							
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106				\$ 21,738,064		
Airport Improvement Program, Infrastructure Investment and Jobs Act Programs, and COVID-19 Airports Programs	20.106	COVID-19			<u>6,528,474</u>	\$ 28,266,538	
Highway Research and Development Program	20.200					485,296	
Highway Planning and Construction	20.205				390,322,047		
Highway Planning and Construction	20.205	COVID-19			<u>4,269,297</u>	394,591,344	\$ 3,103,957
Highway Training and Education	20.215					20,425	
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218				1,554,138		
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237				<u>39,859</u>	1,593,997	
Recreational Trails Program	20.219					36,297	7,441
Commercial Driver's License Program Implementation Grant	20.232					580,591	
Consolidated Rail Infrastructure and Safety Improvements	20.325					814,069	
Federal-State Partnership for Intercity Passenger Rail	20.326					64,790	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500				131,152		
Federal Transit Formula Grants	20.507				59,390,268		
Federal Transit Formula Grants	20.507	COVID-19			25,696,669		
State of Good Repair Grants Program	20.525				3,461,379		
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526				12,441,434	101,120,902	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505					637,435	
Formula Grants for Rural Areas and Tribal Transit Program	20.509					2,795	
Transit Services Program Cluster:							
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513				46,116	46,116	
Public Transportation Emergency Relief Program	20.527					1,980	
Highway Safety Cluster:							
State and Community Highway Safety	20.600				1,466,628		1,188,034
National Priority Safety Programs	20.616				3,559,287	5,025,915	1,300,425
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608					2,713,271	1,129,942
Incentive Grant Program to Prohibit Racial Profiling	20.611					339,943	189,853
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614					65,391	55
Pipeline Safety Program State Base Grant	20.700					544,245	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703					(60,438)	2,000
Port Infrastructure Development Program	20.823					6,187,734	
National Infrastructure Investments	20.933					24,479,274	
Nationally Significant Freight and Highway Projects	20.934					1,678	
Total U.S. Department of Transportation (DOT)						\$ 567,559,588	\$ 6,921,707
U.S. Department of the Treasury (TREAS)							
Capital Magnet Fund (See Note 3)	21.011					\$ 12,927,311	
Equitable Sharing	21.016					5	
Coronavirus Relief Fund	21.019	COVID-19				221	
Emergency Rental Assistance Program (See Note 9)	21.023	COVID-19				12,169,786	\$ 6,353,290
Homeowner Assistance Fund (See Note 9)	21.026	COVID-19				6,785,868	
Coronavirus State and Local Fiscal Recovery Funds (See Note 9)	21.027	COVID-19				281,544,001	57,590,672
Coronavirus Capital Projects Fund	21.029	COVID-19				2,422,526	2,080,957
State Small Business Credit Initiative Technical Assistance Grant Program	21.031	COVID-19				102	
Total U.S. Department of the Treasury (TREAS)						\$ 315,849,820	\$ 66,024,919
Equal Employment Opportunity Commission (EEOC)							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002					\$ 139,757	
Total Equal Employment Opportunity Commission (EEOC)						\$ 139,757	\$ -
General Services Administration (GSA)							
Donation of Federal Surplus Personal Property (See Notes 4 and 9)	39.003					\$ 1,231,297	\$ 1,231,297
Total General Services Administration (GSA)						\$ 1,231,297	\$ 1,231,297
National Aeronautics and Space Administration (NASA)							
Science	43.001		Brown University	80NSSC22M0040		\$ 25,000	
Exploration	43.003		Brown University	80NSSC220M0053		740	
Total National Aeronautics and Space Administration (NASA)						\$ 25,740	\$ -
National Endowment for the Arts (NEA)							
Promotion of the Arts Partnership Agreements	45.025					\$ 976,489	\$ 425,954
Promotion of the Humanities Federal/State Partnership	45.129					1,691	
Promotion of the Humanities Federal/State Partnership	45.129		Rhode Island Council for the Humanities	SO-283104		1,045	
Grants to States	45.310					1,633,602	413,245
Total National Endowment for the Arts (NEA)						\$ 2,612,827	\$ 839,199
U.S. Department of Veterans Affairs (VA)							
Grants to States for Construction of State Home Facilities	64.005					\$ 100,000	
Veterans State Nursing Home Care	64.015					12,256,626	
Staff Sergeant Parker Gordon Fox Suicide Prevention Grant Program	64.055					736,279	\$ 283,730
All-Volunteer Force Educational Assistance	64.124					111,025	
Veterans Cemetery Grants Program	64.203					124,745	
State Extended Care Facilities for Veterans	64.U01	COVID-19; COVID250MSHARE				4,348	
Total U.S. Department of Veterans Affairs (VA)						\$ 13,333,023	\$ 283,730

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Environmental Protection Agency (EPA)							
State and Tribal Indoor Radon Grants	66.032					\$ 321,071	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034					1,083,863	
Diesel Emission Reduction Act (DERA) National Grants	66.039					18,000	\$ 18,000
Diesel Emissions Reduction Act (DERA) State Grants	66.040					201,133	200,746
Climate Pollution Reduction Grants	66.046					353,007	4,000
Healthy Communities Grant Program	66.110					(5)	
Geographic Programs - Southeast New England Coastal Watershed Restoration Program	66.129					81,980	
Multipurpose Grants to States and Tribes	66.204					8,327	
State Public Water System Supervision	66.432					544,277	
Water Infrastructure Improvements for the Nation Small and Underserved Communities Emerging Contaminants Grant Program	66.442					202,153	
Voluntary School and Child Care Lead Testing and Reduction Grant Program (SDWA 1464(d))	66.444					12,535	
Water Quality Management Planning	66.454					346,223	111,973
National Estuary Program	66.456					76,730	
Clean Water State Revolving Fund	66.458					16,100,041	15,152,463
Regional Wetland Program Development Grants	66.461					170,382	
Drinking Water State Revolving Fund (See Note 9)	66.468					14,514,766	4,406,954
Beach Monitoring and Notification Program Implementation Grants	66.472					152,165	
Performance Partnership Grants	66.605					4,846,334	656,666
Surveys, Studies, Investigations and Special Purpose Grants	66.606					134	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608					96,414	20,500
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701					90,747	
Pollution Prevention Grants Program	66.708					173,514	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802					401,340	
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804					238,524	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805					458,628	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809					194,468	
State and Tribal Response Program Grants	66.817					886,752	
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818					863,290	
Solid Waste Infrastructure for Recycling Infrastructure Grants	66.920					38,666	34,986
Total Environmental Protection Agency (EPA)						\$ 42,475,459	\$ 20,606,288
U.S. Department of Energy (DOE)							
State Energy Program	81.041					\$ 794,697	
Weatherization Assistance for Low-Income Persons	81.042					1,406,211	\$ 1,190,366
Conservation Research and Development	81.086					351,585	267,914
State Energy Program Special Projects	81.119					11,069	2,534
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128					19,216	
State Heating Oil and Propane Program	81.138					20,944	
Total U.S. Department of Energy (DOE)						\$ 2,603,722	\$ 1,460,814
U.S. Department of Education (ED)							
Adult Education - Basic Grants to States	84.002					\$ 2,366,977	\$ 1,961,278
Civil Rights Training and Advisory Services (also known as Equity Assistance Centers)	84.004					489	
Student Financial Assistance Cluster: (See Note 7)							
Federal Supplemental Educational Opportunity Grants	84.007				\$ 1,588,197		
Federal Work-Study Program	84.033				1,966,335		
Federal Perkins Loan Program - Federal Capital Contributions (See Note 3)	84.038				1,644,383		
Federal Pell Grant Program	84.063				56,060,572		
Federal Direct Student Loans (See Note 3)	84.268				115,206,538		
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				49,979	176,516,004	
Title I Grants to Local Educational Agencies	84.010					63,196,754	58,669,846
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013					302,222	
Overseas Programs - Group Projects Abroad	84.021					5,084	
Special Education (IDEA) Cluster:							
Special Education Grants to States	84.027				52,281,296		44,932,774
Special Education Grants to States	84.027	COVID-19			3,464,737		3,424,563
Special Education Preschool Grants	84.173				1,704,160		1,325,608
Special Education Preschool Grants	84.173	COVID-19			208,655	57,658,848	207,932

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Higher Education Institutional Aid	84.031					445,646	
TRIO Cluster:							
TRIO Student Support Services	84.042				1,605,214		
TRIO Talent Search	84.044				569,137		
TRIO Upward Bound	84.047				863,536		
TRIO Educational Opportunity Centers	84.066				719,421		
TRIO McNair Post-Baccalaureate Achievement	84.217				275,181	4,032,489	
Career and Technical Education - Basic Grants to States	84.048					7,928,612	6,008,684
Fund for the Improvement of Postsecondary Education	84.116					310,546	91,849
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126					13,057,494	
Independent Living - State Grants	84.169					2,500	
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177					262,001	
Special Education - Grants for Infants and Families	84.181				2,352,078		1,152,536
Special Education - Grants for Infants and Families	84.181				18,624	2,370,702	18,533
School Safety National Activities	84.184	COVID-19				5,590,615	3,150,613
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187					102,280	
Education for Homeless Children and Youth	84.196					572,389	500,836
Innovative Approaches to Literacy; Promise Neighborhoods; Full-Service Community Schools; and Congressionally Directed Spending for Elementary and Secondary Education Community Projects	84.215					13	
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	COVID-19				5,601	
Charter Schools	84.282					593,961	564,156
Twenty-First Century Community Learning Centers	84.287					6,614,380	6,194,045
Special Education - State Personnel Development	84.323					757,998	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325					165,952	
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326					51,742	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334					3,383,430	3,382,170
English Language Acquisition State Grants	84.365					2,391,268	2,098,810
Mathematics and Science Partnerships	84.366					200	
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367					10,689,306	9,572,856
Grants for State Assessments and Related Activities	84.369					2,724,717	
Comprehensive Literacy Development	84.371					4,650,811	4,162,475
Statewide Longitudinal Data Systems	84.372					311,890	
Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	84.411					643,902	155,319
Student Support and Academic Enrichment Program	84.424					7,628,036	7,325,985
Education Stabilization Fund:							
Discretionary Grants: Rethink K-12 Education Model Grants	84.425B	COVID-19			2,750,593		
Governors' Emergency Education Relief (GEER) Fund	84.425C	COVID-19			1,427,745		
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	COVID-19			24,093,723		15,818,456
Coronavirus Response and Relief Supplemental Appropriations Act, 2021 – Emergency Assistance for Non-Public Schools (CRRSA EANS) Program	84.425R	COVID-19			744,298		744,156
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	COVID-19			218,180,926		194,323,675
American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS) Program	84.425V	COVID-19			1,076,416		461,567
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	COVID-19			1,025,836	249,299,537	652,409
National Assessment Of Educational Programs	84.U01	91990020C0023				171,901	
Total U.S. Department of Education (ED)						\$ 624,806,297	\$ 366,901,131
Election Assistance Commission (EAC)							
HAVA Election Security Grants	90.404					\$ 519,579	
Total Election Assistance Commission (EAC)						\$ 519,579	\$ -
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					\$ 23,443	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042				\$ 117,509		\$ 117,523
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	COVID-19			18,837	136,346	19,347

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				163,552		163,498
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	COVID-19			<u>146,036</u>	309,588	145,985
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044				2,238,338		1,387,669
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	COVID-19			647,229		367,097
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				3,329,825		2,757,678
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	COVID-19			1,424,597		1,424,063
Nutrition Services Incentive Program	93.053				<u>415,013</u>	8,055,002	415,013
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048				297,551		112,605
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	COVID-19			<u>43,209</u>	340,760	43,190
National Family Caregiver Support, Title III, Part E	93.052				871,943		871,614
National Family Caregiver Support, Title III, Part E	93.052	COVID-19			<u>259,285</u>	1,131,228	246,814
Public Health Emergency Preparedness	93.069					6,182,649	518,380
Environmental Public Health and Emergency Response	93.070					1,294,280	54,460
Medicare Enrollment Assistance Program	93.071					141,488	111,964
Lifespan Respite Care Program	93.072					287,447	173,112
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079					136,926	
Advancing System Improvements for Key Issues in Women's Health	93.088					362,715	133,695
Guardianship Assistance	93.090				1,342,854		
Guardianship Assistance	93.090	COVID-19			<u>24,557</u>	1,367,411	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092					255,828	117,138
Food and Drug Administration Research	93.103					1,301,330	
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104					1,113,250	
Maternal and Child Health Federal Consolidated Programs	93.110				2,119,845		919,091
Maternal and Child Health Federal Consolidated Programs	93.110		Rhode Island Hospital	6T73MC30121	<u>142,265</u>	2,262,110	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs							
	93.116					281,136	4,284
Emergency Medical Services for Children	93.127					104,358	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices							
	93.130					200,495	
Injury Prevention and Control Research and State and Community Based Programs	93.136					5,227,859	903,347
Community Programs to Improve Minority Health	93.137					297,131	67,940
Projects for Assistance in Transition from Homelessness (PATH)	93.150					234,846	234,802
Centers of Excellence	93.157					374,874	70,564
Grants to States for Loan Repayment	93.165					1,078,220	
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197					408,547	
Family Planning Services	93.217				1,165,412		706,695
Family Planning Services	93.217	COVID-19			<u>69,654</u>	1,235,066	8,247
Research on Healthcare Costs, Quality and Outcomes	93.226					41,950	9,333
Traumatic Brain Injury State Demonstration Grant Program	93.234					233,226	51,962
Grants to States to Support Oral Health Workforce Activities	93.236					454,988	10,455
State Capacity Building	93.240					422,213	18,897
Mental Health Research Grants	93.242					68,519	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					10,909,186	6,585,266
Early Hearing Detection and Intervention	93.251					257,861	36,297
Immunization Cooperative Agreements (See Note 4)	93.268				19,984,678		228,728
Immunization Cooperative Agreements (See Note 4)	93.268	COVID-19			<u>6,640,693</u>	26,625,371	31,910
Viral Hepatitis Prevention and Control	93.270					585,483	92,022
Drug Use and Addiction Research Programs	93.279					165,766	
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283					112,253	
Teenage Pregnancy Prevention Program	93.297					225,943	40,000
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program						198,387	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323				2,850,837		3,780
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19			<u>42,078,546</u>	44,929,383	109,021
State Health Insurance Assistance Program	93.324				305,507		160,491
State Health Insurance Assistance Program	93.324	COVID-19			<u>51,123</u>	356,630	51,102

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
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					646,560	212,490
Behavioral Risk Factor Surveillance System	93.336					587,909	
Student Financial Assistance Cluster: (See Note 7)							
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (See Note 3)	93.342				2,387,610		
Nursing Student Loans (See Note 3)	93.364				1,965,898	4,353,508	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354				(16,674)		
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	COVID-19			934,227	917,553	336,168
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366					382,657	63,640
ACL Independent Living State Grants	93.369					329,086	
National and State Tobacco Control Program	93.387					1,595,399	375,657
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	COVID-19				6,202,723	2,057,185
The State Flexibility to Stabilize the Market Grant Program	93.413					165,021	
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421					251,001	
1332 State Innovation Waivers	93.423					9,732,677	9,732,677
The National Cardiovascular Health Program	93.426					933,473	186,647
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433		The Ohio State University	90RTHF0002		2,865	
Every Student Succeeds Act/Preschool Development Grants	93.434					7,318,227	3,594,289
The Innovative Cardiovascular Health Program	93.435					926,880	208,107
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436					675,256	176,313
State Physical Activity and Nutrition (SPAN)	93.439					397,611	35,239
ACL Assistive Technology	93.464					395,242	
ACL Assistive Technology	93.464	COVID-19				52,900	
Title IV-E Prevention Program	93.472					1,738,479	
Congressional Directives	93.493					709,441	124,650
Community Health Workers for Public Health Response and Resilient Family Violence Prevention and Services/Sexual Assault/Rape Crisis Services and Supports	93.495	COVID-19				7,018,642	4,566,765
Public Health Training Centers Program	93.497	COVID-19				358,610	358,503
MaryLee Allen Promoting Safe and Stable Families Program	93.516					583,628	
Temporary Assistance for Needy Families	93.556					1,969,406	
Temporary Assistance for Needy Families	93.558				77,672,920		14,246,307
Child Support Services	93.558	COVID-19			298,277	77,971,197	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.563					15,091,593	
Low-Income Home Energy Assistance	93.566					4,213,657	748,505
Low-Income Home Energy Assistance	93.568				34,634,193		32,294,791
Community Services Block Grant	93.568	COVID-19			1,004,439	35,638,632	852,486
CCDF Cluster:	93.569					4,602,876	4,521,175
Child Care and Development Block Grant	93.575				16,706,491		6,154,854
Child Care and Development Block Grant	93.575	COVID-19			12,180,682		542,467
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596				12,726,107	41,613,280	
Refugee and Entrant Assistance Discretionary Grants	93.576					81,440	45,254
State Court Improvement Program	93.586				281,084		
State Court Improvement Program	93.586	COVID-19			102	281,186	
Community-Based Child Abuse Prevention Grants	93.590				215,727		
Community-Based Child Abuse Prevention Grants	93.590	COVID-19			83,264	298,991	
Grants to States for Access and Visitation Programs	93.597					100,603	
Chafee Education and Training Vouchers Program (ETV)	93.599					154,376	
Head Start Cluster:							
Head Start	93.600				156,045	156,045	
Adoption and Legal Guardianship Incentive Payments Program	93.603					145,063	
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632					555,385	
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634					362,014	313,056
Children's Justice Grants to States	93.643					63,855	
Stephanie Tubbs Jones Child Welfare Services Program	93.645					(267,080)	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Social Services Research and Demonstration	93.647					209,775	
Foster Care Title IV-E	93.658				14,621,023		
Foster Care Title IV-E	93.658	COVID-19			59,859	14,680,882	
Adoption Assistance	93.659				12,428,115		
Adoption Assistance	93.659	COVID-19			183,141	12,611,256	
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	COVID-19				(479)	16,557
Social Services Block Grant	93.667					10,330,434	3,282,964
Child Abuse and Neglect State Grants	93.669				600,937		15,997
Child Abuse and Neglect State Grants	93.669	COVID-19			152,893	753,830	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671				993,125		948,576
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	COVID-19			454,626	1,447,751	454,626
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674					579,558	
Elder Justice Act – Adult Protective Services	93.698					7,053	
Mental and Behavioral Health Education and Training Grants	93.732					602,943	
Elder Abuse Prevention Interventions Program	93.747				185		
Elder Abuse Prevention Interventions Program	93.747	COVID-19			886,613	886,798	315,543
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations, financed in part by Prevention and Public Health Funds	93.752					(41,469)	
Evidence-Based Falls Prevention Programs Financed Solely by Prevention and Public Health Funds (PPHF)	93.761					311	
Children's Health Insurance Program (See Note 5)	93.767				112,969,892		
Children's Health Insurance Program (See Note 5)	93.767	COVID-19			1,386,713	114,356,605	
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775				901,150		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777				5,019,072		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	COVID-19			28,706		
Medical Assistance Program (See Notes 5, 8 and 9)	93.778				2,477,279,273		
Medical Assistance Program (See Notes 5, 8 and 9)	93.778	COVID-19			29,136,076	2,512,364,277	
Opioid STR	93.788					8,023,660	6,489,988
Money Follows the Person Rebalancing Demonstration	93.791					2,819,457	136,815
Organized Approaches to Increase Colorectal Cancer Screening	93.800					581,347	290,786
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829					951,089	
Promoting Population Health through Increased Capacity in Alcohol Epidemiology	93.845					171,557	
Maternal, Infant and Early Childhood Home Visiting Grant	93.870				3,454,655		1,985,422
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	COVID-19			333,053	3,787,708	246,582
National Bioterrorism Hospital Preparedness Program	93.889					1,507,719	412,322
Cancer prevention and Control Programs for State, Territorial and Tribal Organizations	93.898					2,456,228	642,352
Grants to States for Operation of State Offices of Rural Health	93.913					245,683	10,800
HIV Care Formula Grants (See Note 5)	93.917					14,015,672	3,311,219
HIV Care Formula Grants (See Note 5)	93.917	COVID-19				(25)	
HIV Prevention Activities Health Department Based	93.940					1,252,823	268,834
Assistance Programs for Chronic Disease Prevention and Control	93.945					56,246	19,657
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946					506,160	
Block Grants for Community Mental Health Services	93.958				4,330,657		3,809,832
Block Grants for Community Mental Health Services	93.958	COVID-19			2,496,672	6,827,329	2,090,859
Block Grants for Prevention and Treatment of Substance Abuse	93.959				8,767,591		7,869,268
Block Grants for Prevention and Treatment of Substance Abuse	93.959	COVID-19			4,812,778	13,580,369	4,311,475
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967					2,569,952	10,000
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977				423,603		32,046
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	COVID-19			932,373	1,355,976	930
Cooperative Agreements for Diabetes Control Programs	93.988					696,694	87,106
Preventive Health and Health Services Block Grant	93.991					694,785	412,364
Maternal and Child Health Services Block Grant to the States	93.994					1,943,469	799,335
Mammography Quality Standards Act	93.U01	HHSF223201710206C				106,751	
Vital Records - National Death Index	93.U02	200-2017-M-93737				366	
Vital Records - SSA Death Data	93.U03	28321318P00051242				(906)	
Vital Records - SSA Birth Data/EAB	93.U04	28321319P00050112				7,115	
Food Inspections	93.U05	HHSF223201810101C				29	
Vital Records - Data Collection	93.U06	200-2017-92545				299,867	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Transformation Transfer Initiative	93.U08	SC-3011.3-RI-01				14,982	14,949
Childhood Cancer Star Project	93.U09	75D30119C04797				(14,363)	
Rhode Island Human Food	93.U10	75F40123C00121				932	
Total U.S. Department of Health and Human Services (HHS)						\$ 3,082,287,555	\$ 139,559,508
Corporation for National and Community Service (CNCS)							
AmeriCorps State Commissions Support Grant	94.003					\$ 301,891	
AmeriCorps State and National Training and Technical Assistance	94.006					1,115,192	\$ 1,115,192
	94.009					190,130	
Foster Grandparent/Senior Companion Cluster:							
AmeriCorps Senior Companion Program (SCP)	94.016				\$ 439,772	439,772	269,543
Total Corporation for National and Community Service (CNCS)						\$ 2,046,985	\$ 1,384,735
Social Security Administration (SSA)							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001				\$ 10,286,590	10,286,590	
Social Security - Work Incentives Planning and Assistance Program	96.008					252,433	
Social Security Investigations	96.U01	10.066.3005117				209,567	
Total Social Security Administration (SSA)						\$ 10,748,590	\$ -
U.S. Department of Homeland Security (DHS)							
Non-Profit Security Program	97.008					\$ 625,104	\$ 539,499
Boating Safety Financial Assistance	97.012					1,035,246	
Community Assistance Program State Support Services Element (CAP-SSSE)							
	97.023					143,262	
Crisis Counseling	97.032	COVID-19				(35,741)	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036				\$ 1,532,391		204,233
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 9)	97.036	COVID-19			60,357,390	61,889,781	36,809,426
Hazard Mitigation Grant	97.039					307,706	
National Dam Safety Program	97.041					65,819	
Emergency Management Performance Grants	97.042				3,184,783		408,169
Emergency Management Performance Grants	97.042	COVID-19			456,808	3,641,591	
Assistance to Firefighters Grant	97.044					46,105	
BRIC: Building Resilient Infrastructure and Communities	97.047					234,234	148,500
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048					35,035	
Presidential Declared Disaster Assistance to Individuals and Households - Other Needs	97.050					(10,944)	
Emergency Operations Center	97.052					289,771	
Port Security Grant Program	97.056					15	
Homeland Security Grant Program	97.067					5,079,817	1,230,096
Aviation Research Grants	97.069					(165,137)	
National Explosives Detection Canine Team Program	97.072					-	
Law Enforcement Officer Reimbursement Agreement Program	97.090					80,876	
Total U.S. Department of Homeland Security (DHS)						\$ 73,262,540	\$ 39,339,923
NeighborWorks America							
Housing Stability Counseling Program	99.U19	COVID-19				\$ 78,997	
Total NeighborWorks America						\$ 78,997	\$ -
Research and Development Cluster: (See Note 1)							
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001				\$ 262,848		
Agricultural Research Basic and Applied Research			Bigelow Laboratory for Ocean Sciences	490040E		36,270	
	10.001					287,103	
Plant and Animal Disease, Pest Control, and Animal Care	10.025					3,026	
Plant and Animal Disease, Pest Control, and Animal Care	10.025		University of Connecticut, Storrs	495113		4,253	
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Louisiana State University	AP23PPQS&T00C161		22,291	
Plant and Animal Disease, Pest Control, and Animal Care	10.025		South Dakota State University	3TB014		148,523	\$ 60,113
Wetlands Reserve Program	10.072					83,313	48,101
Specialty Crop Block Grant Program - Farm Bill	10.170					236,791	
Acer Access Development Program	10.174					159,406	
Grants for Agricultural Research, Special Research Grants	10.200					30,235	
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	123476-Z5220211		22,033	22,033
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	91285-Z511204		2,135	2,135
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	91289-Z5111208		53,754	
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	123500-Z5220212		31,258	
Grants for Agricultural Research, Special Research Grants	10.200		Roger Williams University	SG-2234719-URI			

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Cooperative Forestry Research	10.202				159,553		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203				1,537,047		
Animal Health and Disease Research	10.207				31,495		
Sustainable Agriculture Research and Education	10.215		University of Vermont	GNE22-283-AWD00000495	5,049		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE23-464-AWD00001024	64,246		
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE22-430-AWD00000495	18,906		11,247
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE21-390-35383	1,758		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE20-012-RI-34268	4,781		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE23-012-RI-AWD00001024	36,542		
Higher Education - Institution Challenge Grants Program	10.217		Johnson & Wales University	01-480406-001	41,465		
Higher Education - Multicultural Scholars Grant Program	10.220				63,526		
Food and Agriculture Defense Initiative (FADI)	10.304		University of Maine	UMS1426	26,511		
Organic Agriculture Research and Extension Initiative	10.307				148,771		40,169
Specialty Crop Research Initiative	10.309		Pennsylvania State University	S000323-USDA	18,842		
Agriculture and Food Research Initiative (AFRI)	10.310				1,003,768		137,095
Agriculture and Food Research Initiative (AFRI)	10.310		Purdue University	18032	11,907		
Agriculture and Food Research Initiative (AFRI)	10.310		University of Connecticut, Storrs	420026	63,777		
Food Safety Outreach Program	10.328				49,392		
Food Safety Outreach Program	10.328		University of Nebraska	25-6331-0412-003	26,952		
Crop Protection and Pest Management Competitive Grants Program	10.329				91,686		
Crop Protection and Pest Management Competitive Grants Program	10.329		Cornell University	86935-22422	16,104		
Urban, Indoor, and Other Emerging Agricultural Production Research, Education, and Extension Initiative	10.333				69,452		
Cooperative Extension Service	10.500				1,520,022		
Cooperative Extension Service	10.500		Extension Foundation	NTAE-2024-2493	5,908		
Expanded Food and Nutrition Education Program	10.514				173,384		
Renewable Resources Extension Act	10.515				28,875		
Agriculture Risk Management Education Partnerships Competitive Grants Program	10.520		Northeast Extension Risk Management	UDR0000560	14,923		
Soil and Water Conservation	10.902				196,194		47,429
Soil Survey	10.903				274,260		
Environmental Quality Incentives Program	10.912				47,255		19,586
Technical Agricultural Assistance	10.960				67,452		
RI University of Rhode Island Vaccine Education Project	10.RD	Farm Fresh RI PTE	Farm Fresh Rhode Island	Farm Fresh RI PTE	14,460		
U.S. Department of Commerce (DOC)							
Integrated Ocean Observing System (IOOS)	11.012		University of Delaware	UDR000081	47,603		
Integrated Ocean Observing System (IOOS)	11.012		NERACOOS	N21A013007	60,069		
Integrated Ocean Observing System (IOOS)	11.012		NERACOOS	N23A017005	37,841		
Ocean Acidification Program (OAP)	11.017				135,249		27,181
Economic Development Technical Assistance	11.303				144,863		
Economic Adjustment Assistance	11.307		401 Tech Bridge	2022-02	278		
Cooperative Institute (Inter-Agency Funded Activities)	11.405				6,397,380		3,325,079
Sea Grant Support	11.417				3,979,117		616,863
Sea Grant Support			Fishing Partnership Health Plan Corp.	NA23OAR4170425	1,767		
Sea Grant Support	11.417		University of Connecticut, Storrs	164276790	42,731		
Sea Grant Support	11.417		University of Connecticut, Storrs	165381913	17,915		
Sea Grant Support	11.417		University of Connecticut, Storrs	368948	12,460		
Sea Grant Support	11.417		University of Connecticut, Storrs	364363	10,351		
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427				23,778		
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427		University of New Hampshire				
Climate and Atmospheric Research	11.431			PLZ0333	2,655		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432				354,427		49,462
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Northeast States Emergency Consortium	NA21NWS4670007-SURI	17,648,986		15,271,844
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Woods Hole Oceanographic Institution	A101446	(10,396)		
Marine Fisheries Initiative	11.433				188,035		
Meteorologic and Hydrologic Modernization Development	11.467		Northeast States Emergency Consortium	NA22NWS4670017-SURI	129,037		56,935
Meteorologic and Hydrologic Modernization Development	11.467		Northeast States Emergency Consortium	NA23NWS4670017	72,458		
Congressionally Identified Awards and Projects	11.469				27,841		
Atlantic Coastal Fisheries Cooperative Management Act	11.474		Rutgers University	1194043	733,049		11,526
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478				242,788		
Congressionally-Identified Projects	11.617				588,827		132,084
					129,805		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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 Defense (DOD)							
National Defense Education Program	12.006		University of Connecticut, Storrs	150275136	1,010,251		
Basic and Applied Scientific Research	12.300				2,267,211		73,334
Basic and Applied Scientific Research	12.300		Navatek	00-K493-90000	(4,045)		
Basic and Applied Scientific Research	12.300		University of California, San Diego	310154	70,616		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	422921	5,122		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157328763	530,789		165,431
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158902343	108,563		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157507720	80,445		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157334323	156,177		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157336841	159,544		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157333334	206,319		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157330959	108,414		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158905075	99,748		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157505062	166,676		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157999203	211,103		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157999663	69,147		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158899849	61,004		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158904200	118,743		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158906049	35,208		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159548422	161,476		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159550351	24,779		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	159551492	58,145		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176425411	13,913		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176430909	146,150		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176818275	15,689		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176847891	63,469		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	176848374	16,653		
Basic and Applied Scientific Research	12.300		HighRI Optics, Inc.	2021 URI	1,809		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386373	19,337		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386382	4,092		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386388	105,010		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	389994	2,929		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419209	41,467		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419212	144,287		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419214	16,428		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419215	9,307		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419221	62,004		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419224	140		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422919	12,510		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422920	52,897		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422924	93,832		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422926	116,370		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422928	12,030		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422931	732		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	426742	145,107		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	18511143	16,111		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	161290754	273,075		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176404729	45,000		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176407093	238,579		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176408062	185,023		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176409251	41,705		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176410393	122,093		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176411493	101,509		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176412516	110,274		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176426956	125,543		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176428356	96,625		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176429137	86,973		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176430156	63,510		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176463159	13,321		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176463359	8,975		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176464922	81,679		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176465116	47,147		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176466341	133,596		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176530548	12,578		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176538047	14,136		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176585554	94,034		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176603442	111,166		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	176606802	32,463		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	179727501	28,089		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182375870	36,696		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182508917	10,491		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182509540	22,629		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182511653	7,496		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182542381	15,607		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182544212	29,855		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182544694	48,561		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182545235	2,492		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182631307	17,949		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182748830	7,119		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182884758	19,571		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182886083	12,404		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	182889195	998		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	183231502	2,832		
Basic and Applied Scientific Research	12.300		University of North Carolina, Chapel Hill	5120732	61,546		
Basic and Applied Scientific Research	12.300		Physical Science Inc.	SC-8030-001	1,839		
Basic and Applied Scientific Research	12.300		Woods Hole Oceanographic Institution	A101543	8,889		
Scientific Research - Combating Weapons of Mass Destruction	12.351				33,065		
Military Medical Research and Development	12.420				178,866		
Military Medical Research and Development	12.420		Ocean State Research Institute, Inc	242610 DoD-P JMCg.PTSD	25,866		
Basic Scientific Research	12.431				102,303		63,248
Basic Scientific Research	12.431		Division by Zero Labs	W15QKN-22-P-0046	16,762		
Basic Scientific Research	12.431		University of California, Los Angeles	1000 G LF417	3,587		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	BOR21-URI-19-CHN-PO1	365,228		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	BOR21-URI-19-SSC-PO4	115,300		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	BOR21-URI-19-TT-PO2	38,568		
Basic, Applied, and Advanced Research in Science and Engineering	12.630				951,225		23,580
Air Force Defense Research Sciences Program	12.800				243,102		
Air Force Defense Research Sciences Program	12.800		Bam Technologies	AFWERX STTR	4,442		
Air Force Defense Research Sciences Program	12.800		Brown University	1913	126,300		
CNTS IDIQ for Clinical Research	12.RD	15700-0040/001	Cherokee Nation Technology Solutions	15700-0040/001	(5,345)		
CNTS IDIQ for Clinical Research	12.RD	SUB-005753	Cherokee Nation Technology Solutions	SUB-005753	9,446		
Gain-Phase Calibration for Sensor Arrays	12.RD	700588420	Massachusetts Institute of Technology	700588420	57,564		
PSI Base: Sensor Modality Translation through Contrastive Deep Learning	12.RD	SC-140018-001	Physical Science Inc.	SC-140018-001	40,155		
PSI Base: Velocimetric Flash LIDAR for Underwater Autonomous Vehicles	12.RD	SC-4939-001	Physical Science Inc.	SC-4939-001	41,886		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
U.S. Department of the Interior (DOI)							
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423				459,879		117,011
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423		University of Alaska	UA22-0040	103,274		
SECURE Water Act - Research Agreements	15.560				6,518		
Wildlife Restoration and Basic Hunter Education and Safety	15.611		Wildlife Management Institute	NEC RPR3 CESU 2024-03	39,135		
North American Wetlands Conservation Fund	15.623				28,797		
Coastal	15.630				511		
Coastal	15.630		Wildlife Management Institute	GSA 00076	84,847		
Research Grants (Generic)	15.650		HDR / e2M	1000300002152	57,269		
National Wildlife Refuge System Enhancements	15.654				10,269		
Assistance to State Water Resources Research Institutes	15.805				101,519		
U.S. Geological Survey Research and Data Collection	15.808				148,346		
National Cooperative Geologic Mapping	15.810				30,726		
Natural Resource Stewardship	15.944		New Mexico Department of Game & Fish	51600-0000077833	38,165		
Cooperative Research and Training Programs - Resources of the National Park System	15.945				193,256		
CI - StateView Program Development and Operations for the State of Rhode Island	15.RD	AV18-RI-01	AmericaView	AV18-RI-01	11,693		
CI - StateView Program Development and Operations for the State of Rhode Island	15.RD	AV23-RI-01	AmericaView	AV23-RI-01	9,312		
U.S. Department of the Interior (DOI)							
Law Enforcement Assistance Narcotics and Dangerous Drugs Technical Laboratory Publications	16.812		Building Futures	FAW-167270	49,602		
U.S. Department of State (DOS)							
Academic Exchange Programs - English Language Programs	19.421		FHI Development 360 LLC	CJDNG9D14MW7	5,278		
U.S. Department of Transportation (DOT)							
University Transportation Centers Program	20.701		University of Maine	UMS-1185	300,664		
Pipeline Safety Research Competitive Academic Agreement Program (CAAP)	20.724		Brown University	00002280	48,512		
National Aeronautics and Space Administration (NASA)							
Science	43.001				506,832		
Science	43.001		University of Florida	SUB00003622	59,955		
Science	43.001		Farallon Institute	020-241-URI	41,660		
Science	43.001		Beth Israel Deaconess Hospital	GRT65522	38,971		
Science	43.001		Brown University	00002304	6,354		
Science	43.001		Brown University	00002310	24,569		
Science	43.001		Brown University	00002311	25,199		
Science	43.001		Brown University	00002322	6,395		
Space Operations	43.007		Xavier University	URI-2425	16,109		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002107	(524)		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002158	261,543		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002277	8,997		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002308	11,303		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002332	35,090		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002434	53,000		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002449	26,500		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00002462	22,291		
National Endowment for the Arts (NEA)							
Promotion of the Humanities Federal/State Partnership	45.129				51,299		
Promotion of the Humanities Public Programs	45.164				21,895		
National Science Foundation (NSF)							
Engineering	47.041				1,154,075		75,132
Engineering	47.041		Florida International University	00510	26,148		
Mathematical and Physical Sciences	47.049				358,604		11,690
Geosciences	47.050				8,690,005		193,938
Geosciences	47.050		Oregon State University	IGA112277782	86,254		
Geosciences	47.050		Princeton University	SUB0000525	86,809		
Geosciences	47.050		Joint Oceanographic Institutions	T302C1	(2)		
Geosciences	47.050		Columbia University	32D(GG009393-4)	88,819		
Geosciences	47.050		Columbia University	32E(GG009393-4)	5,382		
Geosciences	47.050		Woods Hole Oceanographic Institution	82267610	127,402		
Geosciences	47.050		Woods Hole Oceanographic Institution	85568600	121,063		
Computer and Information Science and Engineering	47.070				1,027,788		218,450
Computer and Information Science and Engineering	47.070		Yale University	GR109669(CON-80002382)	8,872		
Biological Sciences	47.074				1,183,367		76,065

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Biological Sciences	47.074		University of Tennessee at Chattanooga	A23-0152-S004	115,095		
Social, Behavioral, and Economic Sciences	47.075				7,151		
STEM Education (Formerly Education and Human Resources)	47.076				2,484,098		400,932
STEM Education (Formerly Education and Human Resources)	47.076		University of Connecticut, Storrs	147203923	52,701		
Polar Programs	47.078				306,726		61,999
Office of International Science and Engineering	47.079				33,633		3,000
Office of International Science and Engineering	47.079		The University of Texas at Austin	UTAUS-SUB00000011	34,072		
Integrative Activities	47.083				895,213		40,617
Integrative Activities	47.083		Brown University	OIA-2316271	75,280		
Integrative Activities	47.083		Brown University	00002348	24,541		
Integrative Activities	47.083		Dartmouth College	R1302	162,373		
Integrative Activities	47.083		Edinburgh Napier University	2234741	346		
NSF Technology, Innovation, and Partnerships	47.084				29,036		
NSF Technology, Innovation, and Partnerships	47.084		University of California, Santa Barbara	KK2313	376,897		
Small Business Administration (SBA)							
Small Business Development Centers	59.037				733,523		
U.S. Department of Veterans Affairs (VA)							
VA Homeless Providers Grant and Per Diem Program	64.024				14,637		
VA IPA Agreement	64.RD	VA New York Harbor Health			9,812		
Environmental Protection Agency (EPA)							
Southeast New England Coastal Watershed Restoration Program	66.129		Town of Charlestown	56.000.G210.000	58,786		
Southeast New England Coastal Watershed Restoration Program	66.129		University of Maine	SNEP1-06	31,030		
National Estuary Program	66.456		Boston University	4500004631	10,230		
Office of Research and Development Consolidated							
Research/Training/Fellowships	66.511		Iowa State University	026213B	85,420		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	PSEFMP-2024-2471	3,447		
Environmental Education Grants Program	66.951				126		
U.S. Department of Energy (DOE)							
Office of Science Financial Assistance Program	81.049				940,695		202,059
Office of Science Financial Assistance Program	81.049		Deep Reach Technologies	T2022-URI-004	70,712		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23021-R	64,535		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23217-R	323,737		
Office of Science Financial Assistance Program	81.049		Pennsylvania State University	5949-URI-DOE-1090	12,567		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00002708	58,843		
Renewable Energy Research and Development	81.087				23,040		
Renewable Energy Research and Development	81.087		Biodiversity Research Institute	DE-EE0010287	77,074		
Fossil Energy Research and Development	81.089		University of California, Davis	A24-2263-S002	9,443		
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117				36,721		
Transformation of Sorghum for the University of California, Berkley	81.RD	7456216	Lawrence Berkeley National Laboratory	7456216	34,673		
Synthesis, Screening and Characterization of Novel Electrolyte for Low Temperature Lithium-ion Batteries	81.RD	378690	Brookhaven National Laboratories	378690	69,456		
U.S. Department of Education (ED)							
Fund for the Improvement of Postsecondary Education	84.116				1,027,062		
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325				92,815		
Election Assistance Commission (EAC)							
Help America Vote Act Requirements Payments	90.401				316,802		
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	468,336		
Food and Drug Administration Research	93.103				59,998		
Environmental Health	93.113				(8,543)		
Oral Diseases and Disorders Research	93.121				298,002		60,957
Oral Diseases and Disorders Research	93.121		University of Massachusetts, Boston	B001457297	31,368		
NIEHS Superfund Hazardous Substances - Basic Research and Education	93.143				1,756,372		759,348
Human Genome Research	93.172				159,265		
Research and Training in Complementary and Integrative Health	93.213				264,922		
Research and Training in Complementary and Integrative Health	93.213		Butler Hospital	5001651URI	14,189		
Research on Healthcare Costs, Quality and Outcomes	93.226				298,660		1,706
Mental Health Research Grants	93.242		University of Missouri, Columbia	C00078940-2	28,815		
Mental Health Research Grants	93.242		Yale University	CON-80004597 (GR121261)	74,463		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Program Title							
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243				801,781		127,762
Advanced Nursing Education Workforce Grant Program	93.247				138,499		2,333
Alcohol Research Programs	93.273				1,182,772		21,821
Drug Use and Addiction Research Programs	93.279				280,402		71,787
Drug Use and Addiction Research Programs	93.279		Brown University	0001483	245,772		
Drug Use and Addiction Research Programs	93.279		Oregon Health & Science University				
				1011948_URI	2,708		
Drug Use and Addiction Research Programs	93.279		Oregon Health & Science University				
				1016803_URI	23,767		
Drug Use and Addiction Research Programs	93.279		University of Oregon	217300C	6,566		
Drug Use and Addiction Research Programs	93.279		The Brigham and Women's Hospital, Inc.	126966	80,973		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286				127,476		
Discovery and Applied Research for Technological Innovations to Improve Human Health	93.286		University of Massachusetts Medical School				
				R01EB033581	192,260		
Minority Health and Health Disparities Research	93.307				161,103		22,716
Nursing Research	93.361				479,830		46,941
Nursing Research	93.361		University of Massachusetts Medical School				
				SUB00000152	46,674		
Cancer Biology Research	93.396				60,979		
1332 State Innovation Waivers	93.423		Community Care Alliance	MOU-URI	70,520		
Congressional Directives	93.493		Thundermist Health Center	04192023	83,182		
Developmental Disabilities Basic Support and Advocacy Grants	93.630				517,365		482,620
Elder Abuse Prevention Interventions Program	93.747		Disabled Persons Protection Commission	Venkatasubramanian_MDPPC	11,371		
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Community Care Alliance	MCA-CCA-URI	64,901		7,257
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Community Care Alliance	URI-CCBHC-IA	48,489		
Cardiovascular Diseases Research	93.837				162,146		
Cardiovascular Diseases Research	93.837		Ohio State University	SPC-1000012897 GR132695	24,194		
Cardiovascular Diseases Research	93.837		University of California, Los Angeles				
				031690-01-URI	107,808		
Lung Diseases Research	93.838				625,894		431,858
Lung Diseases Research	93.838		Ocean State Research Institute, Inc				
				122208	(2)		
Blood Diseases and Resources Research	93.839				200,298		
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		Massachusetts General Hospital	236365	16,938		
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847				107,058		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853				1,946,442		184,436
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Johns Hopkins University	2005138518	70,193		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Northwestern University	60054064	114,334		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Regennova, Inc.	Regennova, Inc.	187,158		
Allergy and Infectious Diseases Research	93.855				1,639,376		613,865
Allergy and Infectious Diseases Research	93.855		Lifespan	7017137700	(19,743)		
Allergy and Infectious Diseases Research	93.855						
			The Children's Hospital Corporation	GENFD0002235707	29,880		
Allergy and Infectious Diseases Research	93.855		University of Florida	SUB00003987	18,896		
Biomedical Research and Research Training	93.859		VecTech	02-2R44AI162425-02	107,962		
Biomedical Research and Research Training	93.859				5,311,394		2,643,560
Biomedical Research and Research Training	93.859		Brown University	00001920	9,334		
Biomedical Research and Research Training	93.859		Brown University	00001921	12,331		
Biomedical Research and Research Training	93.859		Brown University	00001926	(6,737)		
Biomedical Research and Research Training	93.859		Brown University	00001928	55,012		
Biomedical Research and Research Training	93.859		Brown University	00001939	143,601		
Biomedical Research and Research Training	93.859		Brown University	00002238	15,857		
Biomedical Research and Research Training	93.859		Brown University	00002246	14,647		
Biomedical Research and Research Training	93.859		Brown University	00002301	16,781		
Biomedical Research and Research Training	93.859		Brown University	00002420	50,954		
Biomedical Research and Research Training	93.859		Brown University	00002422	15,641		
Biomedical Research and Research Training	93.859		Brown University		984		
Biomedical Research and Research Training	93.859		Butler Hospital	Advance-CTR Pilot Project 5001511-22URI	98,319		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312250-NIHS-C3SUP	123,010		
Biomedical Research and Research Training	93.859		Yale University	GR108643(CON-80002175)	225,872		
Biomedical Research and Research Training	93.859		Lifespan	7139196DSL	(31)		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137849NHW	36,805		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137964NHW	259,277		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123	20,920		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123KLL	1,152		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7149023A	25,377		
Child Health and Human Development Extramural Research	93.865				828		
Child Health and Human Development Extramural Research	93.865		University of California, Davis	A20-0501-S001	37,924		
Child Health and Human Development Extramural Research	93.865		Viocare	VIOCARE-URI	18,749		
Aging Research	93.866				2,189,482		1,247,126
Aging Research	93.866						
Aging Research	93.866		The Research Foundation for SUNY	82900	234,649		
Aging Research	93.866		University of Michigan	SUB00019113	53,675		
Aging Research	93.866		University of Michigan	SUBK00018419	214		
Block Grants for Community Mental Health Services	93.958		Newport County CHMC, Inc	MCA_NMH_URI_3	156,297		26,537
Block Grants for Community Mental Health Services	93.958		Newport County CHMC, Inc	CCBHC-IA	167,259		
Block Grants for Community Mental Health Services	93.958		Newport County CHMC, Inc	HEALTHY_TRANSITIONS	5,871		
PPHF Geriatric Education Centers	93.969				826,899		124,968
U.S. Department of Homeland Security (DHS)							
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5101662	267,461		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5119463	282,753		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5129379	76,316		
Centers for Homeland Security	97.061		Northeastern University	505245-78058	1,808		
Centers for Homeland Security	97.061		Northeastern University	505309-78058	276,048		
Creating Courageous Communities: Developing a Statewide Learning	97.RD	EMW-2022-GR-00055					
Community in Media Literacy to Counter Extremist Violence	97.RD	5130441	University of North Carolina, Chapel Hill	5130441	608,926		103,961
Implementing CISA's IRPF Across Three Case Study Sites	97.RD				15,744		
Support of ARA Explosive Detection	97.RD	505270-78050	Northeastern University	505270-78050	188,345		
U.S. Agency for International Development (USAID)							
USAID Foreign Assistance for Programs Overseas	98.001				7,271,903		2,600,497
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	19300.312455.04	122,923		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04E	17,418		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04F	90,442		
USAID Foreign Assistance for Programs Overseas	98.001						
USAID Foreign Assistance for Programs Overseas	98.001		International Union for Conservation PACT	IUCN-Ricci06102019 265-011929	19,463 210,328		
Total Research and Development Cluster						\$ 107,372,749	\$ 31,187,424
Total Expenditures of Federal Awards						<u>\$ 6,752,521,953</u>	<u>\$ 761,531,490</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., 93.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.

STATE OF RHODE ISLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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 Public Safety, Executive Office of Commerce, Office of the Attorney General, the Governor's Commission on Disabilities, and the Quonset Development Corporation elected to use the 10% de minimis rate in fiscal year 2024.

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.

Assistance Listing Number	Program	Expenditures of Federal Awards Year Ended June 30, 2024	Loan Outstanding Balance June 30, 2024
14.117	Mortgage Insurance Homes	\$ 446,403,110	N/A
14.189	Qualified Participating Entities (QPE) Risk Sharing	316,191,213	\$ 308,769,952
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	18,315,337	8,452,612
14.239	Home Investment Partnerships Program	39,307,486	37,733,260
14.275	Housing Trust Fund	16,932,131	16,892,741
21.011	Capital Magnet Fund	12,927,311	12,965,910
84.038	Federal Perkins Loan Program – Federal Capital Contributions	1,644,383	1,032,863
84.268	Federal Direct Student Loans	115,206,538	N/A
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	2,387,610	2,064,938
93.364	Nursing Student Loans	1,965,898	1,607,320

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 \$9,856,965.*
- 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, 2024

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.

<u>Assistance Listing Number</u>	<u>Program</u>	<u>Expenditures of Federal Awards Year Ended June 30, 2024</u>	<u>Non-Monetary Assistance Year Ended June 30, 2024</u>
10.542	Pandemic EBT Food Benefits	\$ 9,550,758	\$ 9,550,758
10.551	Supplemental Nutrition Assistance Program	341,987,984	341,987,984
10.555	National School Lunch Program	43,089,384	6,422,430
10.559	Summer Food Service Program for Children	1,389,772	3,701
39.003	Donation of Federal Surplus Personal Property	1,231,297	1,231,297
93.268	Immunization Cooperative Agreements	26,625,371	16,761,232

Non-Monetary Assistance is presented as follows:

- Pandemic EBT Food Benefits (10.542) and Supplemental Nutrition Assistance Program (10.551) represent actual disbursements for client purchases of authorized food products through the use of electronic benefit cards.
- National School Lunch Program (10.555) and Summer Food Service Program for Children (10.559) is reported at the fair market value of the federally-donated food commodities.
- 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 2024:

<u>Assistance Listing Number</u>	<u>Program</u>	<u>Rebate Amount</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants and Children	\$ 5,327,547
93.767	Children's Health Insurance Program (CHIP)	2,256,351
93.778	Medical Assistance Program	112,045,833
93.917	HIV Care Formula Grants	10,670,284

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 2024. 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 \$196.8 million funded from the State's account in the federal Unemployment Trust Fund, \$354 thousand funded by COVID-19 federal grants, and \$17.9 million funded through other federal grants.

STATE OF RHODE ISLAND
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2024

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 \$180,869,512.

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	\$ 6,708,420,144
Additions to Schedule of Expenditures of Federal Awards:	
National School Lunch Program (10.555) – USDA donated food commodities ^(a)	6,422,430
Summer Food Service Program for Children (10.559) – USDA donated food commodities ^(a)	3,701
Federal Donated Surplus Property (39.003) ^(a)	1,231,297
Medicaid (93.778) Health System Transformation Program ^(b)	8,548,631
Homeowner Assistance Fund (21.026) – amounts passed through to discretely presented component unit ^(c)	6,749,647
Coronavirus State and Local Fiscal Recovery Funds (21.027) – amounts passed through to discretely presented component units ^(c)	6,118,336
Reductions from Schedule of Expenditures of Federal Awards:	
Emergency Rental Assistance Program (21.023) – amounts passed through to discretely presented component unit ^(c)	(4,086,597)
Drinking Water State Revolving Fund (66.468) – amounts awarded to a discretely presented component unit and passed through to the primary government ^(d)	(4,697,111)
Adjustments to SEFA for Prior Period Activity:	
Disaster Grants – Public Assistance (97.036) – revenues received in fiscal 2024 for expenditures incurred in prior fiscal years ^(e)	23,811,475
Net Additions to Schedule of Expenditures of Federal Awards	44,101,809
Total Expenditures on Schedule of Expenditures of Federal Awards	\$ 6,752,521,953

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2024

(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 2024 were not fully expended by those component units during the fiscal year. As these component units are included as part of the reporting entity for the Single Audit, the Schedule was adjusted to reflect the amounts that were recognized as expenditures in fiscal 2024 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) For the Drinking Water State Revolving Fund (66.468), amounts are awarded by the federal grantor to a discretely presented component unit and then passed through to the primary government. As this component unit is 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 2024 by the component unit, netting against amounts in the State's accounting system that were expended by the primary government as pass-through awards.

(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 2024 for expenditures that were incurred throughout fiscal years 2020, 2021, 2022, and 2023. 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.

Section C

Auditor's Reports



Section C

Auditor's Reports

Table of Contents

	<u>Page</u>
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 <i>Government Auditing Standards</i>	C-1
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance.....	C-3



Office of the Auditor General

State of Rhode Island - General Assembly

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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, 2024, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements, and have issued our report thereon dated March 21, 2025. 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 1% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 23% of the assets and deferred outflows and less than 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool, an investment trust fund, and the HealthSource RI Trust, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 21% 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.

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.

Finance Committee of the House of Representatives and
Joint Committee on Legislative Services, General Assembly

However, as described in the accompanying schedule of findings and responses, 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 entity'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* (Section D) to be material weaknesses: Findings 2024-001, 2024-002, 2024-004, 2024-005, 2024-006, 2024-008, 2024-009, 2024-014, 2024-015, and 2024-017. Other auditors of the discretely presented component units consider the deficiency in the accompanying *Schedule of Findings and Questioned Costs* to be a material weakness: Finding 2024-028.

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* to be significant deficiencies: Findings 2024-003, 2024-007, 2024-010, 2024-011, 2024-012, 2024-013, 2024-016, 2024-018, 2024-019, 2024-020, 2024-021, 2024-022, and 2024-023. Other auditors of the discretely presented component units consider the deficiencies in the accompanying *Schedule of Findings and Questioned Costs* to be significant deficiencies: Findings 2024-025, 2024-026, and 2024-027.

Report on Compliance and Other Matters

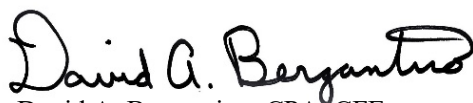
As part of obtaining reasonable assurance about whether the State's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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. The results of the tests performed by other auditors 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 2024-024.

State's Response to Findings

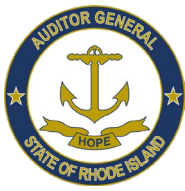
Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the internal control over compliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective 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.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



David A. Bergantino, CPA, CFE
Auditor General
March 21, 2025



Office of the Auditor General

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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, 2024. 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.

2024 Major Programs Audited by Other Auditors	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
Home Investment Partnerships Program ¹	14.239
Housing Trust Fund ¹	14.275
Port Infrastructure Development Program ¹	20.823
Capital Magnet Fund ¹	21.011
Coronavirus State and Local Fiscal Recovery Funds ³	21.027
Drinking Water State Revolving Fund ²	66.468
Research and Development Cluster ¹	various
¹ These programs were solely administered by component units and audited by their respective auditors.	
² This program was administered by a component unit and funds were passed through to the primary government. These pass-through funds were audited by the Office of the Auditor General. The remaining funds were audited by the component unit auditor.	
³ This program was administered by the primary government and funds were passed through to component units. These pass-through funds were audited by the component unit auditors.	

Qualified Opinions on Unemployment Insurance, CCDF Cluster, 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, CCDF Cluster, Children's Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance (Presidentially Declared Disasters) for the year ended June 30, 2024.

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, 2024.

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, CCDF Cluster, 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:

Assistance Listing No(s).	Program / Cluster Name	Compliance Requirement	Finding No.
17.225	Unemployment Insurance	Special Tests and Provisions – UI Program Integrity – Overpayments	2024-039
93.575, 93.596	CCDF Cluster	Eligibility	2024-054
93.767	Children’s Health Insurance Program	Eligibility Special Tests and Provisions – Managed Care Financial Audit	2024-056 2024-058
93.775, 93.777, 93.778	Medicaid Cluster	Special Tests and Provisions – Managed Care Financial Audit Eligibility	2024-058 2024-065
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2024-068

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.

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 2024-029, 2024-030, 2024-031, 2024-032, 2024-033, 2024-034, 2024-036, 2024-038, 2024-040, 2024-041, 2024-042, 2024-044, 2024-045, 2024-046, 2024-047, 2024-048, 2024-049, 2024-050, 2024-051, 2024-052, 2024-055, 2024-057, 2024-059, 2024-064, 2024-067, and 2024-070. Our opinion, and the opinion of the other auditors, 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.

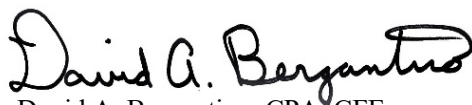
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, and the other auditors, consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as Findings 2024-038, 2024-039, 2024-044, 2024-045, 2024-049, 2024-050, 2024-054, 2024-055, 2024-056, 2024-058, 2024-060, 2024-065, 2024-068, and 2024-070 to be material weaknesses.

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 2024-029, 2024-030, 2024-032, 2024-033, 2024-034, 2024-035, 2024-036, 2024-037, 2024-040, 2024-041, 2024-043, 2024-046, 2024-047, 2024-048, 2024-051, 2024-052, 2024-053, 2024-057, 2024-059, 2024-061, 2024-062, 2024-063, 2024-064, 2024-066, 2024-067, and 2024-069 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*, 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, 2025

Section D

**Schedule of Findings
and Questioned Costs**



Section D

**Schedule of Findings and
Questioned Costs**

Table of Contents

	<u>Page</u>
Section I – Summary of Auditor’s Results.....	D-1
Section II – Financial Statement Findings.....	D-3
Section III – Federal Award Findings and Questioned Costs	
Table of Findings by Major Program.....	D-39

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
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

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:

Program / Cluster Title:	Assistance Listing No(s).
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559, 10.582
Home Investment Partnerships Program	14.239
Housing Trust Fund	14.275
Unemployment Insurance	17.225
Highway Planning and Construction	20.205
Port Infrastructure Development Program	20.823
National Infrastructure Investments	20.933
Capital Magnet Fund	21.011
Coronavirus State and Local Fiscal Recovery Funds	21.027
Drinking Water State Revolving Fund	66.468
Special Education Cluster (IDEA)	84.027, 84.173
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Temporary Assistance for Needy Families	93.558
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
Research and Development Cluster	various

8) The dollar threshold used to distinguish between Type A and Type B programs was \$20,257,566.

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:

Program / Cluster Title:	Assistance Listing No(s).
Home Investment Partnerships Program ¹	14.239
Housing Trust Fund ¹	14.275
Port Infrastructure Development Program ¹	20.823
Capital Magnet Fund ¹	21.011
Coronavirus State and Local Fiscal Recovery Funds ³	21.027
Drinking Water State Revolving Fund ²	66.468
Research and Development Cluster ¹	various
¹ These programs were solely administered by component units and audited by their respective auditors.	
² This program was administered by a component unit and funds were passed through to the primary government. These pass-through funds were audited by the Office of the Auditor General. The remaining funds were audited by the component unit auditor.	
³ This program was administered by the primary government and funds were passed through to component units. These pass-through funds were audited by the component unit auditors.	

Finding 2024-001

(material weakness – repeat finding – 2023-009)

INTERNAL CONTROL DEFICIENCIES CAUSING MATERIAL MISSTATEMENTS AND OMISSIONS IN THE STATE’S FINANCIAL REPORTING

Material weaknesses in internal control continue to cause material misstatements and omissions within the State’s financial reporting. Audit procedures have led to the detection and correction of an excessive amount of material errors and omissions indicative of a need to improve internal controls over financial reporting, including the adoption of quality control procedures.

Background: Audits in recent years have led to the identification of a significant number of material misstatements and omissions in the State’s financial reporting that required correction. During the fiscal 2024 audit, material misstatements within the State’s financial reporting continued, resulting in net operating results in the General and Intermodal Surface Transportation (IST) major funds to be materially misstated by \$83.6 million and \$10.4 million, respectively.

Most of these misstatements and the lack of their detection can be linked to specific control deficiencies which have remained unresolved for too long. In recent years, turnover in several key finance and accounting positions statewide has only reinforced the need for better consideration and documentation of internal control to prevent misstatements in the State’s financial reporting.

Criteria: Management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles. Management is also responsible 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. Financial reporting consistency is critical to the comparability of financial results over time.

Condition: The State lacks sufficient oversight, monitoring, and accountability within its current practices to ensure accurate and complete financial reporting. Shared responsibilities exist between individual agencies, who are responsible for preparing adjustments at the fiscal close, and the Office of Accounts and Control (OAC), who is responsible for financial reporting. The shared responsibilities among these entities continue to result in material misstatements in the financial statements and a lack of accountability for financial reporting. Examples of material misstatements and omissions that support the need for improved controls over financial reporting include:

- a) *Omission of \$93 million in State-appropriation backed revenue bonds* – The State failed to account for this transaction in the draft financial statements because the related cash flows did not follow the State’s normal procedures for general obligation debt. This transaction is an example where management most knowledgeable and involved in the transaction resides within the State’s Office of Management and Budget (OMB), and processes to ensure that the information necessary for the OAC to account for and disclose the transaction properly are lacking.
- b) *Understatement of personal income tax revenue accrual* – The estimation of tax revenue and refund accruals is heavily reliant on data reported by the Division of Taxation (Taxation). Taxation provides reports to the OAC who records the necessary accrual entries. Personal Income Tax revenue was understated by \$43.3 million due to miscommunication between the two departments. The lack of quality control procedures, including the review and approval of fiscal closing results by agency management, is leading to significant undetected misstatements in financial reporting.
- c) *Significant journal entries made in error during the fiscal close* – Several material journal entries (impacting reported expenditures) were recorded backwards during the fiscal close. Since significant journals are reviewed by senior financial management at the department level and financial reporting staff at the OAC, it raised concerns that designed controls over journal entries were not operating effectively during the fiscal close. Such errors further support the lack of financial oversight where many of the errors could have been identified when year-end results were inconsistent with caseload conference testimony provided in May 2024.

- d) *Audit adjustments were required to ensure the consistency of financial reporting between periods* – The State misclassified certain material transactions that required adjustment to ensure consistency with prior period financial statements. Examples included, but were not limited to, 1) interfund transfers reported as current expenditures, 2) current expenditures reported as debt service expenditures, and 3) incorrect recording of revenue sources (general vs. restricted).
- e) *Omission of significant matters requiring note disclosure* – The State needs to improve procedures to ensure that significant matters are disclosed. Draft notes for commitments and contingencies are often not updated appropriately and omit newer items of significance to the State’s primary government.
- f) *Budgetary Comparison Schedules* – Draft schedules for required major funds continue to include errors and omissions needing correction.

Cause: In addition to a variety of internal control deficiencies impacting specific transaction types which are detailed in Finding 2024-004 in this report, the State has several control deficiencies at the financial reporting level that need to be addressed. These deficiencies include the following:

- a) *Lack of quality control review for financial reporting* – While the OAC has statutory responsibility for financial reporting (e.g., fiscal closing reports, draft financial statements), those most knowledgeable about key financial transactions and agency finances reside in OMB or within the management of the various agencies and departments of State government. A lack of a comprehensive review of the State’s financial reporting by OMB and departmental senior accounting staff currently represents a significant deficiency in the oversight and monitoring required to ensure accurate and complete financial reporting.
- b) *Controls over journal entry transactions* – The State relies on designed transaction approval hierarchies to ensure that significant transactions receive reviews by both management at the departmental level and financial reporting staff at the OAC prior to posting. This important control was not found to be effective in ensuring that journal entries recorded were accurate, as a significant number of incorrect journal entries that materially impacted financial reporting went undetected and uncorrected.

Effect: Material misstatements, misclassifications, and omissions in the financial statements going undetected.

RECOMMENDATIONS

- 2024-001a Enhance the State’s quality control process over financial reporting by requiring review of detailed fiscal closing reports by the OMB and senior agency financial managers prior to finalizing the fiscal closing.
- 2024-001b Reinforce accountability for journal entry approvals with senior agency finance managers. Consider whether significant journal entries should be reviewed by agency budget specialists within OMB prior to posting.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-002

(material weakness – repeat finding – 2023-001)

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, risk assessment, control activities, 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 the 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, 2 CFR 200.303(a) *Internal controls*, require recipients (i.e., the State) to “establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition: The majority of agency and Statewide policies and procedures are not documented and administered in the manner that is required by statute, federal regulations, 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, 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. Formalized documentation of internal controls relating to statewide functions (i.e., accounting, procurement, payroll) 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, internal control consideration and documentation must also be performed at the agency level, as required by statute.

With the State implementing an integrated ERP system, which will require substantial modification of certain processes and related controls, it is critical that internal controls are evaluated and documented consistent with an acceptable framework. Such an exercise will be vital to ensure that the new ERP and its related configuration and workflow processes provide adequate internal control over the core functions of the new system (e.g., human resources, procurement, accounting and financial reporting, disbursements, etc.). An opportunity exists with the ERP implementation for a coordinated effort to document a comprehensive system of internal control that meets an acceptable 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.

Cause: Management focus, training and implementation resources have been insufficient to ensure that departments and agencies are adequately documenting their internal control structures based on an accepted framework such as COSO and/or the Green Book. Most agencies would need significant assistance to document and implement a system of internal control that meets the requirements of RI General Law section 35-14-3, *Agency responsibilities*.

Effect: Errors, omissions or noncompliance could go undetected by management due to inadequate design and/or monitoring of internal controls. Continued noncompliance with statutory requirements for agency documentation of internal control.

RECOMMENDATIONS

- 2024-002a Implement an internal control framework, such as COSO or the Green Book, and commit additional resources, including training and implementation materials, to ensure that departments and agencies are adequately documenting their internal controls accordingly.
- 2024-002b Ensure that internal controls over financial reporting include documentation of risk assessments, control activities that mitigate identified risks, and monitoring controls to ensure compliance with policies and procedures adopted in conjunction with the new ERP system.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-003

(significant deficiency – repeat finding – 2023-002)

EVALUATION OF CONTROLS OVER FUNCTIONS PERFORMED BY EXTERNAL PARTIES

The State must continue to improve its consideration of controls over functions performed by external parties through enhanced use and documentation of Service Organization Control (SOC) reports. These improvements require State agencies (the “user entities”) to document and review complementary 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 (i.e., vendors, contractors) to assure customers/clients that controls are sufficiently designed and in operation over the contracted services they provide (e.g., data processing, claims payment, fiduciary 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 complementary user entity controls (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 represent approximately 36% 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.

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 providing a standard evaluation of the SOC reports by agency personnel.

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: Management’s identification of key service organization controls (reported in SOC reports) and their importance to mitigating risks associated with critical programmatic and financial reporting functions are lacking as follows:

- Agencies are not always identifying when SOC reports should be requested from contractors, especially for new services or when contractors change.
- User agency documentation of key SOC controls within that agency’s internal control documentation is currently deficient. As indicated in Finding 2024-002, most State agencies lack formalized documentation of internal control, thus management consideration and documentation of how SOC reports are utilized to mitigate operational risks is equally deficient.
- Documentation and testing of user entity controls at the agency level are frequently lacking. These controls are assumed to be operational by the auditor of the service organization when providing an opinion on the effectiveness of the entity’s internal controls. Each agency (user entity) must ensure that relevant user entity controls identified by service organizations are also in place and operating effectively. Such control considerations should be included in the documentation and evaluation of internal controls discussed in Finding 2024-002.

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 user entity control considerations, should be documented, reviewed, and thoroughly vetted. For fiscal 2024, documentation obtained from State agencies utilizing service organizations was incomplete or insufficient regarding the evaluations of the exceptions and the impact on the State’s overall operational controls. While SOC reports evaluate whether service organizations are following their described internal controls, agencies are ultimately responsible for evaluating the adequacy of those controls based on the operational risks inherent in the services being provided.

Cause: The lack of comprehensive documentation and consideration of (1) service organization controls and (2) user entity controls by agencies relying on service organizations to 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 limit 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

2024-003a	For 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.
2024-003b	Incorporate agency reliance on control objectives documented and reviewed in SOC reports, in addition to the documentation of related complementary user entity controls, within the agency’s formal documentation of internal controls over program operations.
2024-003c	Improve documentation of SOC report results, including consideration and mitigation of service organization control deficiencies reported.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-004

(material weakness – repeat finding – 2023-003)

INTERNAL CONTROL DEFICIENCIES INHERENT IN THE STATE’S CURRENT FINANCIAL REPORTING AND ADMINISTRATIVE FUNCTIONS

The State’s financial reporting process includes significant manual processes that lack the compensating controls necessary to ensure accurate and complete financial reporting. Most misstatements detected in the State’s financial reporting process are the result of manual processes subject to error or the omission of transaction recording.

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 further lacks the types of compensating controls such as monitoring and reconciliation procedures that could detect material misstatements in financial reporting.

The State currently plans utilization of its new ERP system in fiscal 2026 that will include the human capital (human capital management, human resources management, talent management, etc.) and finance (financial management, payroll, analytics and reporting, etc.) modules to significantly improve the integration and functionality of its financial reporting systems.

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.

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. The following control deficiencies have the most significant impact on 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. Compensating controls to identify unrecorded accruals have not proven effective in ensuring that all material transactions are recorded.
- *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 to verify the completeness and accuracy of summarized data reported in the State accounting system are lacking for significant transaction groups.

- *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 the State accounting system 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. While summary payroll data gets recorded in the accounting system, the lack of an integrated personnel and payroll system requires a high volume of inefficient journal entries to allocate personnel to the appropriate programs and funding sources.

The State has devoted significant financial and personnel resources to the implementation of a new ERP system with the goal of addressing the control deficiencies outlined in this finding. These internal control deficiencies will continue to impact the State’s financial reporting until a more integrated and modernized ERP system is implemented.

Cause: The State relies on manual processes for certain critical accounting functions due to a lack of integration, functionality, and controls within the current accounting 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

2024-004a	Manage the business process re-engineering required to align the State’s processes to the software-as-a-service functionalities within the ERP system.
2024-004b	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 2024-005

(material weakness – repeat finding – 2023-005)

MEDICAID PROGRAM COMPLEXITY AFFECTS FINANCIAL REPORTING AND OVERALL PROGRAM CONTROLS

See related Federal Award Finding 2024-060.

The continued and growing complexity of Medicaid program operations, coupled with the insufficient support of the State’s antiquated Medicaid Management Information System, 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 – approximating \$4.0 billion in expenditures or approximately 40% 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: Ensuring all financial activity is properly and completely recorded in the State’s financial statements is an increasingly complex task. 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.

The following were examples of control deficiencies relating to Medicaid financial activity, some of which led to material misstatements requiring audit adjustments to correct financial reporting:

- Manual tracking of amounts due to and from managed care organizations are subject to error or omission. Our audit procedures identified an outstanding receivable of \$4.5 million due to the State Medicaid Program from one of the managed care organizations which EOHHS believed had been previously recovered. Audit procedures also identified an unrecorded liability totaling \$3.7 million for outstanding managed care premiums due to a managed care organization for enrolled newborns;
- Payments to and recoupments from providers and managed care organizations, each totaling more than \$300 million, were disbursed through system and manual transactions processed 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 manual calculations to determine the transaction amounts. These transactions (except for manual payments) are netted within the normal claims processing cycle activity and the MMIS lacks sufficient reporting capability for these transactions. EOHHS currently lacks procedures to ensure that only authorized payments are processed. During fiscal 2024, the volume of payment and recoupment transactions were significant (more than 700 transactions) and individual system payout transactions often exceeded \$100,000 (approximately 251 individual payments in 2024); 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 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: 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, 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. The State's manual tracking of amounts due to or from managed care organizations is inadequate to ensure the tracking and settlement of these amounts.

Risks relating to inaccurate financial reporting and federal noncompliance 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.

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

2024-005a	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.
2024-005b	Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.
2024-005c	Develop comprehensive reporting and reconciliation procedures for system payouts, manual disbursements, and system recoupments to improve controls over these transactions which are processed by the Medicaid fiscal agent.
2024-005d	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 2024-006

(material weakness – repeat finding – 2023-006)

CONTROLS OVER ACCRUALS AND YEAR-END ADJUSTMENTS RELATED TO THE MEDICAID PROGRAM

Controls are lacking to ensure the completeness and accuracy of reported accruals and year-end adjustments relating to the Medicaid program in conjunction with the State’s fiscal closing.

Background: Receivables and liabilities relating to the Medicaid Program at year-end totaled \$150 million and \$288 million, respectively.

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: 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. Accruals for certain benefit expenditures and recoveries associated with the Medicaid program were misstated at June 30, 2024. In addition, certain year-end adjustments recorded at June 30, 2024 were incorrect, significantly misstating reported expenditures. Material audit adjustments were required to:

- Correct a fiscal closing adjustment recorded by the Department of Children, Youth, and Families that understated health and human services expenditures and related federal revenue by \$17.7 million;
- Reduce managed care expenditures by \$24.7 million for revised estimates of managed care settlements associated with managed care contracts that were initially misstated due to the use of incomplete data available at year-end;
- Reduce drug rebate receivables recorded at June 30, 2024 by \$6.7 million for an error in estimation;
- Correct the calculation and recording of prepaid managed care premiums (capitation) at June 30, 2024 which was understated by \$11.1 million;
- Reduce expenditures for privately operated providers of services to developmentally disabled individuals by \$4 million relating to an overstated accrual estimate;
- Correct the funding sources of health and human services expenditures due to five (5) journal entries omitted or recorded in error at June 30, 2024. The net impact of these audit adjustments shifted \$23.0 million in general revenue expenditures to federal or restricted revenue sources; and
- Record or adjust other omitted or misstated liabilities that resulted in a net understatement of expenditures of \$3.4 million at June 30, 2024.

Cause: Most year-end closing adjustments and accruals are subject to management review and approval at the agency level and the Office of Accounts and Control prior to being posted in the State accounting system. This dual review and approval process is a critical control over financial reporting and was found to be ineffective in detecting a significant number of material errors in fiscal 2024. In addition, EOHHS’s process for identifying and determining outstanding accruals at year-end continues to be prone to error and misstatement.

Effect: Omissions and misstatements in the recording of adjusting journal entries and year-end accruals are resulting in material misstatement of the financial statements.

RECOMMENDATIONS

2024-006a	Improve overall review processes for material journal entries to ensure complete and accurate financial reporting.
2024-006b	Improve procedures over the identification and determination of prepaid expenditures, receivables, and liabilities relating to the Medicaid program to ensure complete and accurate recording at year-end.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-007

(significant deficiency – repeat finding – 2023-007)

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, including amounts passed through to subrecipients, is accurately reported by Assistance Listing Number.

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 (2 CFR Part 200) 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. Several adjustments to expenditures, reported in the State accounting system, were necessary to accurately report the federal expenditure activity for fiscal 2024:

- *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 reported had to be increased by \$23.8 million for amounts awarded by FEMA in fiscal 2024 that related to expenditures incurred in prior periods.
- *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 to fund the State match for certain Healthcare Systems Transformation Programs (HSTP). HSTP expenditures from restricted DSHP funding totaled \$8.5 million in fiscal 2024 and required addition to reported federal expenditures on the SEFA.
- *Other Adjustments (Multiple Programs)* – Adjustments totaling \$21.7 million were needed to prevent duplication of reported federal expenditures for amounts passed through to component units that are included in the State’s financial reporting entity. In addition, we identified and adjusted certain federal accounts with reported expenditures totaling \$15.3 million in the State accounting system that were linked to incorrect federal programs.

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 are necessary to ensure proper reporting as Rhode Island submits a *Single Audit Report* for the entire financial reporting entity. The State also needs to improve its accumulation of required note disclosures that accompany the SEFA to ensure compliance with federal Uniform Guidance requirements.

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 with required note disclosures in accordance with the Uniform Guidance requirements.

RECOMMENDATION

2024-007 Ensure policies and procedures for presenting the SEFA and required note disclosures are consistent with Uniform Guidance requirements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-008

(material weakness – repeat finding – 2023-008)

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 45% of fiscal 2024 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.

The State utilizes a cloud-based Grants Management System (eCivis) to manage several federal grant functions. During fiscal 2024, the State began requiring most subrecipient payments to be authorized through eCivis prior to being processed for payment through the State accounting system. This process, while an improvement of controls over disbursements to subrecipients, represents the only integrated use of the eCivis with the State accounting system.

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 management 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 accrued to match unreimbursed expenditures at year-end. 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 State’s new ERP system expected to become operational in fiscal 2026, focus has been on ensuring a more complete integration of eCivis with the new ERP system. That integration will need to ensure that the following internal control deficiencies relating to federal program financial activity are addressed:

- *Controls are not currently effective to ensure that federal expenditures are only recognized when sufficient federal grant authority exists* – Federal expenditures should only be recognized if eCivis reports sufficient federal grant authority at the time of the transaction. The effectiveness of this interface will require agencies to delineate the applicable grant period when processing transactions in the accounting system to be fully effective.

- *Controls to ensure that federal expenditures are reported consistent with allocation processes approved by the federal government are currently lacking* – Since the new ERP system will not include an integrated cost allocation function, agencies will need to utilize the new ERP system to more accurately allocate costs to federal programs (using time reporting and purchase order allocations functions). If utilized properly, the periodic adjustments required to align reported expenditures to final cost allocation results should be immaterial.
- *Controls to ensure that agencies are drawing federal funds timely and accurately are lacking* – Improve monitoring by creating better management reporting to identify and remedy instances where agencies are not drawing down federal funds in a timely manner or have drawn amounts in excess of reported federal expenditures.
- *Current reconciliation processes to ensure that amounts reported on federal reports are in agreement with the State accounting system are inefficient or lacking completely* – Streamline and improve the reconciliation of federal expenditures reported in the accounting system with amounts reported by agencies on federal reports.

The State will need to consider whether the interface of eCivis with the ERP system, currently in the implementation stages, will ensure sufficient functionality to address the above deficiencies. In certain instances, the State will need to utilize reporting from the new ERP system to implement monitoring controls to accomplish the above objectives.

Cause: Sufficient controls have not been implemented within the current 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 (i.e., general revenue vs. federal revenue) could be misstated.

RECOMMENDATIONS

2024-008a	Continue to utilize eCivis to improve controls over federal program financial activity.
2024-008b	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.
2024-008c	Ensure that the interface of eCivis with the new ERP system, currently expected to be implemented in fiscal 2026, will ensure sufficient functionality to address the above control deficiencies.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-009

(material weakness – repeat finding – 2023-010)

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, 2024, 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 \$3.5 billion. Organizations of a 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 Treasury 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. In addition, the Treasury is working with a consultant to develop a comprehensive plan to modernize information technology in Treasury operations. This would include automation of critical Treasury functions that are currently manually intensive and prone to error. The comprehensive plan would also attempt to maximize integration with the State's new ERP system to the extent possible.

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: Treasury activities are not adequately supported by current technology that accesses and integrates data from multiple sources (e.g., accounting system, banks, custodians, investment counterparties). Data is independently gathered from a variety of sources, which is time consuming and inefficient. 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 following control deficiencies were noted in the systems and processes used to manage the State's cash deposits and short-term investments:

- 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, increases the risk of error or omission.
- 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. Current monitoring procedures are prone to errors, including the omission of State deposit accounts, when evaluating collateralization requirements.
- The Treasury lacks dedicated internal audit and information security functions, common in most state Treasury operations, to ensure that financial and information security controls are in place and operating effectively.

The Treasury is in the final steps of completing a comprehensive assessment of banking and investment functions and a strategic plan that will provide the necessary recommendations to modernize its operations. This plan, once completed, will require an implementation and funding plan to be developed by the General Treasurer and its State partners in support of critical statewide cash management and investment processes. Integration with the new State ERP system, expected to become operational in fiscal 2026, will be critical to ensure the efficient and effective operation of the State's financial systems.

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

2024-009a	Complete the contracted assessment of Treasury operations to identify potential modern technological and/or contract service solutions needed to manage the size and complexity of the State’s current cash management and investment operations.
2024-009b	Develop a strategic plan (inclusive of implementation phases and funding plan) needed to modernize the utilization of technology in Treasury operations.
2024-009c	Emphasize integration with the State’s new ERP system, currently being implemented, to maximize the efficient and effective operation of the State’s financial systems.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-010

(significant deficiency – repeat finding – 2023-011)

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 2024 in the accounting system. An additional 37,000 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
- Reclassify 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 appropriate understanding and 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. Attaching sufficient documentation to journal entries to allow for informed approval by the reviewer also remains a challenge.

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 typically be 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, increasing the possibility that a material misstatement could occur and remain undetected in the normal course of operations.

RECOMMENDATIONS

- 2024-010a Ensure the statewide ERP system, expected to be implemented in fiscal 2026, addresses the control deficiencies and inefficient processes that have resulted due to functional limitations of the current accounting system.
- 2024-010b 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 2024-011

(significant deficiency – repeat finding – 2023-012)

PREPARATION OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The State’s government-wide financial statements often require audit adjustments to correct misstatements caused by the utilization of significant manual procedures that are prone to error.

Background: The State accounting system maintains distinct accounting records to support the preparation of the government-wide financial statements (accrual basis of accounting) from the governmental fund financial statements (modified accrual basis of accounting). The full accrual set of books is largely populated through the consolidation of the monthly activity from the modified accrual set of books. A capital asset module is utilized to maintain detailed recording for capital asset categories (except for project-based assets such as infrastructure and construction in progress, which are tracked and recorded through more manual processes) throughout the year, and support presentation on the government-wide financial statements. The State’s debt obligations are managed through a separate application that is not integrated with the accounting system, requiring manual journal entries to accurately record debt-related activities. Conversion entries are utilized 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 prepare these conversion 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: The fiscal 2024 draft government-wide financial statements required several audit adjustments to ensure proper and accurate presentation. OAC staff continue to have difficulty preparing the required reconciliations between the government-wide and governmental fund financial statements. Adjustments in fiscal 2024 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: Material misstatement of the State’s financial statements could occur and not be detected in the normal course of operations.

RECOMMENDATIONS

2024-011a	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.
2024-011b	Implement quality control procedures designed to detect and correct misstatements in the government-wide financial statements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-012

(significant deficiency – new finding)

CONTROLS OVER REPORTING OF LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

Controls over the identification and reporting of leases and subscription-based information technology arrangements (SBITAs) applicable to GASB Statements No. 87 and No. 96 were insufficient to ensure all applicable agreements were properly recorded.

Background: Lease and subscription agreements are executed at the department/agency level and then reported to the Office of Accounts and Control (OAC). The OAC devised a standard template for the departments/agencies to use to report the active agreements, including changes to existing agreements (such as extensions of the term, changes in rent/price that were subject to an index, etc.).

The OAC employs EZLease, a cloud-based software application, to track the leases and SBITAs applicable to GASB Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements*. EZLease also calculates and provides the necessary journal entries, based on the data entered for each agreement, to aid the financial reporting process.

Criteria: GASB Statements No. 87 and No. 96 require governments to recognize new leasing and subscription agreements as other financing sources in the fund financial statements and record a long-term liability with a right-of-use asset on the government-wide financial statements.

Both GASB Statements also require governments to remeasure reported assets and liabilities, when applicable, in reporting periods after the initial year of measurement for changes in the agreement terms, contract extensions, and/or changes in underlying estimates used during the initial measurement.

Condition Amounts reported for other financing sources, capital outlay, assets, and liabilities were materially misstated, requiring adjustment, in the respective financial statements due to the following items noted during our audit:

- Several lease and SBITA agreements that were reported by respective agencies but not accounted for in EZLease;
- A lease agreement not reported by the respective agency that met the State’s reporting criteria;
- An extension of a SBITA agreement that was reported by the respective department but was not remeasured to account for the increased long-term liability and right-of-use asset; and
- A lease that was modified and remeasured when there was no change in accordance with GASB Statement No. 87 that would require remeasurement during the fiscal year.

Cause: Review of agency-provided templates was insufficient to accurately identify all applicable agreements that are required to be reported by GASB. Additionally, review of changes to existing agreements was insufficient to ensure proper accounting when changes occurred.

Effect: Material misstatement of the financial statements are not being detected and corrected.

RECOMMENDATION

2024-012 Improve internal controls by implementing supervisory review procedures over the determination, recording, and adjustment of reported assets and liabilities relating to leasing and subscription-based information technology arrangements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-013

(significant deficiency – repeat finding – 2024-013)

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 2024, the DMV collected \$110 million in revenues (excluding sales taxes) of which \$88 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 procedures to provide reasonable assurance that the appropriate fees earmarked for the IST Fund 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 transaction code, and how the DMV computer system, RIMS, is programmed to identify such amounts for the IST Fund. We identified the following control deficiencies:

- There is a partial, but incomplete, 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 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.

DMV began working through the recommended reconciliation; however, corrective action was not completed in fiscal 2024 and remains in progress. To be an effective control over financial reporting, the 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 be utilized to enhance monitoring of compliance with statutory revenue requirements and assist the agency in completely reconciling with RIFANS.

Effect: Potential misstatements in the financial statements may not be detected in a timely manner.

RECOMMENDATIONS

- 2024-013a Ensure the timely completion of monthly and annual reconciliations between RIFANS and RIMS to ensure that recorded revenue is supported by RIMS data.
- 2024-013b Complete the 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 2024-014

(material weakness – repeat finding – 2023-014)

INTERMODAL SURFACE TRANSPORTATION (IST) FUND – FINANCIAL REPORTING

Control deficiencies continue to result in significant misstatements in amounts reported in the IST Fund financial statements. Internal controls must be improved to ensure consistent and accurate financial reporting.

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) and are significantly impacted by its internal Financial Management System (FMS).

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: Our audit identified numerous misstatements in the IST Fund financial statements that required adjustment. The misstatements impacted most financial statement categories and materially misstated the financial statements for the major fund. Audit adjustments reduced the operating loss reported on the draft financial statements by \$10.4 million. Individual adjustments were necessary to:

- Reclassify certain transactions within account classifications to ensure consistent presentation with GAAP;
- Increase federal revenue and expenditures which were understated by \$4.1 million and \$2.2 million, respectively; and
- Correct the funding source for project expenditures by \$3.3 million programmed to be funded by transportation bond proceeds that were erroneously accrued to federal revenue.

The quantity and magnitude of the misstatements were attributable to several internal control deficiencies relating to financial reporting. Account reconciliations are currently lacking to ensure accurate reporting of federal revenue and expenditures in the IST Fund. Audit adjustments were required and accepted by management to ensure that the financial statements were fairly stated in all material respects.

Our audit also identified a compliance issue impacting financial reporting for the IST fund. RIDOT received bond proceeds, in a prior year relating to the State's transfer of land to the I-195 Redevelopment District Commission (District), a component unit of the State. During fiscal 2024, the State utilized the remaining \$4.9 million in proceeds, in addition to State appropriations, to defease the outstanding revenue bonds of the District. Our review of the use of funds identified potential noncompliance with U.S. Code Title 23, Section 156 (c), which restricted the funding for infrastructure projects authorized by the Federal Highway Administration. After discussion with the State, an adjustment was recorded to reclassify the debt service to an allowable revenue source.

Cause: The current review process of the draft financial statements is not adequate to identify significant errors and misclassifications. Identified misstatements resulted from manual procedures designed to compensate for deficiencies in the accounting system. Examples include the allocation of fund balance and allocation of expenditures from the 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 materially misstated and go undetected.

RECOMMENDATIONS

2024-014a	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.
2024-014b	Implement controls to ensure the accuracy of recorded amounts in the financial statements, including 1) account reconciliations, 2) complete reconciliations between the FMS and State accounting system, and 3) detailed review of financial statement accounts.
2024-014c	Implement quality control processes to ensure proper classification and presentation of the financial statements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-015

(material weakness – repeat finding – 2023-015)

TRANSPORTATION INFRASTRUCTURE REPORTING

Controls over the identification of transportation infrastructure assets need further improvement to ensure accuracy and completeness. Controls should be improved to record the disposal of infrastructure assets when retired, replaced, or permanently impaired.

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 amounts. Since the source of the information used to identify capitalized infrastructure is FMS and the financial statements are based on the State accounting system (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 of asset (road, bridge, etc.) and the estimated useful life of the asset which drives depreciation expense.

Criteria: 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 and related accumulated depreciation.

RIDOT utilizes its FMS to report the amount of infrastructure additions to the Office of Accounts and Control annually. The FMS does not reflect accrued expenditures, while the State accounting system includes accruals for financial reporting purposes. The prior year's accrual reversals in the State accounting system were not properly accounted for when recording infrastructure additions for fiscal 2024 and resulted in construction in progress being overstated by \$70 million. Material adjustments were recorded to correct balances at June 30, 2024. RIDOT needs to properly account for accruals when recording infrastructure additions for financial reporting.

In conjunction with its review of asset disposals, RIDOT should consider whether it has transportation infrastructure assets that may be impaired and require proper accounting recognition in accordance with government accounting standards. The State did not properly record the westbound side of the Washington Bridge as impaired, requiring an adjustment of \$39.5 million, net of accumulated depreciation.

Cause: Controls over RIDOT's identification and accounting of infrastructure assets are not sufficient to ensure complete and accurate financial reporting for capital assets.

A consistent process to evaluate and remove estimated costs relating to retired, replaced, or impaired infrastructure has not been implemented.

RIDOT does not review infrastructure assets reported in the State's financial statements to ensure that balances are consistent with supporting documentation and the State accounting system.

Effect: Infrastructure assets and related depreciation expense may be materially misstated.

RECOMMENDATIONS

2024-015a	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.
2024-015b	Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service as required by GAAP.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-016

(significant deficiency – repeat finding – 2023-016)

COMPREHENSIVE INFORMATION SYSTEMS SECURITY – ADDITIONAL RESOURCES NEEDED TO ADDRESS CURRENT SECURITY RISKS

See related Federal Award Finding 2024-053.

Additional resources are needed to mitigate the current risks that have been validated by both internal and contracted cybersecurity assessments. The State's ability to assess, document, and mitigate risks will require substantial maturity of the State's current policies and procedures.

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 critical 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 resources to reduce risk. The State's most recent external assessment of its cybersecurity readiness was completed in June 2022. The assessment noted improvements by the State in several areas and identified and prioritized a significant number of critical improvements required to mitigate current security risks. During fiscal 2024, ETSS performed its own self-assessment of cybersecurity and have mapped their risk levels. Critical and high priority improvements will require substantial resources to be devoted by the State to mitigate identified risks. The State also procured a Governance Risk Compliance (GRC) system to be implemented as a tool to manage risks, ensure compliance with relevant regulations, and align operations with adopted IT security policies and procedures.

During our audit we focused on the following mission critical systems due to their impact on the State's financial reporting: RIFANS (Accounting), Payroll, STAARS (Taxation), RIBridges (Health and Human Services), MMIS (Medicaid), RIMS (Motor Vehicles), and DLT benefit and revenue systems (Unemployment, Workers Compensation). We also reviewed the IS over the State's network environment, which is critical to the State's operations and can negatively impact application security if not maintained at an acceptable industry standard level.

During fiscal 2024, ETSS continued to implement a variety of system and network improvements that will enhance managements capabilities (e.g., policy enforcement) and improve overall IS. ETSS continued its ongoing effort to address the human capital resource constraints by adding personnel and contract resources in areas of need during fiscal 2024. In March 2024, a GRC manager was hired with duties that include conducting periodic risk assessments, covering the likelihood and impact from unauthorized access, use, disclosure, disruption, or modification of information systems.

Criteria: IT risk assessment policies and procedures should be documented (National Institute of Standards and Technology (NIST) SP 800-53, RA-1). Risk assessments should be performed on an ongoing basis or whenever there are significant changes (e.g., new system or network implementations) (NIST SP 800-53, RA-3). Risk assessments are vital to managing and mitigating risks, maintaining compliance (e.g., IRS and HIPAA requirements), prioritizing IT spending, and supporting business continuity. The management and oversight of the State's IS relies upon the implementation of a comprehensive 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 routinely as part of the comprehensive risk assessment.

Condition: The State's resources are insufficient to mitigate the current risks that have been validated by its own internal cybersecurity assessment. ETSS is challenged with reviewing and updating Statewide policies and procedures in a timely manner. Agency compliance with ETSS policies and procedures and the identification and mitigation of risks remain a challenge. The State has improved technology in recent years to identify and report on certain risks, however, the personnel resources needed to evaluate and mitigate them remain insufficient.

The State needs to formalize its strategic plan to identify the appropriate IS resources needed for the State's size and complexity. An integrated GRC platform, recently procured to aid the State's GRC, needs to be implemented to provide the necessary technical support for the volume of IS risks managed by a large entity.

The State does not adequately oversee, monitor, and review outsourced functions, especially as it relates to software platforms supporting State operations. External resources (contractors) have been employed to expedite

implementation, support, and maintenance of critical IS functions, such as firewall and networking services, which are vital IS functions.

ETSS is often unable to provide an adequate transition period to ensure institutional knowledge is transferred from departing staff to replacement staff. Current policies and procedures are also not adequately documented to promote IS knowledge transition to new staff.

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. Multiple decentralized IS applications are currently deployed and add to the complexity of operations. The lack of a formalized risk-based approach, which is required to support the number of system implementations, along with concurrent network and security monitoring improvements, are difficult to manage.

Effect: Critical systems and data may be exposed to security vulnerabilities and cyberattacks when comprehensive information security risk assessments are not performed on an ongoing basis and identified risks are not mitigated timely. 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

2024-016a	Using the most recent cybersecurity assessments and existing audit recommendations, formalize a comprehensive plan to address the current IS risks to the State’s operations. This plan should be risk-based and include the necessary personnel and systems support required to ensure timely mitigation by the State.
2024-016b	Continue to update formal risk assessments periodically (with annual updates to adjust security priorities), with the results documented and communicated to management. Implement the GRC application as the long-term solution supporting IT risk assessment and management.
2024-016c	Identify the additional resources needed to address critical IS deficiencies noted in security assessments and audits as part of strategic plan updates.
2024-016d	Ensure that policies and procedures throughout ETSS operations are adequately documented to allow for knowledge transfer as personnel changes.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-017

(material weakness – repeat finding – 2023-017)

PROGRAM CHANGE CONTROLS

The State’s enterprise-wide program change control procedures for the various IT applications operating within State government, while improved, have not adequately mitigated the risk that unauthorized program changes could be implemented without detection.

Background: Program change controls are a critical component of any system development lifecycle. These controls ensure that only authorized changes are made to programs (along with user acceptance testing) before being promoted into the production environment. All computer applications require changes and/or updates throughout their production lifecycles. Consequently, these customized 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 adopted across all agencies.

The State has been developing procedural guidance to detail the correct use of change management software and mandate internal control practices and procedures. ETSS has established the Center of Excellence (COE) and improved the Change Advisory Board's (CAB) processes. This includes a more comprehensive evaluation of proposed changes, assessing risks to agencies, and implementing recommendations that have been carefully reviewed for potential impact. The CAB continues to evolve, aligning more closely with structured NIST Information Technology Infrastructure Library (ITIL) best practices and governance over projects impacting infrastructure. The COE has also made strides in operational maturity by recently establishing an applications CAB. The goal of the applications CAB is to implement the same governance process as the infrastructure CAB, focusing on managing application changes at the agency level. However, the development of uniform guidance procedures for the applications CAB is still ongoing, and full participation across all agencies has not yet been achieved.

Criteria: NIST SP 800-53, §CM-3, 7b states that “configuration change control for organizational systems involves the systematic proposal, justification, implementation, testing, review, and disposition of system changes, including system upgrades and modifications. Configuration change control includes changes to baseline configurations, configuration items of systems, operational procedures, configuration settings for system components, remediate vulnerabilities, and unscheduled or unauthorized changes. Processes for managing configuration changes to systems include Configuration Control Boards or Change Advisory Boards that review and approve proposed changes.”

The State's change management process should be standardized so that all 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 for a consistent, predictable, and repeatable process.

Condition: Various agencies throughout the State were not complying with ETSS's program change control policies and procedures, which were still maturing in fiscal 2024. For some of the State's critical systems, automated change control procedures are still lacking to substantiate that only authorized and proper changes were implemented. The creation of the COE and CAB represents a movement towards standardization; however, the risk that unauthorized program changes could be implemented and not be detected remains.

Cause: Various methods are still in place and a structured NIST-approved framework is not fully utilized within all agencies to control program change management. There are still instances where manual and semi-automated procedures that incorporate emails, memoranda, and other paper-based forms to document application changes are being used by various agencies. Uniform adoption of the COE/CAB process Statewide has not taken place. Numerous agencies still lack proper controls to mitigate inappropriate changes.

Effect: Program changes could be put in place without authorization, testing or acceptance by management. Improper program changes can destabilize system operations and negatively impact data integrity and program compliance.

RECOMMENDATIONS

2024-017a	Continue to streamline and expand the CAB process and include more detailed documentation. Implement and document procedures detailing specific requirements for program change control and disseminate across ETSS support staff and ensure its proper execution.
2024-017b	Determine the appropriate combination of operational, procedural and/or technical adjustments required to use change management monitoring software to ensure that only authorized program changes are deployed.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-018

(significant deficiency – repeat finding – 2023-018)

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: It is critical for an organization to consistently identify and mitigate potential security risks associated with access and permissions by routinely reviewing and recertifying access rights granted to users, vendors, contractors, etc. By confirming user identification, access level assessments, privilege reviews, and activity monitoring, the systems governed or accessed by these users remain secure and protected.

During fiscal 2024, ETSS continued to mature its identity access management by implementing certain automated reviews of system user access to improve timely deactivation of inactive users. These automated reviews function as a compensating control for when access is not reported and terminated through the standard ticketing system process employed by the State.

ETSS began deployment of a privileged access management (PAM) platform solution in fiscal 2024 that will allow for controlling and monitoring privileged access across the State’s domain.

Criteria: NIST SP 800-53, §AC-6, 7b states “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.” ITIL Request for Change (RFC) process suggests a formal proposal for a change to an IT service or infrastructure should be submitted as a ticket within a ticketing system.

Condition: Periodic review of granted system access privileges (for standard and nonstandard users) is not consistently performed for several applications utilized throughout State government. Special attention should be paid to review system access for generalized accounts and individuals granted elevated access to ensure that such access remains appropriate and terminated in a timely manner when no longer required. State network access should also be reviewed to ensure timely termination when system users leave employment (State or contractor), transfer to a new position, or no longer require system access.

Agencies are not consistently utilizing the ticketing system to communicate needed changes in user access. Further, when tickets are generated, they sometimes lack the necessary information to provide for a detailed review of the change in access being authorized. ETSS continues to make progress in this area of concern by working with agencies to educate and emphasize the importance of clear and timely communication of logical access and privilege change requests. Agency compliance with adopted uniform standard ITIL RFC processes across their IT environment remains inconsistent.

Cause: Lack of consistent and uniform review of system access (privileges) across many State applications.

Effect: Improper or unauthorized access to State systems or networks which could impact service availability, data integrity, and/or security.

RECOMMENDATIONS

2024-018a Augment the implemented automated access review process to incorporate nonstandard users, as well as for periodic, verifiable privilege reviews for all applications and networks. Prioritize critical financial applications and those that contain sensitive data.

2024-018b	Ensure that ticketing requests include critical information to properly track and review system changes for proper authorization. Continue to educate agencies on the importance of utilizing ITIL best practices for program change management.
2024-018c	Reinforce policies and procedures for privileged user access reviews to be performed by assigned agency IT staff periodically (no less than annually).
2024-018d	Continue deployment of the PAM platform solution to allow for controlling and monitoring privileged access across the State’s domain.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-019

(significant deficiency – repeat finding – 2023-019)

DATABASE LOGGING AND ACTIVITY MONITORING

The State’s current practices for database logging and activity monitoring at the database level need improvement.

Background: Database logging and activity monitoring is an essential component to maintaining proper security and control over systems. Having an effective mechanism for monitoring and remediating accidental changes or intentional insider threat actions is imperative. ETSS began a phased rollout of a solution used for database activity logging and monitoring that is currently operational within a few key agencies.

Criteria: 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. It is essential to have logging and monitoring at the application level for key financial and sensitive data to guard against unauthorized transactions, errors, and unauthorized changes occurring at the database level outside of the scope of application controls.

Condition: Database logging and monitoring for most State applications is not adequately deployed across the various agencies. More progress needs to be made in advancing the program’s usage from informational (majority of current State usage) to true actionable alerts which will aid in mitigation of risk to the programs and services utilizing the technology. While the State improved in this area, consistent application of controls and additional resources are still needed. Interfacing the current solution with the State’s Security Information Event Monitoring (SIEM) application requires maturation to allow for proper actionable and centralized monitoring of database activity.

Cause: The State lacks an implemented uniform practice for database logging and activity monitoring. Most agencies have not implemented the solution selected by ETSS due to concerns over system resource utilization. A disconnect between perceived and actual resource consumption exists that needs to be resolved.

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

2024-019a	Complete implementation of a consistent and effective database logging and monitoring process across all State applications. Prioritize applications/databases that contain critical financial and sensitive data.

- 2024-019b 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.
- 2024-019c Review resource utilization concerns with agency representatives and create a Plan of Action and Milestones (POAM) to resolve any technical issues preventing implementation.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-020

(significant deficiency – new finding)

SECURITY INFORMATION EVENT MONITORING – LACK OF ITIL BEST PRACTICE PROCEDURES

The State needs to effectively integrate IS management applications to allow for improved documentation of risk identification and remediation. Enhancing the Security Orchestration, Automation and Response (SOAR) workflows is also needed for effective risk mitigation.

Background: SIEM and SOAR functionalities are designed to complement each other. SIEM collects and analyzes security data to identify potential threats, while SOAR automatically takes action based on those alerts generated by SIEM. When combined, the functions essentially orchestrate an immediate response to incidents by triggering pre-defined workflows and automating repetitive tasks, allowing for a more timely and effective response.

The State has had various methods and applications in place to address the monitoring of threats, security weaknesses, etc., for some time. Currently, the hardware that maintains one of the principal SIEM products does not communicate with the State's established ticketing system. Thus, daily security threat monitoring and remediation takes place without a centralized ticketing and knowledge-based system in place to properly track events. As a result, threat mitigation documentation is decentralized and not easily referenced, tracked or searchable. ETSS dedicated a staff member that was trained on the SIEM application in fiscal 2024. SIEM for an entity the size of the State is substantial and requires effective technological support and trained personnel to evaluate the reported security information events, assess risk to the State's IT security, and ensure timely remediation.

Criteria: While NIST standards do not specifically mention or require integrating a SIEM product with a ticketing system, it does recommend practices that align closely with the concepts of such an integration in a broader context of Incident Response (IR) and Security Operations. NIST SP 800-63 also provides guidance on establishing an IR methodology that incorporates effective tracking and management of security incidents. NIST SP 800-137 outlines continuous monitoring practices which are applicable to SIEM systems.

Condition: There are multiple products used for security event monitoring and risk mitigation, and not all are properly tracked within ticketing and knowledge-based systems. Consolidation of multiple product views, integration with the ticketing system and maturation of SOAR playbooks are desperately needed. Documentation of incidents is not being cataloged in a centralized knowledge-based library, as recommended by ITIL best practices. While the State's progress in continuing to mature its SIEM functionality is notable, the current volume of SIEM activity requires additional personnel resources to ensure timely evaluation, risk assessment, and remediation. The State's current legacy SIEM product may not effectively meet its needs. More modern cloud-based Extended Security Intelligence and Automation Management solutions may offer greater flexibility in integrating with the various platforms in use throughout the State. Improved SOAR functionality also needs to be developed.

Cause: The State's SIEM function lacks maturity and resources needed for the size of the State's IT operations.

Effect: Information security related events and threats could be reported and not acted upon in a timely manner, undermining the State’s overall information security.

RECOMMENDATIONS

2024-020a	Review the currently utilized legacy SIEM product and determine if it can effectively meet the State’s information security needs. Consider migration to a cloud solution with more modern features and the capability to integrate more easily with other products such as a ticketing system.
2024-020b	Consider whether additional resources are needed to research and mitigate reported events timely and to develop and mature policies and procedures for SOAR.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-021

(significant deficiency – new finding)

VENDOR AND CONTRACTOR MANAGEMENT – INFORMATION SECURITY OVERSIGHT

See related Federal Award Finding 2024-053.

Third-party software (inclusive of State systems maintained and operated by contractors) and “Software as a Service” (SaaS) products utilized by agencies may not be receiving regular security reviews. Agencies that administer programs that rely on information systems supported by contractors often lack personnel with the necessary background in information security to fully consider the security risks associated with those systems.

Background: The IT Vendor Management Office (VMO) functions to centralize the process for procurement of all IT hardware, software and services, including security assessments and risk review. Prior cybersecurity risk assessments have noted that third-party software and SaaS products purchased by agencies may not be subject to regular security reviews. Although major software purchases and contract renewals are processed through the VMO, which conducts an initial security review, no subsequent reviews are performed. Additionally, it was noted that the risk levels assigned to vendors during the initial risk assessment are not consistently measured or tracked based on their potential impact to the State. The State does conduct and participate in Quarterly Business Reviews (QBRs) as well as Technical Business Reviews (TBRs) on a routine basis with vendors. These reviews currently focus more on contractor performance and potential vendor/contractor service offerings but could be expanded to include on-going security monitoring. Several State agencies are responsible for the administration of programs that are supported by contracted information systems. These systems are either State-owned and supported by contractor services or are third-party solutions owned and operated by vendors. The level of security reviews performed on contracted services and/or third-party solutions is inconsistent. Security oversight, for some systems, continued to improve annually with ETSS involvement.

Criteria: NIST SP 800-53 (SR-2) suggests that the supply chain, which includes vendor services (i.e., software/SaaS), represents a growing concern for organizations due to their reliance on external products, services, and systems. These risks can affect individual components, systems, or complete environments. Managing supply chain risks requires coordinated planning within agencies, including risk identification, assessment, response, planning, and ongoing monitoring. This plan should also address risk tolerance, mitigation strategies, evaluation processes, and the development of secure, trustworthy systems.

NIST SP 800-171, §.03.11.01, *Risk Assessment*, includes discussion that “risk assessments also consider risks from external parties (e.g., contractors operating systems on behalf of the organization, service providers, individuals accessing systems, and outsourcing entities).” A standard practice for the review, monitoring, and remediation of risks is through the combination of multiple tools, including but not limited to, vulnerability

assessments, penetration testing, and reviewing SOC reports. While SOC reports provide assurance that service organizations are complying with their defined policies and procedures, the State also needs to evaluate whether those policies and procedures are adequate based on the inherent risk of the services being provided. As an example, if the State utilizes a contractor to operate a system that stores significant amounts of personally identifiable information (PII), the State should ensure that the contractor complies with information system security protocols deemed sufficient for the data being stored by the contractor. It is critical that these requirements are detailed in contracts with service organizations to allow for enforceability.

Condition: The State lacks a formal process to evaluate third-party software and SaaS solutions based on their potential security risks. Risk assessments are not being conducted frequently enough, leading to delays in identifying and mitigating risks. Several agencies have expressed concerns about lacking visibility into the status and operations of certain third-party SaaS products that handle sensitive data, such as PII and Payment Card Industry Data Security Standard (PCI DSS) information. Additionally, some State agencies have reported they are not conducting regular SOC 2 compliance reviews with their vendors due to not having the necessary access or expertise to adequately assess the vulnerability of the service providers they rely on.

Due to limitations in ETSS's resources, contract administration responsibilities, including IS, are left to State agencies for some of the State's critical applications. Monitoring IS for these systems is critical to the State's operations. While some agencies may review SOC reports and security scorecard results as one measure of monitoring, personnel responsible for contract oversight of those systems often lack the information systems security background needed to evaluate the adequacy of the contractor's policies and procedures or the significance of the SOC results reported.

Cause: A lack of contractor/vendor oversight exists at agency levels that utilize critical contracted IT services. Regular security reviews of vulnerabilities are not being performed uniformly or in a centralized manner to ensure timely remediation. Several agencies lack the dedicated IS resources capable of performing these critical reviews and ETSS does not have the resources needed to fully coordinate IS reviews of all contracted functions.

Effect: Without a formal process to evaluate contractors and vendors based on the criticality and risks associated with unaddressed vulnerabilities, the likelihood of a security breach increases, potentially resulting in financial losses (such as productivity setbacks or payments made), operational disruptions, loss of data integrity, reputational harm, legal consequences, and the risk of identity theft for individuals whose personal data is exposed.

RECOMMENDATIONS

2024-021a	Incorporate security review updates into business reviews conducted with vendors/contractors.
2024-021b	Standardize the practice for the review, monitoring, and remediation of IS risks through the combination of multiple tools, including but not limited to, vulnerability assessments, penetration testing, and reviewing SOC reports.
2024-021c	Evaluate the IS resources needed to extend ETSS coordination over system security reviews for significant contractor-supported systems and third-party solutions owned and operated by vendors.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-022

(significant deficiency – repeat finding – 2023-022)

RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM - ASSESS THE RESOURCES AND SYSTEMS NECESSARY TO EFFECTIVELY ADMINISTER THE OPEB SYSTEM

The State has not implemented administrative processes and computer applications to effectively support the overall administration of the OPEB System. Current functions including 1) accumulating plan census data, 2) managing member eligibility, 3) determining member copays, and 4) plan enrollment functions are supported through decentralized processes that do not adequately support plan administration.

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 2024, required employer and employee contributions to OPEB plans approximated \$49 million, with \$33 million in retiree benefits paid. OPEB assets totaled \$676 million at June 30, 2024.

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 across 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.

The State currently manages OPEB enrollment by ensuring that all pre-65 retirees are 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.

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 copays 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.

Condition: We identified the following control deficiencies over the various disjointed processes used to administer the OPEB plans:

- 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) are lacking.
- Monitoring and analysis of OPEB liabilities reported for retirees over age 65 requires determining an estimate of the percentage of HSA commitment that is ultimately utilized by retirees over the course of their retirement to prevent overstatement of the liability amount accrued annually.

Cause: The State and System have not implemented administrative processes and computer applications to effectively support the overall administration of the OPEB System, including 1) accumulating plan census data, 2) managing member eligibility, 3) determining member copays, and 4) plan enrollment functions. Existing processes in place to support healthcare plan enrollment for active employees have generally been adopted 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 copays 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 contribution amount and the net OPEB liability or asset for each plan.

RECOMMENDATIONS

2024-022a	Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.
2024-022b	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.
2024-022c	Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.
2024-022d	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 2024-023

(significant deficiency – repeat finding – 2023-023)

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, 2024 totaled \$2.1 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 2024 noted two instances where employer remittances to the plan administrator incorrectly coded employer and employee contribution amounts in reverse. These two employers were also noted to have employer and employee remittances coded in reverse during fiscal 2023. Since the System utilizes reporting by the plan administrator for financial reporting, incorrect employer coding results in misstatements in the financial statements. 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 would allow the System to enhance its monitoring of employer compliance with DC plan provisions. The System indicated that it began reviewing employer contributions to the DC plan during fiscal 2024, however, those procedures were not formally documented to provide for review during our audit. The System should specifically detail the documentation requirements for monitoring procedures being implemented in response to this finding to allow for those procedures to be evaluated as controls over financial reporting.

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. The System lacks sufficient accounting and contribution data to monitor compliance (through effective control processes) with contribution requirements and to ensure the accuracy of TIAA reporting utilized to prepare the DC plan financial statements.

Effect: Material misstatements could exist in the financial statements of the DC plan and not be identified in a timely manner.

RECOMMENDATIONS

2024-023a	Perform a risk assessment for the DC plan and identify areas where internal controls and oversight can be strengthened.
2024-023b	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.
2024-023c	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 2024-024	(material noncompliance – repeat finding – 2023-024)

RHODE ISLAND CONVENTION CENTER AUTHORITY – RESTRICTIVE COVENANTS

Criteria: Bond indentures require that the Rhode Island Convention Authority (Authority) fund the Operating Reserve requirement of the restrictive covenants for the Rhode Island Convention Center (RICC) and the Amica Mutual Pavilion (AMP).

Condition: During the year ended June 30, 2024, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures. 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

2024-024	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 2024-025

(significant deficiency – repeat finding – 2023-026)

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

2024-025 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 2024-026

(significant deficiency – repeat finding – 2023-028)

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 did not properly account for construction in progress invoices that were in accounts payable as of June 30, 2024. Per capital asset audit testing, it was identified that invoices are only included in additions when they are paid and not when they are accrued.

Cause: The College received invoices related to construction in progress after the fiscal year-end, requiring personnel to manually accrue the expenses. During this accrual process, a miscommunication regarding categorization of the accrual resulted in an understatement of construction in progress and an overstatement of operating expenses.

Effect: The College had an overstatement of expenses of \$3,815,080 and an understatement of construction in progress by the same amount.

RECOMMENDATION

2024-026 The College should improve internal controls for purchasing / year-end accruals by implementing procedures to properly differentiate payables at year-end. This includes identifying accrued invoices during year-end close that relate to construction in progress in order to mitigate similar issues in the future.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-027

(significant deficiency – new finding)

COMMUNITY COLLEGE OF RHODE ISLAND – INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: The Community College of Rhode Island (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 did not properly account for subscription-based information technology arrangements (“with terms beginning prior to July 1, 2023 under GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*). Per SBITA audit testing, it was identified that contracts were included in additions to right-of-use assets and liabilities during fiscal year 2024 that should have been record as additions during fiscal year 2023.

Cause: The College’s process for capitalization of SBITA right-of-use assets and liabilities only occurs at year-end and arrangements that qualify as a SBITA under GASB Statement No. 96 may be missed as a result.

Effect: The College had an understatement of assets of \$677,435 and an overstatement of liabilities for the same amount.

RECOMMENDATION

2024-027 The College should improve internal controls for reviewing new software purchases and amendments or modifications to existing software agreements on a monthly basis to mitigate similar issues in the future. This includes identifying all software purchases that contain potential SBITAs and performing an evaluation to determine whether software in question qualify.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-028

(material weakness – new finding)

QUONSET DEVELOPMENT CORPORATION – TIMELINESS AND ACCURACY OF FINANCIAL REPORTING

Criteria: The Quonset Development Corporation should be completing monthly reconciliations on any significant transaction areas relating to the business, which should include but not be limited to, pension reporting, GASB 87 reporting and reporting of the schedule of federal expenditures.

Condition: During our current year audit, final reconciliations, in regards to the final accounting for the Corporation’s new pension fund, the reporting on the schedule of federal expenditures and GASB 87 schedules with leases were delayed when the audit commenced. Based on discussions with management, the internal team was reviewing the inputs on all the Corporation leases to ensure accuracy and they also scrubbed the schedule of federal expenses to determine if expenditures were reported in the proper period.

Cause: The Corporation finance team had significant turnover in fiscal 2024, which lead to a lot of these delays in reconciliations and reporting being done timely.

Effect: The results of this process identified that a fiduciary fund for the rollout of the old pension plan into a new pension fund was not properly recorded in the financials for fiscal year 2024, which resulted in material activity being recorded to show the transfers into the plan and the payments out of the plan.

In addition, the management team reconciled the schedule of expenditures for the year noting that the prior year schedule excluded approximately \$1.3m in federal expenses as well as the accrued revenue relating to this funding.

The other reconciliation item that resulted from the overall clean up on the GASB 87 lease input included variances from prior year of an understatement of assets of approximately \$400k, an understatement of liabilities of approximately \$530k, understatement of revenue of approximately \$90k and an understatement of expense of approximately \$235k.

RECOMMENDATION

2024-028 The auditors recommended that the Corporation 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.*

Non-Major Programs with Reportable Findings Required by Uniform Guidance		
<i>Program / Cluster Title</i>	<i>Assistance Listing No(s).</i>	<i>Applicable Findings</i>
Statewide Cash Management	n/a	2024-029
Statewide Cost Allocation Plan	n/a	2024-030
SNAP Cluster	10.551, 10.561	2024-031

Table of Findings by Major Program		
<i>Program / Cluster Title</i>	<i>Assistance Listing No(s).</i>	<i>Applicable Findings</i>
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559, 10.582	2024-032, 2024-033, 2024-034, 2024-035, 2024-036, 2024-037
Home Investment Partnerships Program	14.239	None
Housing Trust Fund	14.275	None
Unemployment Insurance	17.225	2024-038, 2024-039
Highway Planning and Construction	20.205	2024-040, 2024-041
Port Infrastructure Development Program	20.823	2024-042
National Infrastructure Investments	20.933	2024-040, 2024-041, 2024-043
Capital Magnet Fund	21.011	None
Coronavirus State and Local Fiscal Recovery Funds	21.027	2024-044
Drinking Water State Revolving Fund	66.468	2024-045, 2024-046
Special Education Cluster (IDEA)	84.027, 84.173	2024-037, 2024-047
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2024-045, 2024-046, 2024-048
Temporary Assistance for Needy Families	93.558	2024-049, 2024-050, 2024-051, 2024-052, 2024-053
CCDF Cluster	93.575, 93.596	2024-051, 2024-052, 2024-053, 2024-054, 2024-055
Children's Health Insurance Program	93.767	2024-053, 2024-056, 2024-057, 2024-058, 2024-059, 2024-060, 2024-061, 2024-062, 2024-063, 2024-064
Medicaid Cluster	93.775, 93.777, 93.778	2024-053, 2024-057, 2024-058, 2024-059, 2024-060, 2024-061, 2024-062, 2024-063, 2024-064, 2024-065, 2024-066
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2024-067, 2024-068, 2024-069, 2024-070
Research and Development Cluster	Various	None

Finding 2024-029

(other noncompliance / significant deficiency – new finding)

STATEWIDE CASH MANAGEMENT

Federal Agency: U.S. Department of Treasury (TREAS)

State Fiscal Year: 2024

Federal Award Number: Not Applicable

Administered by: Rhode Island Department of Administration (DOA), Office of Accounts and Control (OAC)

Compliance Requirement: Cash Management

CONTROLS OVER CASH MANAGEMENT IMPROVEMENT ACT (CMIA) INTEREST CALCULATIONS

The State lacks monitoring controls over the calculation of interest due under the CMIA. Errors in the mechanical calculation of interest due were not detected by the State.

Background: Under the Cash Management Improvement Act, the State and U.S. Treasury enter into a Treasury-State Agreement (TSA) on an annual basis. The federal programs covered by the TSA are recalculated annually, based on a threshold using the Schedule of Expenditures of Federal Awards (SEFA) from two fiscal years prior (i.e., the 2024 TSA programs are calculated using the 2022 SEFA).

Criteria: Paragraph 8.6.1 of the State’s 2024 TSA states “The State shall be liable for interest on Federal funds from the date Federal funds are credited to a State account until the date those funds are paid out for program purposes.” Further, paragraph 8.6.2.1 states “To determine the total time Federal funds are held, the State shall measure the time between the date Federal funds are received and credited to a State’s account and the date those funds are debited from the State’s account.”

Condition: In recalculating the programs to be included in the 2024 TSA, we identified 4 new programs that were added from the prior year; all applicable programs were properly included in the fiscal 2024 TSA. However, when reviewing the interest calculations for the programs covered by the 2024 TSA, we noted that one of these new programs was not listed in the supporting worksheet for the interest calculations. In addition, that program, along with another new program in 2024, were not included in the detailed report that supported the calculation of daily cash balances subject to interest.

Cause: Review procedures over the CMIA interest calculation did not ensure that all programs covered by the TSA were properly included in the calculation. Additionally, the underlying report supporting the calculations was not modified to include the additional programs in fiscal 2024.

Effect: Interest liability amounts due to the U.S. Treasury may exist and remain unidentified.

Questioned Costs: \$110 (estimated)

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2024-029 Enhance review procedures to ensure all programs in the TSA are included in the interest calculation on an annual basis. Ensure underlying reports are properly modified, as necessary, to capture data for all programs in the TSA.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-030

(other noncompliance / significant deficiency – new finding)

STATEWIDE COST ALLOCATION PLAN

Federal Cognizant Agency: U.S. Department of Health and Human Services (HHS)

State Fiscal Year: 2024

Federal Award Number: Not Applicable

Administered by: Rhode Island Department of Administration (DOA), Office of Accounts and Control (OAC)

Compliance Requirement: Allowable Costs/Cost Principles

DOCUMENTATION OF FUNDING MECHANISMS WITHIN THE STATEWIDE COST ALLOCATION PLAN

Documentation of the funding mechanism for grants management services within the Statewide Cost Allocation Plan can be improved.

Criteria: Consistent with Uniform Guidance cost principles, allocated centralized costs to federal programs are required to be included in the State’s statewide cost allocation plan (SWCAP). This plan is submitted annually for approval by the State’s federal cognizant agency, the U.S. Department of Health and Human Services. The SWCAP agreement includes the approval of billed costs, charges for services that are billed in accordance with rates established by the State and approved by the federal government as part of the SWCAP agreement.

Condition: While the costs for statewide grants management services appear to be included in the allocated cost section of the SWCAP, the State is allocating those costs to federal programs based on a “billed” methodology. The methodology for these services assesses departments and agencies based on a two-tiered calculation: first, a per license fee for users of the State’s grants management system, and secondly, an assessment to cover other grants management unit costs applied to the respective departments based on a proportionate share of total federal expenditures, excluding certain programs.

We were unable to determine whether the mechanism used to assess the costs related to statewide grants management services across departments and agencies during fiscal 2024 was in accordance with the approved statewide cost allocation plan.

Cause: The State did not include the grants management services as part of its billed costs in the most recent federally approved SWCAP agreement.

Effect: Centralized costs were allocated to several federal programs without an approved cost allocation methodology required by the Uniform Guidance.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-030 Submit cost allocation methodology for grants management services allocated to federal programs as part of billed costs in the statewide cost allocation plan.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-031

(other compliance matter – new finding)

SNAP CLUSTER – 10.551, 10.561

Federal Awarding Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service (FNS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: Not Applicable

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Allowable Costs/Cost Principles

SNAP - ALLOWABLE COSTS – OTHER MATTERS

Likely questioned costs were identified in conjunction with a fraud investigation performed by the Office of Internal Audit (OIA).

Criteria: 2 CFR §200.516(a)(6) states that the auditor must report known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.

Condition: During our fiscal 2024 audit of the State, we learned of a potential fraud relating to the SNAP Cluster. Based on a tip, OIA identified a claimant using multiple social security numbers. The OIA's findings were communicated to law enforcement and charges were filed against the individual. While the alleged fraud is greater than \$25,000, the case prosecution is ongoing and the actual amount of fraudulent payments is unknown at this time.

Cause: Potential fraud committed by a claimant. Payments were allegedly made to an individual based on fraudulent identities and stolen information.

Effect: Noncompliance with federal regulations for the Supplemental Nutrition Assistance Program.

Questioned Costs: Undetermined

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2024-031 Evaluate the underlying allegations of program fraud and return funds to the federal government that did not meet federal requirements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-032

(other noncompliance / significant deficiency – new finding)

CHILD NUTRITION CLUSTER – 10.553, 10.555, 10.556, 10.559, 10.582

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: 202424N109944, 202423N109944, 202424N119944, 202423N119944, 202423L160344

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

Compliance Requirement: Procurement, Suspension and Debarment

PROCUREMENT COMPLIANCE

RIDE did not ensure that three out of five School Food Authorities (SFA) submitted their written code of standards of conduct as required by federal regulations before approving their procurement.

Background: RIDE reviews and approves the SFA procurement procedures regarding procuring a Food Service Management Company (FSMC). To ensure compliance, RIDE makes available a template for policy and procedures, the code of standards of conduct, and the whole procurement process as it pertains to the SFA procuring a Food Service Management Company (FSMC).

Criteria: Federal regulation 7 CFR §210.21(c) requires that SFA, where applicable, must submit a written code of standards of conduct meeting the minimum standards of 2 CFR §200.318 to RIDE during their procurement process.

Condition: Due to the materiality of the expenditures relating to FSMC procurements, we selected 2 of the 5 FSMC procurements in conjunction with our procurement testing of all vendors. Our testing noted that RIDE approved one SFA's procurement of a FSMC, without having the SFA's required written code of standards of conduct. We followed up with RIDE to determine if this was an isolated instance and found that the code of standards of conduct was missing in 3 out of 5 procurements.

Cause: RIDE's policies, procedures and controls were not adequate to ensure that the Department received the SFA's written code of standards of conduct before approving the SFA's procurement of a FSMC.

Effect: RIDE is not in compliance with 7 CFR §210.21(c) which requires the SFA to submit a written code of standards of conduct to RIDE with the minimum standards stated in 2 CFR §200.318.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-032 Establish policies and procedures in conjunction with formalizing internal control to ensure compliance of 7 CFR §210.21(c) by requiring SFAs to submit a written code of standards of conduct at the beginning of the procurement process.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-033

(other noncompliance / significant deficiency – new finding)

CHILD NUTRITION CLUSTER – 10.553, 10.555, 10.556, 10.559, 10.582

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: 202424N109944, 202423N109944, 202424N119944, 202423N119944, 202423L160344

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

Compliance Requirement: Reporting

FEDERAL REPORTING – SF-425 FINANCIAL REPORTS

RIDE did not submit complete and timely SF-425 Financial Reports in accordance with federal requirements.

Background: RIDE has an individual who initiates the SF-425 report by compiling data from RIFANS. Once completed and entered on the fprs.fns.usda.gov reporting site, the initiator notifies a separate individual to submit and have the report certified. The submission of the SF-425 Federal Financial Report on the reporting website should be no later than 30 calendar days after the reporting period for the quarterly report and the final annual report is due no later than 90 calendar days after the reporting period. The SF-425 is a cumulative report until the final report is submitted.

Criteria: According to 2 CFR §200.328(c), RIDE must submit the SF-425 quarterly report no later than 30 calendar days after the reporting period and no later than 90 days after the reporting period for the final annual report.

Condition: RIDE did not submit 3 of the 4 (1 quarterly and 2 final annual reports) SF-425 reports within the required period for the Fresh Fruit and Vegetable Program and Supply Chain Assistance (Part of National School Lunch Program).

Cause: The department did not have adequate controls to ensure timely and complete reporting of the SF-425 Federal Financial Report.

Effect: RIDE did not comply with reporting requirements of SF-425 Federal Financial Reporting.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-033 Establish policies and procedures in conjunction with formalizing internal control that ensures complete and timely reporting of the SF-425 Federal Financial Report.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-034 **(other noncompliance / significant deficiency – new finding)**

CHILD NUTRITION CLUSTER – 10.553, 10.555, 10.556, 10.559, 10.582

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: 202424N109944, 202423N109944, 202424N119944, 202423N119944, 202423L160344

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

Compliance Requirement: Reporting

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

Controls over reporting of subawards can be enhanced to ensure accurate and complete reporting in accordance with FFATA requirements.

Background: RIDE must report on the School Food Authorities (SFA) meal reimbursement amounts as subrecipients on the Federal Transparency Website

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 Subaward Reporting System (FSRS).

Condition: RIDE did not report subaward information entered into the FSRS as required by 2 CFR Part 170 during fiscal 2024. Our testing of subaward reporting for compliance with FFATA reporting requirements are detailed in the following table:

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
93	93	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$50,892,787	\$50,892,787	\$0	\$0	\$0

Our testing found that RIDE did not comply with FFATA reporting requirements for Child Nutrition Program subawards issued during fiscal 2024.

Cause: Controls, including monitoring procedures, have not been established to ensure that all program subawards are reported as required by FFATA.

Effect: Noncompliance with FFATA reporting requirements for certain program subawards.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-034 Establish policies and procedures in conjunction with formalizing internal control that ensures complete reporting of subawards in accordance with FFATA.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-035 (significant deficiency – repeat finding – 2021-041)

CHILD NUTRITION CLUSTER – 10.553, 10.555, 10.556, 10.559, 10.582

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: Not Applicable – Donated Food Commodities

Administered by: Rhode Island Department of Corrections (DOC)

Compliance Requirement: *Special Tests and Provisions – Accountability for USDA-Donated Foods*

ACCOUNTABILITY FOR USDA-DONATED FOODS

The Department of Corrections needs to ensure that it complies with federal regulations governing the receipt, distribution and inventory of USDA-donated foods.

Background: The USDA provides donated commodities, or "USDA Foods," to schools participating in the National School Lunch Program (NSLP), which are calculated based on the number of lunches served and a per-meal value, helping to provide nutritionally balanced, low-cost or free lunches to children. DOC receives USDA-Donated Foods for use in Child Nutrition Cluster programs. These foods are stored in the State's central distribution center (CDC) warehouse and distributed to eligible local educational agencies.

Criteria: 7 CFR §250.12(b) requires DOC to take an annual physical inventory of its storage facility and reconcile the results with its inventory records.

Condition: DOC performed a physical inventory of USDA-donated foods in June 2024. In summary, there were 23 types of donated commodities in inventory that were available for use in Child Nutrition Cluster programs. We tested 17 of the 23 items and identified 2 items (11.8% of commodity items reviewed) not matching the inventory records. In one instance, the cases on hand were 2 less than recorded in the inventory

records. In the second instance, there were 74 more cases on hand than reflected in the inventory system. These discrepancies totaled \$3,504. The causes of these variances were not resolved.

Cause: Controls over inventory are not adequate to ensure proper recording of distribution and replenishment of donated commodities.

Effect: Potential for misappropriation or inaccurate reporting of USDA-donated food commodities.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-035 Improve inventory control procedures over USDA-donated food commodities, including complete reconciliations and resolution of discrepancies noted.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-036 **(other noncompliance / significant deficiency – new finding)**

CHILD NUTRITION CLUSTER – 10.553, 10.555, 10.556, 10.559, 10.582

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: 202424N109944, 202423N109944, 202424N119944, 202423N119944, 202423L160344

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

Compliance Requirement: Special Tests and Provisions – Paid Lunch Equity

PAID LUNCH EQUITY COMPLIANCE

RIDE did not ensure that the School Food Authorities (SFA) with a negative balance as of June 30, 2022 performed the Paid Lunch Equity (PLE) calculation to determine if the price of paid lunch for school year 2023-2024 required an increase or required an increase of non-federal contributions to the non-profit school food account.

Background: PLE requirements apply to all SFAs that reported a negative balance in their nonprofit school food service account. They are required to ensure that sufficient funds are provided to their nonprofit school food service accounts from lunches served to students not eligible for free or reduced-price meals. A SFA currently charging less for a paid lunch than the difference between the federal reimbursement rate for such a lunch and that for a free lunch is required to comply. This difference is known as “equity.” There are two ways to meet this requirement: (1) raising the prices charged for paid lunches; or (2) through contributions from other non-federal sources to the non-profit school food service account. As stated in the compliance supplement, all SFA that have a negative balance as of June 30, 2022, will need to perform this calculation to determine if the price of a paid meal requires an increase for the school year of 2023-2024 (FY2024) or an increase in nonfederal contributions to the nonprofit food service account.

Criteria: Federal regulations for the Paid Lunch Equity calculation require all SFAs with a negative balance in their non-profit school food service account as of June 30, 2022 to establish prices for paid lunches or an increase in non-federal contributions in accordance with 7 CFR §210.14(e).

Condition: RIDE did not monitor if the SFA with negative balances as of June 30, 2022 complied with the PLE calculations for determining if the price of paid lunches required an increase or more non-federal contributions

were required to be added to the SFA's non-profit school food account. We noted eleven SFAs with negative balances reported as of June 30, 2022.

Cause: RIDE did not have policies, procedures or dedicated resources for determining whether SFAs with negative balances complied with 7 CFR §210.14(e).

Effect: RIDE is not in compliance with 7 CFR §210.14(e) which requires the SFA with negative balances to determine if the price of a paid school lunch must be increased or non-federal contributions must be increased.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-036 Establish policies and procedures in conjunction with formalizing internal control that ensures that SFAs with a negative balance in their non-profit food service account are in compliance with 7 CFR §210.14(e).

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-037

(significant deficiency – repeat finding – 2023-044)

CHILD NUTRITION CLUSTER – 10.553, 10.555, 10.556, 10.559, 10.582

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: 202424N109944, 202423N109944, 202424N119944, 202423N119944, 202423L160344

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

SPECIAL EDUCATION CLUSTER (IDEA) – 84.027, 84.173

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: HO27A220054-22A, H173A220057

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

Compliance Requirement: Activities Allowed or Unallowed

INFORMATION SYSTEMS SECURITY CONTROLS OVER SYSTEMS ADMINISTERING FEDERAL PROGRAMS AT RIDE

Information Technology (IT) risk assessments, vendor management, oversight controls, and documentation for overall security need improvement to enhance the reliability of systems and the administration of federal funds.

Background: AcceleGrants, is the online grant management system for the Consolidated Resource Plan (CRP) grants which RIDE utilizes to administer various federal elementary and secondary education programs (Title I, II, III, IDEA and Race to the Top). AcceleGrants functions as a centralized console for Local Education Agencies (LEAs) to apply for funds. Review and approvals are completed within AcceleGrants by RIDE staff to distribute State and Federal funding for the various education programs.

CNP Connect, is an online management system for the Child Nutrition Program. LEAs (aka sponsors) participating in the School Nutrition Programs (SNP) submit individual student eligibility for free or reduced-price meals that are determined at their local level to the eRIDE portal. This data is shared with the Department of Human Services (DHS), which cross-references it with public assistance data to confirm eligibility. Claims for meal reimbursements are submitted through CNP Connect. Neither system (AcceleGrants/CNP Connect)

store student personally identifiable information (PII) but do contain some LEA/sponsor PII. Both systems are now hosted by the same vendor in their cloud environment.

Unlike most State agencies, RIDE operates autonomously and does not utilize the State's Division of Enterprise Technology Strategy and Services (ETSS) for IT and Information Security (IS) support. RIDE instead has outsourced various cybersecurity enhancement projects due to limited internal resources.

Criteria: IT risk assessment policies and procedures should be well-documented and continuously updated, as per National Institute of Standards and Technology (NIST) standards RA-1. Risk assessments, including vulnerability and penetration testing, should occur regularly or whenever significant IT changes are made, as outlined in NIST SP 800-53 Rev.5, §RA-3. A comprehensive plan is essential for managing an agency's Information System (IS), ensuring the protection of all systems and data. Regular compliance assessments should be part of risk reviews. The application should have access controls for user management (assigning, authorizing, and monitoring access), in line with NIST SP 800-53 Rev.5 §AC-2, to protect RIDE data. Vendor activities should be monitored for software security and availability, with staff trained in risk management as per NIST SP 800-53 Rev.5 §RA-2, §CA-2. Guidelines for managing vendor systems and services are provided at NIST SP 800-53 Rev.5 §SA-9.

The Federal Information Security Management Act (FISMA) requires collaboration and adherence to the National Institute of Standards and Technology (NIST) guidelines for managing information security pertaining to state agencies responsible for managing programs sponsored by the federal government. See Public Law 107-347-Dec.17 2002 section 302, management of IT §1131, b2 (required mandatory standards).

Condition: Information Technology (IT) risk assessments, vendor management, oversight controls, and documentation for overall security need improvement to enhance the reliability of systems and the administration of federal funds. The evaluation of RIDE's information systems security management noted multiple areas in need of improvement. Examples of specific concerns noted during our review included monitoring of administrative user access, logical access controls, and a lack of system contractor oversight. Due to certain difficulties with the system contractor, RIDE was unable to obtain and review Service Organizational Control (SOC) reports, limiting contractor oversight during the fiscal year.

Resources and efforts are needed to provide a comprehensive approach to system security controls that address identified risks and concerns. RIDE was found to be lacking:

- 1) A formally documented IT risk assessment review process for internal and vendor security practices. This includes SOC reports, their accompanying Complementary User Entity Controls (CUECs) on applications and services supporting the agency;
- 2) Mature policies and procedures to govern system logical access change management requests;
- 3) A separation of duties policy to ensure Governance, Risk and Compliance (GRC) between the applications system administration;
- 4) Proper guidelines for sponsors acceptable usage of applications. Subsequently, a formal documentation process to track logical user change requests is needed. It should be noted that currently, change requests are tracked in email format; and
- 5) An enhanced form of login authentication security such as Multi-factor Authentication (MFA) into applications.

Cause: Current information system security policies and procedures do not meet best practices (i.e., NIST SP 800-53 Rev.5) and need improvement to ensure information system security over the systems utilized to administer federal programs.

Effect: Not performing risk assessments can increase vulnerability to cybersecurity attacks. Not overseeing vendors can lead to higher risks, compliance issues, and operational disruptions. Limited monitoring of user access lowers application and data security. Without separation of duties, system administrators may have excessive access, increasing the potential risk of unintended consequences including fraud.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2024-037a Develop formalized comprehensive policies and procedures based on an acceptable IT security framework like NIST SP 800-53 Rev.5 or adopt the State’s comprehensive policies and procedures maintained and updated by ETSS.
- 2024-037b Evaluate the IT security resources needed to implement the adopted security framework or utilize ETSS for IT security support like other State agencies.
- 2024-037c Focus on maturing logical access controls, documentation, and related processes. Create a proper logical access request tracking process utilizing a ticketing system to manage user change requests efficiently. Setup clearly defined parameters for LEA’s acceptable usage and routinely review and manage vendor activities and performance.
- 2024-037d Adopt best practice procedures, including management and oversight, over system administrator accounts employed within RIDE’s systems.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-038 (other noncompliance / material weakness – repeat finding – 2023-034)

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: Rhode Island 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. System controls to identify applicant noncompliance with work search requirements were also lacking.

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 (UI) programs and ensure that individuals meet the various program requirements to receive benefits. The current system used by DLT to process UI benefits utilizes outdated technology. This legacy system is mainframe-based and has reached end of life with a need for replacement. The State utilizes a “cloud-based” front-end application as the user interface for administering UI benefit applications and to validate applicant identity and prevent program fraud. Upon application completion, required applicant data flows to the UI legacy system for benefit administration. 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 2024, benefit payments exceeded \$200 million.

DLT maintains a Benefits Accuracy Measurement (BAM) program as required by federal regulations as a quality control system designed to assess the accuracy of UI benefit payments and denied claims. Using a statistical sampling model, the program estimates error rates (i.e., number of claims improperly paid or denied and the dollar amounts of benefits improperly paid or denied) by projecting the results from payment and denial reviews.

Criteria: Management is responsible for establishing and maintaining effective internal controls to process and disburse unemployment insurance benefits consistent with State and federal program requirements. The structure of the federal-state UI program partnership is based on federal statute (20 CFR Chapter V); however, it is implemented through state law.

State responsibilities include: (1) establishing specific, detailed policies and operating procedures which comply with the requirements of federal laws and regulations; (2) determining the state UI tax structure; (3) collecting state UI contributions from employers (commonly called “unemployment taxes”); (4) determining claimant eligibility and disqualification provisions; (5) making payment of UI benefits to claimants; (6) managing the program’s revenue and benefit administrative functions; (7) administering the programs in accordance with established policies and procedures; and (8) enacting state unemployment compensation (UC) law that conforms with federal UC law and that state law and operations substantially comply with federal law.

State UI regulations (RI Code of Regulations) specific to our findings on eligibility include the following:

- Title 260, Chapter 40, *Income Support*, Subchapter 05 – *Unemployment and Temporary Disability Insurance*, Section 1.18(F) – “Every claimant shall make such personal efforts to find suitable work as are customarily made by persons in the same occupation or in any other occupation for which the claimant is reasonably suited, commensurate with current economic conditions. These efforts include but are not limited to:
 - 1) Registering for work with the EmployRI,
 - 2) conducting an active, independent work search with at least three (3) work search contacts in each week that benefits are claimed and maintain a written record of the work search,
 - 3) submitting a weekly work search to the department as prescribed by the director and as indicated in the Department of Labor and Training’s guidelines for an active and independent search for work.
 - 4) posting a résumé on the Employment Services’ online job seeker tool kit and inquiring upon any job opportunities presented by the department,
 - 5) completing a skills review or similar activity through Employment Service as prescribed by the Director, and
 - 6) registering on the Virtual Recruiter or similar tool through Employment Service as prescribed by the Director.”
- Section 1.18 (G) – “The Director has discretion in determining whether to require one or all activities identified in §1.18(F)(4), (5), and (6) of this Part.”

Applicants that do not comply with program work search requirements should be referred to DLT’s Central Adjudication Unit.

RI General Law §28-42-68. *Recovery of erroneously paid benefits*, “(a) Any individual who, by reason of a mistake or misrepresentation made by himself, herself, or another, has received any sum as benefits under chapters 42 - 44 of this title, in any week in which any condition for the receipt of the benefits imposed by those chapters was not fulfilled by him or her, or with respect to any week in which he or she was disqualified from receiving those benefits, shall in the discretion of the director be liable to have that sum deducted from any future benefits payable to him or her under those chapters, or shall be liable to repay to the director for the employment security fund a sum equal to the amount so received, plus, if the benefits were received as a result of misrepresentation or fraud by the recipient, interest on the benefits at the rate set forth in §28-43-15. That sum shall be collectible in the manner provided in §28-43-18 for the collection of past due contributions. All interest received pursuant to this subsection shall be credited to the employment security interest fund created by §28-42-75.”

Condition: While our testing found that UI payments complied with most program eligibility requirements, noncompliance with certain requirements was noted. We tested a random sample of 60 individual benefit payments totaling \$24,243 in fiscal 2024. In conjunction with our testing, the following 2 exceptions (3.3% error rate) were deemed to be noncompliance with eligibility requirements resulting in ineligible benefit payments:

- 1 of 60 individuals had a return-to-work date submitted by the employer, however, the claimant received three payments after that date. DLT did not investigate any potential overpayment (questioned costs - \$2,139).
- 1 of 60 was not registered within EmployRI and staff were unable to locate any records of the claimant (questioned costs - \$10,829).

In conjunction with our testing, we noted a control deficiency relating to the documentation of social security numbers for applicant dependents. In our sample, we noted one case where social security numbers were not included in the UI system for reported dependents. Although DLT was subsequently able to provide documentation of social security numbers for the dependents, the UI system lacks systemic controls to prevent benefit payments when social security numbers are not reported in the case record.

As part of our testing, we evaluated applicant compliance with job search activities (e.g., résumé posting, completing a skills review, registering on the Virtual Recruiter or similar tool) required within UI policies and procedures. Our testing identified the following exceptions relating to applicant job search activity compliance:

- 5 of 60 (8.3%) did not have a résumé. EmployRI sets up the claim with an automated résumé recording all the information that a claimant presents. These five claimants were not compliant with a résumé being posted within the six-week requirement. DLT follow-up indicated that “the system failed to create the system generated résumé” for these applicants.
- 50 of 60 (83.3%) had incomplete résumés in the EmployRI system. Each résumé had completion rates between 20% - 60% and remained offline.

For eligibility purposes, while these exceptions support that controls are lacking over applicant compliance with job search requirements, these exceptions were not considered to represent benefit payments to ineligible applicants since DLT did not identify these cases for adjudication. Our review also noted that certain State UI policies on file with the Secretary of State regarding work search requirements (e.g., submission of weekly work search, résumé posting requirements) were inconsistent with the UI claimant guidance available on the DLT website.

Both our testing results and those reported through the BAM program identified significant noncompliance with UI claimant job search requirements. DLT’s reported BAM program results for the 2023-2024 reporting period cited noncompliance with work search activities in 31% of the cases reviewed.

Beyond the above control considerations, DLT’s current mainframe system has reached end of life and poses significant business continuity risks to UI benefit operations. The State’s 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 individuals who did not comply with program eligibility requirements.

Questioned Costs: \$12,968

Valid Statistical Sampling: Yes

RECOMMENDATIONS

- 2024-038a Implement compensating controls to identify noncompliance with program requirements.
- 2024-038b Ensure that ongoing considerations for the modernization of the unemployment benefit program administration system maximize automated processes designed to enhance controls over eligibility requirements.
- 2024-038c Ensure that official State UI policies and procedures on file with the Secretary of State relating to work search requirements are consistent with UI claimant guidance available on DLT's website.

Auditee views: *The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2024-039 (material noncompliance / material weakness – repeat finding – 2023-035)

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: Rhode Island 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)'s UI system does not impose penalties on overpayments due to fraud as required by federal regulations. The system also does not prohibit relief from charges to an employer's Unemployment Compensation (UC) account when the overpayment results from 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 %) 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.

In compliance with federal law (42 U.S. Code Section 503(a)(11), State Laws), 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 DLT request for information relating to the claim (RIGL 28-43-3(2)(viii)).

Condition: During fiscal 2024, DLT was not properly identifying and handling overpayments due to system limitations, including, as applicable, assessing 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. 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. DLT has no procedures currently in place to comply with federal regulations for program integrity overpayments.

Effect: Material noncompliance with federal and State laws as well as lost revenue on penalties not assessed.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-039 Implement 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 2024-040 (other noncompliance / significant deficiency – repeat finding – 2021-050)

HIGHWAY PLANNING AND CONSTRUCTION – 20.205

Federal Awarding Agency: U.S. Department of Transportation (DOT), Federal Highway Administration (FHWA)

Federal Award Fiscal Years: 2024

Federal Award Numbers: Various

Administered by: Rhode Island Department of Transportation (RIDOT)

NATIONAL INFRASTRUCTURE INVESTMENT – 20.933

Federal Awarding Agency: U.S. Department of Transportation (DOT), Federal Highway Administration (FHWA)

Federal Award Fiscal Years: 2018 - 2024

Federal Award Numbers: NHPBLDG001, NHPBLDG002, IMO953115, NHPBLDG003, NHP0037015

Administered by: Rhode Island Department of Transportation (RIDOT)

Compliance Requirement: *Procurement, Suspension and Debarment*

CONSULTANT CERTIFICATION OF INDIRECT COST RATE COMPLIANCE

RIDOT lacks policies and procedures requiring consultants to certify final indirect costs as mandated by federal regulations.

Criteria: Consultants and sub-consultants providing engineering and design-related services must certify to contracting agencies that costs used to establish indirect cost rates are in compliance with the applicable cost principles contained in the Federal Acquisition Regulation (48 CFR Part 31) by submitting a “Certificate of Final Indirect Costs” (23 USC 112(b)(2)(C); 23 CFR §172.11(c)(3)).

Condition: RIDOT lacks formalized internal control (e.g., policies and procedures) to ensure compliance with 23 CFR §172.11(c)(3)). RIDOT did not obtain the required Certificate of Final Indirect Costs from engineering and design-related vendors as required by federal regulations.

Cause: RIDOT has not developed, documented, or implemented a Certificate of Final Indirect Costs for engineering and design-related service procurements.

Effect: RIDOT is not compliant with 23 CFR §172.11(c)(3)(iii) and (ii) which require submission of a Certificate of Final Indirect Costs by an appropriate certifying official of the engineering and design-related services consultant. Consequently, RIDOT does not have an attestation from contracted consultants certifying compliance with Federal Acquisition Regulation cost principles designed to provide assurance of compliance with laws, regulations, and grant terms and conditions.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-040 Develop, document and implement a Certificate of Final Indirect Costs for the procurement of engineering and design-related service procurements in compliance with 23 CFR §172.11(c)(3)(iii) and (ii). Integrate the Certificate of Final Indirect Costs within RIDOT's internal control system to provide assurance of compliance with laws, regulations, and grant terms and conditions.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-041 (other noncompliance / significant deficiency – new finding)

HIGHWAY PLANNING AND CONSTRUCTION – 20.205

Federal Awarding Agency: U.S. Department of Transportation (DOT), Federal Highway Administration (FHWA)

Federal Award Fiscal Years: 2024

Federal Award Numbers: Various

Administered by: Rhode Island Department of Transportation (RIDOT)

NATIONAL INFRASTRUCTURE INVESTMENT – 20.933

Federal Awarding Agency: U.S. Department of Transportation (DOT), Federal Highway Administration (FHWA)

Federal Award Fiscal Years: 2018 - 2024

Federal Award Numbers: NHPBLDG001, NHPBLDG002, IMO953115, NHPBLDG003, NHP0037015

Administered by: Rhode Island Department of Transportation (RIDOT)

Compliance Requirement: *Procurement, Suspension and Debarment*

INDEFINITE DELIVERY / INDEFINITE QUANTITY PROCUREMENT

RIDOT has no documentation of FHWA approved Indefinite Delivery/Indefinite Quantity (ID/IQ) procurement policies and procedures.

Background: ID/IQ is a method of contracting that allows an indefinite quantity of services for a fixed time. This method is used when a contracting agency anticipates a recurring need but has not determined, above a specified minimum, the precise quantities of services that it will require during the contract period. Contractors bid unit prices for estimated quantities of standard work items, and work orders are used to define the location and quantities for specific work.

Criteria: 23 CFR §635.606(a) states that “The State DOT shall submit its proposed ID/IQ procurement procedures to the Division Administrator for review and approval. Following approval by the Division Administrator, any subsequent changes in procedures and requirements shall also be subject to approval by the Division Administrator before they are implemented. Other contracting agencies may follow approved State DOT procedures in their State or their own procedures if approved by both the State DOT and FHWA. The Division Administrator’s approval of ID/IQ procurement procedures may not be delegated or assigned to the State DOT.”

Condition: The RIDOT internal control system does not contain documented and approved ID/IQ procurement procedures detailing control activities which provide assurance of compliance with laws, regulations, and grant terms and conditions.

Cause: RIDOT has not developed, documented, and submitted ID/IQ procurement procedures to FHWA for review and approval.

Effect: RIDOT is not compliant with 23 CFR §635.606(a) documentation and approval requirements for ID/IQ procurements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-041 Develop and document ID/IQ procurement procedures and submit them to FHWA for review and approval. Upon FHWA approval, integrate ID/IQ procurement procedures within RIDOT's internal control system to provide assurance of compliance with laws, regulations, and grant terms and conditions.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-042

(other compliance matter – new finding)

PORT INFRASTRUCTURE DEVELOPMENT PROGRAM – 20.823

Federal Awarding Agency: U.S. Department of Transportation (DOT)

Federal Award Fiscal Years: 2022 - 2028; 2024 - 2029

Federal Award Numbers: 693JF72140012; 693JF72344009

Administered by: Quonset Development Corporation (QDC)

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Cash Management; Procurement, Suspension and Debarment; Subrecipient Monitoring

QUONSET DEVELOPMENT CORPORATION – DOCUMENTED POLICIES AND PROCEDURES

Criteria: OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (UG) requirements stipulate that federal award recipients must document their policies and procedures over certain aspects of financial and program management. Specifically, written policies are required for the following:

- Determination of allowable costs
- Employee travel
- Cash management
- Procurement
- Conflicts of interest

Condition: The Organization does not have written policies and procedures in place related to federal awards, as required under the Uniform Guidance.

Cause: While the Organization does not have written policies and procedures regarding internal controls, it has not developed specific written formal documentation of internal controls to encompass all applicable areas per the Uniform Guidance.

Effect: Due to the weaknesses in internal controls noted above, the Organization did not comply with the requirements of the Uniform Guidance over documented policies and procedures. No questioned costs are reported as this requirement is procedural in nature.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-042 The Organization should address the weakness noted above and create policies and procedures related to federal awards in order to comply with the Uniform Guidance.

Auditee views: *The auditee disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2024-043

(significant deficiency – new finding)

NATIONAL INFRASTRUCTURE INVESTMENT – 20.933

Federal Awarding Agency: U.S. Department of Transportation (DOT), Federal Highway Administration (FHWA)

Federal Award Fiscal Years: 2018 - 2024

Federal Award Numbers: NHPBLDG001, NHPBLDG002, IMO953115, NHPBLDG003, NHP0037015

Administered by: Rhode Island Department of Transportation (RIDOT)

Compliance Requirement: Reporting

FEDERAL REPORTING

RIDOT lacks documentation of internal controls over the reporting requirements for National Infrastructure Investment (NII) Grants.

Criteria: 2 CFR §200.303(a) states “Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Condition: RIDOT’s internal controls relating to reporting requirements for NII Grants are not formalized in the manner required by statute, federal regulations, or professional standards (COSO, Green Book). There is no documentation of review and approval for submission of the Quarterly Project Progress Reports that are required by the grant awards. The Division of Performance Management, responsible for submission of the report, obtains verbal approval from the Director of Project Management prior to submission of the NII Grant report to FHWA. Consequently, submission approval and segregation of report preparation and approval/authorization control activities are not verifiable by examination.

RIDOT’s current processes for NII Grant reporting are susceptible to misinterpretation, result in less assurance and accountability for report preparation and approval, and prevent the evaluation and monitoring of controls designed to ensure reporting accuracy.

Cause: RIDOT lacks documentation of internal control that complies with Uniform Guidance requirements.

Effect: Potential for errors in federal reporting submitted for the NII Grant program.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2024-043a Enhance internal controls over the Reporting requirement by documenting policies, procedures and control activities in conformance with an internal control framework such as COSO or the Green Book.

2024-043b Document NII Grant report review and submission approval.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-044 (other noncompliance / material weakness – repeat finding – 2023-030)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027

Federal Awarding Agency: U.S. Department of Treasury (TREAS)

Federal Award Fiscal Years: 2021 to 2025

Federal Award Number: SLFRP0136

Administered by: Rhode Island Department of Administration (DOA), Pandemic Recovery Office (PRO)

Compliance Requirement: *Subrecipient Monitoring; Allowable Costs/Cost Principles*

SUBRECIPIENT PAYMENTS AND MONITORING

Subrecipient monitoring procedures were insufficient to identify and remedy a finding reported by the subrecipient auditor that affected the State Fiscal Recovery Fund. Monitoring procedures were not in place to ensure adequate documentation was obtained regarding the use of payment advances.

Background: The Pandemic Recovery Office, as the administering agency of the State Fiscal Recovery Fund, executes memoranda of understanding with the various departments and agencies to conduct projects under the allowable uses of the program. The departments and agencies then often execute subawards within the scope of the specific project.

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.

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: As part of our testing, we performed an independent review of Single Audit Reports submitted to the Federal Audit Clearinghouse (FAC) for each sampled subrecipient. We noted a reported finding linked to the State Fiscal Recovery Fund for the subrecipient audit year ended September 30, 2024; the report was filed with the Clearinghouse on June 24, 2024. The report was not reviewed by the pass-through department, and subsequently, no management decision was issued.

In regard to the review of subrecipient reports in the Clearinghouse overall, of the 26 sampled subrecipient entities, 18 had filed Single Audit Reports with the FAC. Of those 18 reports, only 3 were reviewed, documented, and management decisions issued as necessary (15 not reviewed; 83% error rate).

Additionally, many of these subrecipients receive funding on a periodic basis. Of 31 subrecipient payments reviewed, 3 were payment advances to subrecipients for which no additional documentation or reconciliation was available to support subrecipient expenditures related to those prepayments. We noted several other subrecipient reimbursement payments that were lacking adequate support for the expenditures being reimbursed. Other documentation maintained by the agency to support monitoring procedures was unable to be provided.

Cause: Subrecipient monitoring procedures are not in place to ensure audit reports are reviewed and management decisions are issued, as required by Uniform Guidance. Other monitoring procedures were inadequate to ensure that subrecipients appropriately utilized the funds provided to support program objectives.

Effect: Noncompliance with program guidelines and/or federal regulations at the subrecipient level could go undetected and unresolved.

Questioned Costs: Undetermined

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2024-044a	Enhance internal control procedures to ensure timely review of audit reports and issuance of management decisions in accordance with Uniform Guidance.
2024-044b	Strengthen subrecipient compliance by requiring submission of Single Audit Reports to the pass-through department/agency as part of the subaward terms and conditions, prompting the review upon receipt of the reports.
2024-044c	Enhance controls to ensure adequate documentation of monitoring procedures performed and support for subrecipient expenditures is obtained. Document any meetings and/or conversations with the subrecipients and discussion had therein.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-045

(other noncompliance / material weakness – new finding)

DRINKING WATER STATE REVOLVING FUND – 66.468

Federal Awarding Agency: Environmental Protection Agency (EPA)

Federal Award Fiscal Years: 2022 - 2030

Federal Award Numbers: 99126120, 99126122, 99126E22, 99126S22, 99126L22, 99126123, 99126E23, 99126S23, 99126121, 99126L23

Pass-through Entity: Rhode Island Infrastructure Bank (RIIB)

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 - 2027

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER ALLOCATION OF INDIRECT COSTS

Controls are inadequate to ensure allocation of indirect costs is accurate, complete and in compliance with federal regulations.

Background: RIDOH has constructed comprehensive workbooks, Uniform Grant Spreadsheets (UGS), to assist in monitoring award activity throughout the period of performance. Agency staff populate the UGS workbooks monthly with transactional information from the State’s accounting system. Accounting detail contained in the UGS are utilized to determine the indirect costs allocable to direct expenditures. Populating the spreadsheets is a manual process and lacks the required access, data integrity and other monitoring controls necessary to ensure the accuracy of the recording activity and subsequent calculations contained within.

Criteria: Federal regulations 2 CFR §200.303 and 45 CFR §75.303 require the auditee to establish, document and maintain effective internal control over Federal awards that provides reasonable assurance the recipient is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.

Additionally, Federal regulation 2 CFR Part 200, Appendix VII specifically excludes capital expenditures as part of the direct expenditure base used in computing the indirect costs.

Condition: Internal control over the allocation of indirect costs was insufficient to ensure compliance with federal regulations, specifically:

- Indirect costs were erroneously applied to capital expenditures relating to improvements of the State’s Medical Examiner’s building, resulting in questioned costs of \$160,132.
- Data entry errors in the *ELC Enhancing Detection* award workbook resulted in the incorrect indirect cost rate applied retroactively to fiscal 2021. In considering total questioned costs, we calculated the impact of the incorrect indirect cost rate applied over the duration of the award to determine total questioned costs of \$989,825.

Cause: Current controls are not adequate (1) to detect the inclusion of unallowable costs within the indirect cost allocation calculation and (2) to ensure that the approved indirect cost rate is properly applied. The maintenance of the UGS monthly transactional detail is highly manual and lacks the data integrity controls to properly monitor for completeness, accuracy and required compliance with federal regulations.

Effect: Reimbursement for unallowable indirect costs.

Questioned Costs: \$1,149,957 (ELC – 93.323)

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2024-045a	Enhance internal controls over the UGS to ensure only allowable costs are included in the calculation of indirect costs and that only the approved indirect cost rate is applied.
2024-045b	Credit the federal grantor for unallowable costs charged to the ELC grant award.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-046 (other noncompliance / significant deficiency – repeat finding – 2023-033)

DRINKING WATER STATE REVOLVING FUND – 66.468

Federal Awarding Agency: Environmental Protection Agency (EPA)

Federal Award Fiscal Years: 2022 - 2030

Federal Award Number: 99126120, 99126122, 99126E22, 99126S22, 99126L22, 99126123, 99126E23, 99126S23, 99126121, 99126L23

Pass-through Entity: Rhode Island Infrastructure Bank (RIIB)

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 - 2027

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Allowable Costs/Cost Principles

TIME AND EFFORT REPORTING

RIDOH controls over time and effort reporting are lacking to ensure accurate allocations and reimbursements from federal programs.

Background: RIDOH has built and implemented a complex time-reporting system using internal worksheets for employees to allocate time spent on various activities during the pay periods. Reconciliations of the hours worked versus the hours charged to the State's payroll and accounting systems are performed quarterly. Recorded amounts are adjusted accordingly to ensure charges to the federal programs are consistent with actual time worked on the various programs.

Criteria: 45 CFR §75.430(i)(1) and 2 CFR §200.430(g)(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 control deficiencies pertaining to the allowability of personnel expenditures:

- Amounts allocated to federal programs for personnel costs were not consistently supported by properly signed and reviewed timesheets. For the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program, 25 of the 80 selected weekly timesheets lacked a supervisory review signature. In addition, RIDOH was unable to provide 1 timesheet for an employee selected in the sample. For the Drinking Water State Revolving Fund (DWSRF) program, 4 of the 80 selected weekly timesheets lacked a supervisory review signature.
- Two exceptions in the ELC sample noted above, and one exception in the DWSRF sample noted above involved timesheet activity recorded to general category codes (i.e., EH Management & Leadership), which lack sufficient detail (i.e., underlying activity performed in support of related category code) to support specific Federal program allocation. This resulted in certain payroll costs being overallocated to the ELC program (questioned costs \$1,126) and to the DWSRF program (questioned costs \$704).

Cause: Current 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 details for general category codes prevented direct verification of recorded timesheet activities to the underlying charges for the related federal programs.

Effect: Personnel costs reimbursed from Federal awards could be unallowable due to insufficient support and documentation.

Questioned Costs: \$1,126 (ELC – 93.323), \$704 (DWSRF – 66.468)

Valid Statistical Sampling: Yes

RECOMMENDATION

2024-046 Enhance reporting of time and effort for general timesheet category activities 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 2024-047

(other noncompliance / significant deficiency – new finding)

SPECIAL EDUCATION CLUSTER (IDEA) – 84.027, 84.173

Federal Awarding Agency: U.S. Department of Agriculture (USDA)

Federal Award Fiscal Year: 2024

Federal Award Numbers: HO27A220054-22A, H173A220057

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

The Department of Education (RIDE) has not implemented adequate subrecipient monitoring activities to ensure compliance with federal regulations.

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. RIDE performs its subrecipient monitoring through the review of audit reports, desk reviews and performing site visits deemed high risk. High-risk subrecipients are determined through the review of audit reports, completion of a desk review checklist, and the completion of an annual survey completed by the subrecipients then scored by RIDE.

Criteria: Federal regulations 2 CFR §200.329, require Pass Through Entities (PTE), such as the State, to monitor grant subrecipients to ensure that federal funds are spent appropriately. Federal Regulation 2 CFR §200.332 Subpart B requires that the PTE provide subrecipients with clear grant information, including grant terms, required financial reporting, and audit requirements. Per 2 CFR § 200.328, PTEs must collect financial data from subrecipients no less than annually.

Condition: We identified some deficiencies in internal controls relating to subrecipient monitoring during our audit. Deficiencies included a lack of required monitoring documentation (e.g., annual surveys, Single Audit Reports) submitted by subrecipients and failure by RIDE to appropriately consider these deficiencies within their consideration of subrecipient risk. Of the 65 subrecipients receiving \$55.3 million, we selected 25 subrecipients for testing and found 4 subrecipients with control deficiencies that prevented RIDE from complying with the subrecipient monitoring requirement as follows:

- RIDE was unable to provide documentation supporting grant award information communicated to one subrecipient. Additionally, the required risk assessment for the Special Education Cluster was not performed for this subrecipient.
- RIDE was unable to provide the completed Desk Review checklist for 3 subrecipients. These 3 subrecipients also did not complete RIDE's required annual survey. We found that the lack of annual survey completion did not result in RIDE assessing higher risk for one subrecipient and thus no site visit was performed. The other 2 subrecipients were assessed at high risk, however, no site visit was performed for these subrecipients.
- A subrecipient did not submit its fiscal year 2022 and 2023 Single Audit Reports and RIDE did not modify its risk assessment accordingly. RIDE was also unable to provide documentation supporting its follow-up (i.e., meeting discussing the submission of the Single Audit Report) with the subrecipients. Additionally, RIDE's risk assessment was not adequate to identify this subrecipient as high risk.

Internal controls over subrecipient monitoring would be improved by 1) updating subrecipients' risk assessments when they fail to comply with documentation requirements, and 2) implementing monitoring procedures to identify instances where RIDE's monitoring is not consistent with the risk assessed. Implementing site visits when subrecipients do not comply with documentation requirements would ensure that monitoring procedures align with the risk associated with the subrecipient.

Cause: Lack of adequate dedicated agency resources and insufficient controls to ensure compliance with federal requirements.

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: Not Applicable

RECOMMENDATION

2024-047 Improve internal controls over subrecipient monitoring by 1) updating subrecipients' risk assessments when they fail to comply with documentation requirements, and 2) implementing monitoring procedures to identify instances where RIDE's monitoring is not consistent with the risk assessed.

Auditee views: *The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2024-048

(other noncompliance / significant deficiency – new finding)

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 - 2027

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: Reporting

CONTROLS OVER FEDERAL FINANCIAL REPORTING REQUIREMENTS

There are insufficient controls to ensure complete and accurate program reporting requirements.

Criteria: Federal regulation 45 CFR §75.341, requires the Federal Financial Report (FFR), SF-425A to be submitted on an annual basis in accordance with the terms and conditions of the federal award. Recipients must submit FFRs to the U.S. Department of Health and Human Services (HHS) Centers for Disease Control & Prevention no later than 90 days after the end of the reporting period and final FFRs within 120 days after the end of the period of performance. FFRs are to be complete, accurate and the amounts reported able to be substantiated by the entity's accounting records. In addition, the report is designed to capture key financial data for a grant award, such as the amount of federal funds disbursed and spent so far.

Condition: RIDOH was unable to substantiate expenditure amounts recorded on the FFR for the ELC Core award and its supplements. Additionally, the ELC Core – National Wastewater Surveillance System FFR reported amounts for expenditures past the end of the reporting period.

Cause: RIDOH currently utilizes workbooks, *Uniform Grant Spreadsheets* (UGS) to track federal expenditures during the term of the award. Information reported on the annual FFRs is compiled using the cumulative information within the UGS. There is a lack of sufficient control over the access and data integrity, to ensure

that the underlying transactional account details are complete and accurate. The UGS are not reconciled on a routine basis to ensure consistency with the State's financial accounting system's detail, and management's review of the required SF-425A reports was insufficient to identify inaccuracies in amounts reported.

Effect: Certain submitted Federal Financial Reports (SF-425A) were not complete and accurate.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2024-048a Enhance internal control over the UGS to ensure the accuracy and integrity of cumulative financial information used in generating required federal financial reports.
- 2024-048b Reconcile the details contained within the UGS to the underlying transactional information recorded in the State's accounting system, to verify amounts reported within the required SF-425A forms are complete and accurate.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-049 (other noncompliance / material weakness – repeat finding – 2023-051)

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: 2023; 2024

Federal Award Number: 2301RITANF; 2401RITANF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Eligibility

CONTROLS OVER ELIGIBILITY DETERMINATIONS IN 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 resulting in deficiencies relating to documented applicant residency, resulted in noncompliance with TANF eligibility requirements for fiscal 2024.

Background: RIBridges is the State's federally approved integrated eligibility system used to manage multiple health care and human service programs. It was designed to allow for enhanced client accessibility and provide for 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. Federal regulation 45 CFR §205.60(a) requires the State agency "to maintain records to support eligibility, including facts to support the client's need for 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 receipts, lease agreements, utility bills, medical bills, bank statements, payroll statements, mortgage statements, car registrations, city or town tax statements, and/or school records.

Condition: Documentation in RIBridges was insufficient to support eligibility in certain cases tested. When evaluating exceptions relating to case documentation deficiencies, questioned costs and consideration of material 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. We noted the following exceptions in our testing of case files:

<i>Sample 1 – Monthly household benefit payments reported by RIBridges during fiscal 2024.</i> <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 – 39,621 cases, \$23,120,592 in benefits paid				
Sample Size	Number of Exceptions	Exception Type	Error Rate	Known Questioned Costs
71	9	<i>Critical documentation deficiencies</i> – failure to support household residency.	12.6%	\$47,791
	2	<i>No documentation of recertification</i> - Six-month interim documentation was not present in the electronic case file or case notes.	2.9%	\$6,044
	23*	<i>Limited documentation deficiencies</i> - case record indicative of control deficiencies but not deemed critical to household eligibility.	32.4%	N/A

Exceptions resulting in eligibility being unsupported by case record (11 Exceptions – 15.4% error rate):

- None of the required documentation supporting household residency was included in the case record for 9 sample households.
- Signed recertification documents not scanned to the system for 2 of the cases selected in the sample.

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 (23 instances).

* Represents the number of cases containing errors; a case may have more than one error.

Documentation deficiencies for critical eligibility requirements were noted in 15.4% of the cases we tested in fiscal 2024. Our sample of 71 household monthly benefit payments totaled \$42,392. Questioned costs noted during our sample testing totaled \$6,158 for a benefit error rate of 14.53%. Our sample error rate projected to the benefit population estimated likely questioned costs of \$3.4 million, or 4.3% of the total program expenditures. While our projected questioned costs did not rise to the level of material noncompliance with TANF eligibility requirements, significant noncompliance is resulting from documentation deficiencies.

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.

Cause: Lack of supporting documentation included in the TANF case record (file) 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: \$53,835

Valid Statistical Sample: Yes

RECOMMENDATION

2024-049 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 2024-050

(other noncompliance / material weakness – 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 Years: 2023; 2024

Federal Award Number: 2301RITANF; 2401RITANF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Special Tests and Provisions – Income Eligibility and Verification System

INCOME ELIGIBILITY AND VERIFICATION SYSTEM

Internal controls are lacking to ensure that Income Eligibility Verification System (IEVS) requirements are supported by documentation required by program regulations. Documentation deficiencies, specifically relating to executing data exchange interfaces, resulted in noncompliance with federal requirements for fiscal 2024.

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 provide for periodic validation of client attested data through multiple electronic interfaces.

Criteria: 2 CFR §200.303 requires that a non-federal entity must “establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).”

Federal regulation 45 CFR §205.55 requires that “each state shall participate in the Income Eligibility and Verification System (IEVS) required by Section 1137 of the Social Security Act as amended. Under the state plan the state is required to coordinate data exchanges with other federally assisted benefit programs, request and use income and benefit information when making eligibility determinations and adhere to standardized formats and procedures in exchanging information with other programs and agencies. Specifically, the state is required to request and obtain information as follows (42 USC 1320b-7; 45 CFR §205.55): (a.) Wage information from the state Wage Information Collection Agency (SWICA) should be obtained for all applicants at the first opportunity following receipt of the application, and for all recipients on a quarterly basis. (b.) Unemployment Compensation (UC) information should be obtained for all applicants at the first opportunity, and in each of the first three months in which the individual is receiving aid. This information should also be obtained in each of the first three months following any recipient-reported loss of employment. If an individual is found to be

receiving UC, the information should be requested until benefits are exhausted. (c.) All available information from the Social Security Administration (SSA) for all applicants at the first opportunity. (d.) Information from the US Citizenship and Immigration Services and any other information from other agencies in the state or in other states that might provide income or other useful information. (e.) Unearned income from the Internal Revenue Service (IRS).”

Condition: The Department of Human Services (DHS) did not outline within its TANF state plan how it complies with Section 1137 of the Social Security Act as amended as it relates to IEVS requirements. Furthermore, the case files reviewed in the RIBridges system lacked sufficient documentation to demonstrate that income data interfaces were consistently executed for certain cases tested. This raises concerns regarding the adequacy of verification processes and compliance with federal program integrity requirements.

As part of our sample testing of 71 cases subject to IEVS requirements, we identified the following issues:

- In 5 cases, SWICA data from the Rhode Island Department of Labor and Training was available; however, no actions were taken to verify or incorporate this information into the benefit calculation process.
- In 5 cases, none of the required IEVS data interfaces had been executed or documented in the case files.
- In 21 cases, the IRS data interface was either not executed or reflected outdated information.
- In 9 cases, the SSA data interface was either not executed or reflected outdated information.

Cause: Absence of IEVS procedures documented within the TANF state plan. Lack of supporting documentation in the case record and insufficient procedures to ensure that income interfaces are run against client information prior to and during eligibility periods.

Effect: Noncompliance with TANF IEVS requirements mandated by federal regulations. Improper or incorrect benefit payments could be claimed to the TANF program.

Questioned Costs: Undetermined

Valid Statistical Sample: Yes

RECOMMENDATIONS

2024-050a	Conduct a review of the TANF state plan and update it to include detailed procedures for utilizing IEVS interfaces and incorporating the resulting information into eligibility determinations.
2024-050b	Ensure that income data interfaces are properly executed and that the information obtained is used in making benefit eligibility determinations.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-051 (other noncompliance / significant deficiency – repeat finding – 2023-053)

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; 2023; 2024

Federal Award Number: 2201RITANF; 2301RITANF; 2401RITANF

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: 2023; 2024

Federal Award Number: 2301RICCDF; 2401RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Reporting

CONTROLS OVER FINANCIAL AND SPECIAL REPORTING

Federal reports for both TANF and Childcare did not agree to underlying documentation. Subawards were not reported timely in accordance with federal regulations.

Background: RIBridges is the State’s federally approved integrated eligibility system used to manage multiple healthcare and human service programs. It was designed to allow for enhanced client accessibility and provide for periodic validation of client attested data through multiple electronic interfaces.

Criteria: Federal reports should include all activity for the reporting period, be supported by applicable accounting or performance records, and be fairly presented in accordance with program reporting requirements. Subaward reporting under the Federal Funding Accountability and Transparency Act (FFATA) requires the awarding agency to report subawards in the Federal Subaward Reporting System (FSRS) no later than the last day of the month following the month in which the subaward/subaward amendment obligation was made or the subcontract award/subcontract modification was made (2 CFR Part 170, Appendix A, *Award Term, Reporting Requirements*).

Condition: We tested two out of five quarterly TANF reports (grant awards can often overlap reporting periods), and two of four quarterly Childcare financial reports, noting errors in at least one line item in all reports tested that went undetected by DHS. The summary documents provided as support did not agree to the underlying data.

In regard to testing of subawards for compliance with federal reporting requirements, three subawards were not submitted by the end of the month subsequent to the awarding action. Our testing of subaward reporting for compliance with FFATA reporting requirements are detailed in the following tables:

TANF Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
3	0	1	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$2,409,334	0	\$438,500	\$0	\$0

CCDF Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
6	0	2	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$3,845,611	0	\$716,258	\$0	\$0

Cause: DHS did not perform quarterly reconciliations of federal reports to the State accounting system. In addition, documentation for each report was not saved and maintained as supporting documentation. DHS lacks monitoring controls to ensure that subawards are reported in accordance with FFATA requirements.

Effect: Federal reporting errors were made and not detected and corrected.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2024-051a 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.

2024-051b Implement monitoring controls to ensure that subaward information is submitted timely in accordance with FFATA reporting requirements.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-052 *(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 Years: 2023; 2024

Federal Award Number: 2301RITANF; 2401RITANF

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: 2023; 2024

Federal Award Number: 2301RICCDF; 2401RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

CONTROLS OVER PAYMENTS TO SUBRECIPIENTS

Invoices provided by subrecipients for both TANF and Childcare did not include all underlying documentation to support the amount requested.

Background: TANF: A State may contract with charitable, religious, and private organizations to provide administrative and programmatic services and may provide beneficiaries of assistance with certificates, vouchers, or other forms of disbursement that are redeemable with such organization (42 USC 604a(b), 42 USC 604a(k), and 45 CFR §260.34).

CCDF: Funds may be used for activities that improve the quality or availability of child care services, consumer education and parental choice (42 USC 9858e).

Subrecipients are required to submit periodic reports (FM-1) and supporting documentation to DHS to receive payment.

Criteria: Uniform guidance, 2 CFR §200.403, *Factors affecting allowability of costs*, include that those costs:

- (a) Be necessary and reasonable for the performance of the Federal award and be allocable thereto under these principles.
- (b) Conform to any limitations or exclusions set forth in these principles or in the Federal award as to types or amount of cost items.
- (c) Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the recipient or subrecipient.
- (d) Be accorded consistent treatment. For example, a cost must not be assigned to a Federal award as a direct cost if any other cost incurred for the same purpose in like circumstances has been allocated to the Federal award as an indirect cost.
- (e) Be determined in accordance with generally accepted accounting principles (GAAP).
- (f) Not be included as a cost or used to meet cost sharing requirements of any other federally-financed program in either the current or a prior period.
- (g) Be adequately documented.

Condition: Subrecipients submit monthly invoices requesting reimbursement for cost categories such as Payroll, Overhead, Consulting, Supplies, and Travel. Eighteen out of 25 TANF contract payments tested were lacking supporting documentation for at least one cost category reported on the FM-1. We also noted 19 out of 25 CCDF contract payments were lacking supporting documentation for payroll costs reported on the FM-1. While DHS had obtained documentation supporting the contractor reimbursement request, the documentation was not adequate to fully evaluate compliance with allowability requirements defined in 2 CFR §200.403.

Cause: Lack of adequate review of contractor provided documentation prior to reimbursement. Documentation submitted by subrecipients deemed insufficient to evaluate compliance with 2 CFR §200.403.

Effect: Reimbursements for unallowable activities could be made by these federal programs and not be detected.

Questioned Costs: Undetermined

Valid Statistical Sample: Yes

RECOMMENDATIONS

2024-052a	Adopt specific policy requirements regarding documentation required from subrecipients in support of reimbursement requests.
2024-052b	Obtain adequate and complete documentation to support the allowability of costs claimed under contracts before authorization of payment.

Auditee views: *The auditee disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2024-053

(significant deficiency – repeat finding – 2023-054)

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: 2023; 2024

Federal Award Number: 2301RITANF; 2401RITANF

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: 2023; 2024

Federal Award Number: 2301RICCDF; 2401RICCDF

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: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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 Findings 2024-016 and 2024-021.

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, monitoring of system access, and oversight of IT security activities performed by the system contractor (e.g., penetration testing and vulnerability scans). IT security deficiencies identified through these processes should be tracked by the State to ensure timely remediation by the 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 occur biennially);
- MARS-E (Minimum Acceptable Risk Standards for Exchanges) assessments of a set of security and privacy standards, established by the Centers for Medicare and Medicaid Services, applicable to entities managing Health Insurance Exchanges. These assessments are performed annually with the audit scope rotating over a three-year period; and
- Internal Revenue Service Safeguard Reviews – IT security reviews over State systems and applications that utilize federal tax information.

In fiscal 2024, 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 annual attestation engagements are not contractually required). 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.

The MARS-E evaluation for the quarter ending June 30, 2024 cited significant findings and recommendations within the RIBridges IT security assessment, including:

- Documentation lacking to evaluate security controls;
- Continued use of unsupported applications in need of update or patching;
- Lack of contractor tracking of exceptions and risk assessments;
- Contractor only sharing partial vulnerability scanning results;
- Lack of a robust triage process for security vulnerabilities; and
- Inadequate consideration of IT security vulnerabilities with industry best practices.

Several of these findings were also identified in prior MARS-E assessments.

Our review of controls over RIBridges’ system user access in fiscal 2024 also identified that user access relating to the Child Care and Employment Activity Referral and Response functions were not subject to the same access deactivation processes as other programs administered through the system. DHS has recently implemented procedures to address this issue.

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

2024-053a	Improve monitoring of MMIS system access, oversight of IT security activities performed by the system contractor (e.g., penetration testing and vulnerability scans), and tracking of IT security deficiencies to ensure timely remediation by the contractor.
2024-053b	Implement recommendations identified in the MARS-E assessment to improve IT security administration of the RIBridges system.
2024-053c	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.
2024-053d	Ensure consistent implementation of controls over system user access across all programs administered through RIBridges.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-054	(material noncompliance / material weakness – repeat finding – 2023-056)

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: 2023; 2024

Federal Award Number: 2301RICCDF; 2401RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Eligibility

CONTROLS OVER CHILD CARE ELIGIBILITY

System controls over eligibility determinations and income validation within RIBridges require strengthening for the CCDF Cluster programs. Controls to improve the documentation of eligibility need improvement to support compliance with federal regulations.

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 provide for 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 childcare program.

Criteria: Lead agencies must have procedures in place for documenting and verifying eligibility in accordance with federal requirements, as well as the specific eligibility requirements adopted 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 scale fee, 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: RIBridges lacked effective income validation controls to determine program eligibility. Documentation supporting child care program eligibility was not found in 5 out of the 40 sample cases we reviewed, resulting in a 12.5% error rate. The complete details of our testing are presented in the following table:

<u>Sample 1 – Provider payments for enrolled children reported by RIBridges during fiscal 2024</u> <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 – 333,768* payments to childcare providers, \$64,800,790 in net benefits paid				
Sample Size	Number of Exceptions	Exception Type	Error Rate	Known Questioned Costs**
40	3	Noncompliance with established eligibility process and/or control procedures, including documentation deficiencies with Benefit Decision Notice and Child Birth Certificate.	7.5%	\$22,330
	2	Incorrect calculation of household income.	5.0%	\$13,581
* The population represents the number of payments made to childcare providers from all sources. The total benefits paid were funded 46% by Child Care, 26% by TANF, 3% by SSBG, and 25% from State funds. ** 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.				

Our sample of 40 household monthly benefit payments totaled \$8,392. Questioned costs noted during our sample testing totaled \$1,076 for a benefit error rate of 12.82%. Projecting our sample error rate to the Child Care program's proportionate share (46% of total benefit population; \$29.8 million funded by Child Care), resulted in estimated likely questioned costs of \$3.8 million of the total program expenditures. The significance of our sample error rate and projected questioned costs, relating to critical documentation deficiencies, was determined to represent material noncompliance with CCDF eligibility requirements in fiscal 2024.

DHS review of 2 of the 3 exceptions where documentation of eligibility was lacking found those cases to be initiated by the Department of Children, Youth and Families (DCYF) for children in the State's custody or known through DCYF programs. DHS indicated that current processes do not require documentation of eligibility for applicants initiated by DCYF to be included in RIBridges. Our position is that documentation supporting eligibility for all CCDF program applicants should be supported by RIBridges.

Cause: RIBridges does not prevent a case from being approved for eligibility for missing required documents. Eligibility exceptions noted resulted from worker noncompliance with documentation requirements supporting eligibility determinations. Additional focus and training are required to ensure consistent documentation of eligibility components within RIBridges. Controls over the input of payroll information were also deficient, resulting in improper co-share amounts being determined.

Effect: Noncompliance with childcare eligibility requirements. The parental income/co-shares could be incorrectly determined. Failure to end benefits timely due to income changes.

Questioned Costs: \$35,911

Valid Statistical Sample: Yes

RECOMMENDATION

2024-054 Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record.

Auditee views: The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.

Finding 2024-055

(other noncompliance / material weakness – new finding)

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: 2023; 2024

Federal Award Number: 2301RICCDF; 2401RICCDF

Administered by: Rhode Island Department of Human Services (DHS)

Compliance Requirement: Special Tests and Provisions – Health and Safety

NONCOMPLIANCE WITH HEALTH AND SAFETY REQUIREMENTS

The DHS Office of Child Care’s (OCC) monitoring policies and procedures are not ensuring childcare provider compliance with health and safety standards.

Background: The Department of Human Services (DHS), the lead agency, operates the Office of Child Care (OCC) which administers the Child Care Assistance program as well as the licensing and monitoring of participating child care centers. DHS has adopted formalized licensure and health and safety policies and procedures designed to ensure compliance with 45 CFR §98.41, *Health and safety requirements*.

In addition to OCC provider case file reviews in fiscal 2024, the Office of the Auditor General conducted site visits to a sample of Family Child Care (FCC) and Child Care Center (CCC) providers in connection with an ongoing performance audit of Child Care health and safety standards.

Criteria: 45 CFR §98.41, *Health and safety requirements* state that “(a) Each Lead Agency shall certify that there are in effect, within the State (or other area served by the Lead Agency), under State, local or tribal law, requirements (appropriate to provider setting and age of children served) that are designed, implemented, and enforced to protect the health and safety of children. Such requirements must be applicable to child care providers of services for which assistance is provided under this part.” 45 CFR §98.41 details the minimum health and safety topics that need to be covered by State Child Care rules and regulations.

RI Code of Regulations, Title 218, Department of Human Services, Chapter 70, Office of Child Care Licensing, Parts 1 and 2, mandate licensing standards for Child Care Centers and Family Child Care Centers.

Condition: While DHS has comprehensive policies and procedures adopted in relation to Child Care program Health and Safety standards, our audit identified varying levels of compliance with those policies and procedures when reviewing provider case files and visiting child care providers. Our sample of 50 providers noted the following noncompliance with OCC health and safety requirements:

- 34 of 50 (68%) providers reviewed lacked documentation of background record checks;
- 17 of 50 (34%) providers reviewed lacked documentation of child immunization records for non-school age children (immunization records were not documented for 46 out of 439 or 10.4% of children reviewed at the selected providers);
- 5 of 50 (10%) providers did not have an emergency preparedness and response plan that addressed all required components;

- 9 of 30 (30%) providers with infant care were noted to have unallowable items in the facility cribs;
- 20 of 50 (40%) providers did not have toxic substances clearly labeled and in a secure area; and
- 22 of 50 (44%) providers did not have complete developmental histories for children in their care (developmental histories were not documented for 61 out of 336 children or 18.2% of children reviewed at the selected providers).

Child care provider compliance was found to be high for requirements for liability insurance coverage, fire inspections, lead inspections, and radon inspections.

Cause: DHS OCC monitoring policies and procedures are not ensuring child care provider compliance with health and safety standards.

Effect: Noncompliance with child care provider health and safety requirements designed to ensure the health and safety of children covered under the Child Care and Development Fund program.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2024-055 Evaluate current monitoring procedures and resources needed to improve child care provider compliance with health and safety requirements.

Auditee views: *The auditee partially disagrees with this finding – see Corrective Action Plan in Section E.*

Finding 2024-056 (material noncompliance / material weakness – repeat finding – 2023-057)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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 public health emergency (PHE) regulations and policy modifications that extended into fiscal year 2024, resulted in noncompliance with federal regulations relating to CHIP eligibility.

Background: Medical benefit expenditures claimed to CHIP totaled \$147.5 million in fiscal 2024. Benefit expenditures mainly constituted managed care capitation payments for CHIP eligible individuals. Certain modifications to program eligibility requirements remained in place to some extent as the State conducted PHE unwinding procedures, which required a phased rollout of eligibility redetermination procedures during fiscal 2024.

Eligibility for CHIP is mainly determined through the State’s integrated eligibility system, RIBridges. Individuals are assigned CHIP eligible aid categories, which are then communicated to the Medicaid Management Information System (MMIS) where fee-for-service claims and managed care capitation (i.e., healthcare premiums) are paid on behalf of the individuals. The MMIS allocates expenditures for claims and capitation based on the individual’s aid category.

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: While most CHIP eligibility was identified through RIBridges, EOHHS identified additional CHIP claiming (approximately \$5.8 million in federal expenditures) 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 2024, we tested a sample of 60 CHIP eligible members (population of individuals with reported CHIP eligibility during fiscal year 2024 totaled 52,198). Fee-for-service and managed care capitation payments for fiscal 2024 approximated \$20.4 million (federal share - \$14.1 million) and \$119.1 million (federal share - \$82.2 million), respectively. Of the 60 cases (eligibility segment for sampled CHIP members) sampled, 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 (2 cases; questioned costs - \$906).
- Social security number was not validated for an individual older than 12 months (1 case; questioned costs - \$172).
- The SWICA interface utilized to validate household income did not properly report in the RIBridges case record. Since RIBridges reported incomplete SWICA income, the system failed to detect that household income exceeded federal income limits for CHIP and would have been ineligible for program benefits (1 case; questioned costs - \$344).
- Citizenship was not documented. This child should have been covered under the State program since ineligible for Medicaid or CHIP (1 case; questioned costs - \$524).
- Eligibility determination was impacted by eligibility technician (ET) worker errors. Errors included failure to 1) redetermine the case when household member turned 19 years old and 2) end date an employment segment when the household member lost employment. In these cases, household income would have made the child eligible for Medicaid not CHIP (2 cases; questioned costs - \$2,483).
- Eligibility was determined using self-attested data when the SWICA interface reported income greater than the self-attested amounts and in excess of household income limits. No additional requests for documentation were sent to resolve the income discrepancy (3 cases; questioned costs - \$1,029).
- Child should have been ineligible for CHIP due to existing third-party health coverage (3 cases; questioned costs - \$2,913). See additional questioned costs determined through separate evaluation of ineligible CHIP claiming of children with third-party health insurance coverage below.

Our testing found exceptions in 13 out of 60 sampled cases resulting in an error rate of 21.7%. Total claims and capitation paid for sample cases total \$182,283 (federal share - \$125,775). Questioned costs relating to sample cases for fiscal 2024 periods deemed ineligible for CHIP reimbursement totaled \$8,371 or 6.7% of claiming for sampled CHIP individuals. Our test results supported projected questioned costs estimated at \$9,284,114 (federal share - \$6,408,360).

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 609 children charged to CHIP that had verified other private insurance for the entire fiscal year. Capitation payments made in fiscal 2024 for those members totaled \$1,829,447 (questioned costs - \$1,262,318). The State implemented system changes to RIBridges, designed to prevent children with existing health coverage from being coded CHIP eligible; however, the functionality did not effectively ensure that only uninsured children were charged to CHIP funding sources in fiscal 2024.

Deficiencies in program controls to ensure that children aged out of CHIP at age 19 continued to be noted during fiscal 2024. An analysis of children charged to CHIP during fiscal 2024, age 19 (plus 3 months to allow for notice and redetermination) or older noted 229 individuals with managed care capitation payments claimed to CHIP totaling \$771,916 (questioned costs - \$532,622). While PHE unwinding procedures reduced noncompliance in this area from the prior year, significant noncompliance was still noted during fiscal 2024.

Based on our sample testing exception noted above, we analyzed instances where children initially coded eligible with expenditures funded under CHIP were re-coded and remained coded at year-end to a State coverage program titled “Cover All Kids.” Cover All Kids provides State-funded eligibility for undocumented children residing in the State that otherwise meet Medicaid and CHIP eligibility requirements. Our analysis found that the coding error impacted approximately 132 cases within CHIP during fiscal 2024. EOHHS will need to conduct case level reviews of these cases to determine questioned costs incurred for undocumented children and credit the federal grantor for those costs.

Lastly, as a follow-up to our joint audit with the federal Department of Health and Human Services, Office of Inspector General, issued in March 2024, which evaluated 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 and related control processes designed to follow up on Public Assistance Reporting Information System (PARIS) notifications remained ineffective through fiscal 2024. The amount of capitation paid for CHIP members no longer residing in the State was not determinable during our audit period. EOHHS will need to re-establish its procedures to attempt communication with members reported through PARIS to comply with federal procedural requirements before terminating eligibility.

The cumulative noncompliance identified by our testing procedures over CHIP eligibility was deemed to represent material noncompliance with CHIP program eligibility requirements.

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, failure to follow up on PARIS notifications), ET error, or insufficient documentation supporting eligibility within the case record (i.e., lack of income and citizenship documentation).

Effect: Noncompliance with federal requirements relating to recipient eligibility for CHIP.

Questioned Costs: \$1,803,311

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2024-056a	Address and correct the RIBridges system deficiencies (e.g., citizenship and income validation, TPL consideration, PARIS notification follow-up) to strengthen controls and ensure compliance with federal regulations regarding CHIP eligibility.
2024-056b	Identify ET worker errors and case documentation deficiencies and conduct training to address common issues leading to incorrect or unsupported eligibility determinations.
2024-056c	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 2024-057 (other noncompliance / significant deficiency – repeat finding – 2023-058)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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 periodically adjust administrative expenditures reported in the State accounting system 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;
- Supervisory review and monitoring was lacking or not formalized, as most agency cost allocation systems are operated by one individual; and
- Monitoring to ensure that administrative expenditures being allocated to federal programs meet the requirements of federal Uniform Guidance is not being performed.

During our audit, reconciliations for prior period administrative claiming for BHDDH were ongoing to correct expenditures claimed in prior periods. Amounts claimed in prior quarters were not based on final cost allocation results and BHDDH did not provide the necessary reporting adjustments to correct prior period claiming.

Cause: Controls over allocation of administrative costs claimed to Medicaid and CHIP were not effective to ensure compliance with federal regulations.

Effect: Potential noncompliance with federal requirements relating to allowable costs.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-057 Improve internal controls over administrative claiming to federal programs by 1) completely documenting cost allocation policies and procedures, 2) reconciling quarterly cost allocation results to the State accounting system, and 3) enhancing supervision and monitoring of the cost allocation process.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-058	(material noncompliance / material weakness – repeat finding – 2023-059)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provision – 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 beginning 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 achieved compliance with the federal requirements for the periodic audit of encounter data in fiscal 2023 by contracting for its first study of MCO encounter data validation. The encounter data validation study evaluated incomplete data, performed missing data quality checks, and assessed 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 represent efforts to improve the overall quality of financial and claim data submitted by the State’s managed care organizations.

Cause: Failure to implement federal requirements by the stated effective date.

Questioned Costs: None

RECOMMENDATIONS

- Auditee views: The auditee concurs with this finding – see Corrective Action Plan in Section E.***

CHILDREN'S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Fiscal Years: 2023; 2024

Administered by: Executive Office of Health and Human Services (EOHHS)

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

PROVIDER ELIGIBILITY

Criteria: 42 CFR §455.410, *Enrollment and screening of providers*, requires:

- Office of the Auditor General D-80

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.

42 CFR §488.330, *Certification of compliance or noncompliance*, (f) *Provider Agreements*, requires CMS or the Medicaid agency may execute a provider agreement when a prospective provider is in substantial compliance with all the requirements for participation for a SNF or NF, respectively.

42 CFR §442.101, *Obtaining certification*, (a) This section states the requirements for obtaining notice of an ICF/IID's certification before a Medicaid agency executes a provider agreement under §442.12.

Condition: Our testing of 60 sampled fee-for-service and managed care organization providers for provider eligibility during fiscal 2024 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 licensing 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 licensing data from DCYF resulting in a weakness in control for this segment of providers.
- 4 out of 60 providers sampled noted instances where providers remained active during fiscal 2024 after provider licenses had expired, evidencing a deficiency in internal control relating to timely provider deactivation if provider licensure is not evidenced. No claims were paid to these providers thus noncompliance was not noted.
- Our review of provider licensure disciplinary actions taken by the RI Department of Health during fiscal 2024 identified 3 instances where provider licenses remained active after the provider's license was revoked or suspended. There are no current processes that ensure that providers are made inactive in a timely manner upon license suspension or revocation.
- Encounter data submitted by managed care organizations is not currently validated for provider enrollment upon acceptance. This deficiency in internal controls over provider eligibility prevents the detection of claiming submitted by unenrolled providers. Our testing noted 4 managed care providers that were not enrolled in the Medicaid Program as required by federal regulations resulting in noncompliance with provider eligibility requirements (questioned costs - \$3,371). All 4 providers were out-of-state providers required to be enrolled under federal regulations based on the volume of services billed to RI Medicaid. 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, in limited circumstances, to a furnishing provider that is not enrolled in the reimbursing state's Medicaid plan. 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.
- The State did not have documentation supporting review of the SSA Death Master file for 19 out of the 60 providers we tested.
- Federal regulations require States to check federal databases on a monthly basis for providers excluded from participating in federal programs. While the State currently checks for exclusion upon initial enrollment, re-enrollment, or if other provider organizational changes are reported, the State was not performing monthly checks during fiscal 2024.
- Federal regulations require the Medicaid agency to execute provider agreements with nursing facility providers and intermediate care facilities for individuals with intellectual disabilities (ICF/IID) upon receiving notification from the State survey and certification unit that the provider has been certified in substantial compliance with federal health and safety regulations. The State Medicaid agency lacked documentation of a finalized provider agreements and approval letters to providers in 6 out of 18 providers reviewed. In respect to the State's only ICF/IID facility, the State Medicaid agency was not monitoring the RI Department of Health's (RIDOH) certification process and had no documentation from RIDOH regarding the facility's health and safety certification. All providers were recertified by RIDOH and compliant with program health and safety requirements.

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: \$3,371

Valid Statistical Sampling: Yes

RECOMMENDATION

2024-059 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 2024-060

(material weakness – repeat finding – 2023-061)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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 2024-005.

Capitation payments to managed care organizations (MCOs) represent approximately 57% 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 2024 approximated \$2.1 billion (monthly capitation payments paid to participating MCOs). This comprised managed care coverage for more than 300,000 Medicaid eligible members – approximately 87% of total Medicaid enrollees at June 30, 2024. These capitation payments related to the following managed care programs within the State’s Medicaid program:

Program Name	Enrollment (June 2024)	Expenditures (Capitation in millions)
Rite Care (Core, CSHCN, Foster Care)	185,724	\$923
Rhody Health Partners (certain adults with disabilities)	13,275	\$322
Integrated Care Initiatives (Medicare/ Medicaid Dual Eligibles)	12,855	\$168
Medicaid Expansion (low-income adults under 138% FPL)	93,194	\$718
Total	305,048	\$2,131

In addition to capitation for medical services, RI Medicaid also expends over \$30 million in premiums for dental coverage through the Rite Smiles program for more than 130,000 children in the Rite Care program. 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 2024-005, *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 2024-058, *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 federal requirements for contracted MCOs to submit audited financial reports specific to the Medicaid contract on an annual basis continue to represent a deficiency in internal control over managed care contract settlements.

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 2023 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. While the amount of claiming submitted by encounter data continued to improve, medical expenditures reported by the MCOs still exceeded submitted encounter data by \$15.3 million in fiscal 2024. The following table provides context regarding the amount of medical expenditures that were not supported by encounter data in fiscal 2023 contract settlements.

Plan	Managed Care Expenditures	Encounter Data Expenditures	Expenditures Supported (%)
MCO – 1	\$1,035.0 million	\$1,025.1 million	99.0%
MCO – 2	\$550.9 million	\$547.7 million	99.4%
MCO – 3	\$82.1 million	\$79.9 million	97.3%

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

2024-060 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 impact financial settlements with managed care organizations.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-061

(significant deficiency – repeat finding – 2023-062)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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 State accounting system (RIFANS) 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 2024 noted the following reporting deficiencies:

- Approximately \$8.4 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.

- Healthcare related taxes and fees were reported quarterly for all identified healthcare related taxes required to be reported on the CMS-64 report in fiscal 2024. Testing of reports in fiscal 2024, however, identified errors which resulted in understatements of nursing home and HMO provider taxes in the amounts of \$6.6 million and \$18.3 million, respectively. The reporting of healthcare related taxes and fees is informational only, and therefore, does not affect the actual reporting of federal expenditures applicable to Medicaid.

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. Internal controls in the form of supervisory review of reporting are lacking to identify and correct errors in report preparation.

Effect: Increased risk of inaccurate federal reporting.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2024-061a	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.
2024-061b	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.
2024-061c	Implement procedures for supervisory review of all federal reports before submission.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-062

(significant deficiency – repeat finding – 2023-063)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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 2024, 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. Our procedures evaluated only TPL coverages that were consistent with the State’s managed care coverage.

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 testing during fiscal 2024 found that the State’s three managed care organizations were unaware of existing private insurance for 48.3% (29 out of 60) of their covered members. These results showed a significant decline in MCO TPL verification from fiscal 2023.

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

2024-062 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 2024-063

(significant deficiency – repeat finding – finding 2023-067)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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

The Executive Office of Health and Human Services (EOHHS) needs to formalize and document internal control procedures to ensure local education agency (LEA) compliance with Medicaid requirements relating to the allowability of special education services.

Criteria: 2 CFR §200.303 *Internal controls*, requires the State to “(a) establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), (b) comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award, (c) evaluate and monitor the recipient's or subrecipient's compliance with statutes, regulations, and the terms and conditions of Federal awards, and (d) take prompt action when instances of noncompliance are identified.”

Condition: EOHHS did not conduct periodic site visits to LEAs during fiscal 2024. EOHHS has well established policies and procedures relating to its oversight of special education services which are detailed in Direct and Administrative Services Guidebooks for LEAs. Without periodic site visits or other documented control procedures designed to ensure local education agency compliance with the Medicaid policies and procedures that define the requirements for the allowability of special education services, internal controls are

currently lacking over compliance in this area. In formalizing internal controls, EOHHS will be able to define the appropriate amount of oversight needed to ensure compliance with requirements for LEA special education services.

Cause: Lack of documented internal controls over LEA direct and administrative claiming.

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

2024-063 Document and implement internal controls to ensure the allowability of special education services for reimbursement by Medicaid.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-064 (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: 2023; 2024

Federal Award Number: 2305RI5021, 2305RI3002; 2405RI5021

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: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Eligibility

MEDICAID ELIGIBILITY QUALITY CONTROL

EOHHS did not comply with 42 CFR §431.812(a) requiring the conduction of the Medicaid Eligibility Quality Control (MEQC) process to function independently from the personnel that are responsible for eligibility determination processes.

Criteria: 42 CFR §431.812(a), *Review Procedures – General Requirements, Internal controls*, requires the State “to conduct a MEQC pilot during the 2 years between required PERM cycles in accordance with the approved pilot planning document specified in §431.814, as well as other instructions established by CMS. The agency and personnel responsible for the development, direction, implementation, and evaluation of the MEQC reviews and associated activities, must be functionally and physically separate from the State agencies and personnel that are responsible for Medicaid and CHIP policy and operations, including eligibility determinations.”

Condition: Due to staffing limitations within the MEQC unit, eligibility supervisors from the Department of Human Service (DHS) were utilized to conduct MEQC case reviews during fiscal 2024. Since those supervisors directly oversee the processing of Medicaid eligibility within DHS field offices, this represented noncompliance with federal requirements. Our review of the MEQC case reviews found that the reviews were performed in accordance with the department’s policies and procedures and that the results of the reviews performed were consistent with our own testing of CHIP and Medicaid eligibility requirements, citing many of the same deficiencies.

Cause: Lack of MEQC unit staffing required the use of staff that was not organizationally independent of the program’s eligibility determination processes.

Effect: Noncompliance with federal regulations relating to the operation of MEQC processes within the Medicaid program.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2024-064 Address staffing deficiencies within the MEQC unit to provide for organizationally independent staff to conduct required quality control procedures.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-065 (material noncompliance / material weakness – repeat finding 2023-064)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: *Eligibility*

CONTROLS OVER MEDICAID ELIGIBILITY

Operational and control deficiencies during fiscal 2024 resulted in material noncompliance with federal regulations relating to Medicaid eligibility.

Background: RIBridges, the State’s integrated eligibility system (IES) used to administer multiple federally funded human services programs, determines eligibility for Medicaid. Certain modifications to program eligibility requirements remained in place to some extent as the State conducted public health emergency (PHE) unwinding procedures requiring a phased rollout of member eligibility redeterminations during fiscal 2024.

Criteria: Medicaid eligibility requirements are detailed in the State Plan (Section 1115 Global Waiver).

42 CFR §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.

Medicaid Modified Adjusted Gross Income (MAGI) Determination and Validation policies are formalized within Title 210, Executive Office of Health and Human Services, of the RI Code of Regulations, Chapter 30, Subchapter 00, Part 5, Policy 5.8, Verification Process. Part B of Policy 5.8 states:

“B. The following lists key eligibility factors, the types of verification required for attestations, if any, and the verification sources for Medicaid Affordable Care Coverage (MACC) Group applicants/beneficiaries:

1. Identity – An applicant must provide proof of identity when applying through the IES or filing a paper application. The requirements related to identity proofing are set forth in Part 30-00-3 of Title 210. Certain applicants may not be able to obtain identity proofing through the federal hub due to data limitations. Pre-eligibility verification is required through an alternative electronic paper documentation source in these instances to establish an account.

2. Income – Electronic verification of attested income is required by the State. Multiple electronic data sources may be used for this purpose. In general, State data sources (such as State Wage Information Collection Agency (SWICA) UI) will be used first. The reasonable compatibility standard applies when there are discrepancies between the applicant's income self-attestation and information from electronic data sources.
3. General Eligibility – Non-Financial Factors – (Social Security Numbers, Age, Citizenship, Death, Date of Birth, Residency, and Incarceration). Information on these eligibility factors is verified against various State and federal data sources. Information specific to verification requirements for MAGI populations is located in Part 30-00-3 of Title 210; for Medicaid and CHIP-funded eligibility more generally, the applicable provisions are set forth in Part 30-00-3 of Title 210."

Condition: For fiscal 2024, we tested a sample of 60 Medicaid eligible members (total population of individuals with reported Medicaid eligibility during fiscal year 2024 totaled 364,142) for compliance with program eligibility. Total capitation payments claimed to Medicaid exceeded \$2.1 billion (federal share - \$1.4 billion) during fiscal 2024. 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 SWICA interface were noted in 2 out of 60 cases (questioned costs - \$557). Income verified in the case record or reported by the SWICA interface, if utilized to determine eligibility, would have made the members ineligible for Medicaid.
- Documentation supporting applicant citizenship (e.g., electronic Social Security Administration validation or applicant submitted documentation) was lacking in 3 out of 60 cases (questioned costs - \$17,877).
- Members were determined ineligible in RIBridges, however, the change in eligibility status was not communicated to the MMIS in 2 out of the 60 cases. These members remained continuously Medicaid eligible in the MMIS and enrolled in managed care (questioned costs - \$1,084).

As noted above, eligibility was determined to be incorrect or unsupported in 7 of 60 sample members tested (11.7% error rate). Total claims and capitation paid for sample cases total \$344,149 (federal share - \$231,147). Questioned costs relating to sample cases for fiscal 2024 periods deemed ineligible for Medicaid reimbursement totaled \$19,518 or 6.5% of claiming for sampled Medicaid individuals. Our test results supported projected questioned costs estimated at \$234 million (federal share - \$157 million). Our sample error rate of 11.7% was comparable to the 15% reported case error rate noted by the Medicaid Eligibility Quality Control unit's review of calendar year 2023 cases.

In addition to evaluating eligibility determinations, we also tested recipient eligibility in conjunction with our testing of managed care capitation payments. Our testing of sampled managed care payments in fiscal 2024 also noted an exception where capitation payments totaling \$3,784 (federal share - \$2,119) were made for an ineligible individual. In this instance, RIBridges determined the individual ineligible for Medicaid but eligibility was not ended in the MMIS, allowing capitation payments to continue.

We also noted the following exceptions during our case reviews that were indicative of eligibility processing deficiencies but did not impact member eligibility for Medicaid:

- Member's eligibility was terminated in error and had to be reinstated;
- Mismatch of Social Security Number between MMIS and RIBridges;
- Income from lost employment was utilized in household income in error;
- Member eligibility aid categories were not properly updated when redetermined;
- Case information submitted by member was not properly updated in case record; and
- Certain system tasks were not acted upon in a timely manner.

These exceptions should be evaluated by management and addressed as they could have impacted the member's eligibility determination.

In addition to noncompliance, identified by our sample audit procedures above, we also performed data mining procedures which identified the following noncompliance with eligibility requirements:

Since income verification was noted as a significant issue in our sample testing, we conducted additional data mining procedures to further evaluate the operating effectiveness of the SWICA interface within RIBridges. Our analysis identified individuals with quarterly income in excess of \$20,000 reported in the SWICA file obtained from the RI Department of Labor and Training for 5 consecutive quarters (quarter ending June 30, 2023 through the quarter ending June 30, 2024) that had Medicaid eligibility for the entirety of fiscal 2024. Our analysis identified 144 individuals with reported annual income in excess of \$80,000 where excess income was not detected and individuals remained eligible as of June 30, 2024. EOHHS will need to review these cases and determine why the system functionality did not operate effectively. These cases will also need follow-up to provide proper member notification and eligibility redetermination.

The State continued to claim Medicaid Expansion enhanced reimbursement (90% Federal Medical Assistance Percentage) for certain members older than 65 during fiscal 2024. Our analysis identified 91 members where RI Medicaid failed to redetermine eligibility at age 65 - 33 of these members were older than age 67. We identified \$559,374 in capitation paid for these members after the age of 65 (federal questioned costs - \$503,437). While this issue was improved in fiscal 2024 by Medicaid members being redetermined during the PHE unwinding process, controls were still found lacking to ensure that individuals were aged out of Medicaid Expansion upon turning age 65.

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, 2024 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 1,706 deceased members (reported date of death prior to March 31, 2024 to allow for 90 days for identification and notification requirements) still active on Medicaid at June 30, 2024. 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 2024 subsequent to the month of death is summarized as follows:

Months Active After Month of Death	Number of Members	Capitation Paid After Death (\$)
3-6 Months	419	\$ 69,194
7-12 Months	490	473,212
12+ Months	797	2,123,467
Total	1,706	\$ 2,665,873

While PHE unwinding procedures also led to some improvements during fiscal 2024, 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 of time that payments are continuing is significant and could span managed care contract settlement periods. To provide context on how long capitation payments can continue when member death is not detected timely, our analysis identified 457 members that had reported dates of death greater than 2 years. We identified capitation payments totaling \$2.7 million for deceased members that would be considered unallowable Medicaid payments (federal questioned costs - \$1,602,490).

We also analyzed instances where children initially coded eligible with expenditures funded under Medicaid were re-coded and remained coded at year-end to a State coverage program titled “Cover All Kids.” Cover All Kids provides State-funded eligibility for undocumented children residing in the State that otherwise meet Medicaid and CHIP eligibility requirements. Our analysis found that the coding error impacted approximately 282 cases within Medicaid during fiscal 2024. EOHHS will need to conduct case level reviews of these cases to determine questioned costs incurred for undocumented children and credit the federal grantor for those costs.

Lastly, as a follow-up to our joint audit with the federal Department of Health and Human Services, Office of Inspector General, issued in March 2024, which evaluated 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 and related control processes designed to follow up on Public Assistance Reporting Information System (PARIS) notifications remained ineffective through fiscal 2024. The amount of capitation paid for members no longer residing in the State was not determinable during our audit period. EOHHS will need to re-establish its procedures to attempt communication with members reported through PARIS to comply with federal procedural requirements before terminating eligibility.

Operational and control deficiencies during fiscal 2024 resulted in material 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). Significant differences in eligibility reported between the MMIS and RIBridges also resulted in noncompliance with federal requirements for eligibility.

Effect: Noncompliance with federal requirements relating to recipient eligibility for Medicaid.

Questioned Costs: \$2,127,564

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2024-065a	Address and correct the eligibility system and process deficiencies (e.g., SWICA interface, Medicaid Expansion age-out, citizenship verification, death reporting, PARIS reporting) which weaken controls and result in noncompliance with federal regulations regarding Medicaid eligibility.
2024-065b	Implement procedures to identify noncompliance resulting from eligibility system and process deficiencies so that cases can be worked manually to resolve long-standing instances of noncompliance detected by external audits and MEQC processes.
2024-065c	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 2024-066

(significant deficiency – repeat finding – 2023-066)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Awarding Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2023; 2024

Federal Award Number: 2305RI5MAP; 2405RI5MAP

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

2024-066 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 2024-067

(other noncompliance / significant deficiency – new finding)

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 Year: 2020 - 2023

Federal Award Number: 4505DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER PROJECT WORKBOOK REIMBURSEMENT SUBMISSIONS

Controls over project workbook submissions for reimbursement of eligible costs were not operating effectively to ensure all claimed costs were accurately documented, leading to reimbursement of unallowable costs.

Background: RIEMA, as the direct recipient agency of Public Assistance grants provided by FEMA, assists in the facilitation of cost reimbursement claims for the various departments and agencies within the State. Comprehensive workbooks are used to account for the itemized costs being claimed for reimbursement and are included as support to the reimbursement claim made through the FEMA Grants Portal.

Criteria: 2 CFR §200.403(g) requires that allowable costs under federal awards be adequately documented.

Condition: We selected a sample of 23 federal award drawdowns (cost reimbursement claims) during fiscal 2024, covering 96% of the population across 11 unique projects. Our testing of project workbook submissions found two discrepancies within project 694201 between amounts claimed for reimbursement in the workbooks and amounts recorded in the State accounting system and noted in supporting documentation:

- One line item for a claimed invoice appeared to have keyed an additional digit onto the claimed amount in error (questioned costs – \$211,751).
- Another invoice appeared to transpose the incorrect column to the workbook in three out of four claimed line items (questioned costs – \$117,352).

Cause: Review of project workbook submissions and supporting documentation was inadequate to identify claimed costs in excess of expenditures incurred by the State.

Effect: Reimbursement of costs that were not incurred by the State.

Questioned Costs: \$329,103

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

2024-067a Improve review procedures to ensure accuracy of workbook reimbursement submissions to FEMA.

2024-067b Credit the federal grantor for unallowable costs that were reimbursed.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-068 (material noncompliance / material weakness – repeat finding – 2023-030)

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 Year: 2020 - 2023; 2022 - 2024

Federal Award Number: 4505DRRIP00000001; 4653DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

Controls were not in place to ensure adequate monitoring of subrecipients throughout the fiscal year.

Background: RIEMA, as the direct recipient agency of Public Assistance grants provided by FEMA, disburses pass-through awards to various subrecipients for their respective cost reimbursements. These cost reimbursement awards are required to be reported on the State's Schedule of Expenditures of Federal Awards and accordingly are subject to the subrecipient monitoring requirements of the Uniform Guidance.

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.

Condition: RIEMA did not perform required subrecipient monitoring procedures during the majority of fiscal 2024. In April 2024, RIEMA implemented a tracking worksheet to review subrecipient audit reports submitted to the Federal Audit Clearinghouse as part of the review process of subrecipient project submissions. The tracking worksheet identifies the date the review of the FAC was performed and whether any findings related to the program were reported. RIEMA implemented these procedures as corrective actions to address prior year findings relating to subrecipient monitoring.

Cause: Monitoring procedures were not in place for a substantial portion of the audit period.

Effect: RIEMA did not monitor subrecipients for a material portion of the fiscal year.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

- 2024-068a Complete implementation of subrecipient monitoring procedures by improving the detail maintained in the tracking worksheet to provide more transparency as to what was reviewed (e.g., audit year reviewed, FAC submission date, documentation of control deficiencies related to the financial statements).
- 2024-068b RIEMA will also need to document its review of subrecipient audit reports including follow-up on findings reported in Single Audit Reports and issuing management decisions when required.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-069

(significant deficiency – repeat finding – 2023-068)

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 Year: 2020 - 2023

Federal Award Number: 4505DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Reporting

FEDERAL FINANCIAL REPORTING

Controls over federal financial reporting can be enhanced to ensure submitted reports are accurate for the period activity being reported.

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: With exception to the Recipient Share portion of the report, amounts reported on the March 2024 quarterly SF-425 were reflective of the amounts previously reported in the December 2023 report. An additional \$9.9 million was receipted in the March quarter that was not reported. Cumulative amounts reported at State fiscal year end were accurate and complete.

Cause: A formula error in the underlying support worksheet was not detected prior to submission of the report.

Effect: Amounts reported on the SF-425 for the quarter ended March 31, 2024 were not accurate and consistent with the underlying support.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

- 2024-069a Strengthen procedures for preparing federal financial reports to ensure that information reported is adequately supported and consistent with underlying accounting records.
- 2024-069b Enhance review procedures prior to submission to compare the current quarter to the previous quarter.
- 2024-069c Submit revised SF-425 to reflect corrected expenditures and drawdowns for fiscal 2024, as necessary.

Auditee views: *The auditee concurs with this finding – see Corrective Action Plan in Section E.*

Finding 2024-070 (other noncompliance / material weakness – new finding)

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 Year: 2020 - 2023; 2022 - 2024

Federal Award Number: 4505DRRIP000000001; 4653DRRIP000000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Reporting

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA) REPORTING

Controls over FFATA reporting can be enhanced to ensure timely and complete reporting of subawards issued during the fiscal year.

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 and made publicly available via USASpending.gov was not inclusive of all subawards made during fiscal 2024. 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
35	15	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$36,765,320	\$33,432,034	\$0	\$0	\$0

Cause: Controls and monitoring procedures were not effective to ensure subawards were reported in compliance with FFATA reporting requirements.

Effect: RIEMA did not sufficiently comply with the reporting requirements of FFATA.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2024-070 Enhance controls over FFATA reporting to ensure subawards are reported timely. Incorporate FFATA reporting procedures into existing procedures when disbursing funds to subrecipients.

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 2024-001 – Corrective Action Plan

2024-001a: Prior to the release of this report, the Office of Accounts and Control and the Office of Management and Budget begun regular meetings to discuss activities that have a significant impact on financial reporting.

2024-001b: The implementation of the Enterprise Resource Planning software (ERP) improves the daily business processes and improves controls over approvals of financial transactions. The ERP will require agency staff to be the first control point over accuracy of financial transactions with Accounts and Control and Office of Management and Budget being second- and third-line control points respectfully.

Anticipated Completion Dates:

2024-001a: Completed

2024-001b: July 1, 2025

Contact Person: Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
dorothy.z.pascale@doa.ri.gov

Finding 2024-002 – Corrective Action Plan

2024-002a: Management has explored the engagement of a consultant to assist in the enterprise-wide documentation of internal controls since agency resources do not possess the knowledge or time to perform this task at a level that would address this audit finding. The estimated cost of this endeavor is between \$3 and \$5 million. Until the funding for this is provided, controls will be documented as noted in 2024-002 (b) below.

2024-002b: The ERP implementation brings an opportunity to embed internal controls within the software application. The ERP implementation is creating documentation for decisions regarding new business processes and improved internal controls over financial activities. These decision documents include options presented by system implementor, reason the option was selected, a workflow of business process. Agency management will need to ensure their finance teams are well versed in the internal control structure embedded in the system with the assistance of the ERP vendor.

Anticipated Completion Dates:

2024-002a: To be determined, dependent on funding.

2024-002b: Ongoing

Contact Person: Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
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Finding 2024-003 – Corrective Action Plan

The DOA provided training to agency staff, redesigned the review form based on previous year's audit finding. Accounts and Control will monitor agency review of the SOC Type I reports. The SOC Type II reports will be centralized within ETSS who will review on behalf of the agency.

Anticipated Completion Date: December 30, 2025

Contact Persons: Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
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Nathan Loura, Chief Information Security Officer, Enterprise Technology System Services, Department of Administration
nathan.loura@doit.ri.gov



Finding 2024-004 – Corrective Action Plan

Accounts & Control agrees that the current accounting system lends to manual processes and increases the risk of errors. This is one of the main drivers for the implementation of the ERP system which is underway. Refer to 2024-002 above for more detail.

Anticipated Completion Date: Refer to 2024-002 above for detail.

Contact Person: Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
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Finding 2024-005 – Corrective Action Plan

2024-005a: 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 in the modernized and modularized MES via 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

Contact Person: Maria Dawson, Interdepartmental Project Manager, Medicaid Enterprise Systems Planning & Implementation, Executive Office of Health and Human Services
maria.dawson@ohhs.ri.gov

2024-005b: EOHHS is aware of many of the risks associated with the manual processes as it pertains to its financial activities. Some are these manual processes—such as retroactive active manual payments—are a necessary condition of continued use of the State’s legacy MMIS; while other manual payments are a desirable feature of our contractually defined risk share arrangements and revenue maximization strategies. Related to these processes in the system, these requirements are being factored into the development of requirements for the RFP to procure the Core Module, of which Financial Management functions will be a part, for our MES. The steps taken to-date and future strategies to simplify Medicaid-related financial activities, improve financial reporting, and enhance oversight are outlined below:

1. Manual Capitation Payments

Retroactive adjustments to the rates are a frequent occurrence in Medicaid, but such retroactive adjustments may necessitate a manual payment that creates a risk of error. Such retroactive adjustments may be attributed to enrollment changes impacting individual clients or resulting from rate changes impacting all members enrolled in a product.

In general, the need to do manual adjustments is caused by the limited ability for EOHHS’ legacy MMIS to retroactively reprocess/correct prior months of premium payments. For EOHHS’ monthly premium programs (i.e., Rhody Health Partners, Medicaid Expansion, CMS Demonstration, Rite Smiles, PACE, and Non-Emergency Transportation), MMIS can correct payments made within a three-month window – retroactively for the prior month and the current month and prospectively for the future month. And for EOHHS’s daily program (i.e., Rite Care), MMIS can only prospectively adjust the rates.

For individual clients, two exceptions to these limited processing windows were incorporated to allow for the system to retroactively make adjusting payments in two scenarios:

1. Payments going back to a newborns’ **Date of Birth**; and.
2. Recoupments going back to a recipients **Date of Death**.

These two scenarios contribute 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.

With respect to rate changes, EOHHS has attempted to limit the need to make retroactive payments. During FY 2020, EOHHS developed an internal MCO contract project charter and workgroup with the goal of ensuring that



capitation rates would be completed timely and ensure that amendments are signed and that any new contracted rates are in the system at the start of the year, or soon thereafter to minimize any manual payments.

However, in recent fiscal years—including every SFY between 2022 and 2025—initiatives included in the enacted state budget that impact the rates have not passed until June. Such initiatives must be subsequently incorporated into the actuarially certified rates for either the current (or even prior fiscal years). This process is not immediate. And the timeline for the enacted budget and subsequent rate certification is largely out of EOHHS' control. Resulting delays can lead to large manual payments. While some states may update its rates within MMIS without final state budgets or signed contracts, EOHHS has assessed that this creates its own risk and that the current approach is preferred.

Modern MMIS systems (including those deployed by Gainwell in other states) can reprocess such rate changes through the system, negating the need for a manual payment. Until such system upgrades are implemented, payments associated with a retroactive rate change will remain a manual payment. However, as EOHHS works to modernize and modularize the current MMIS, EOHHS' has incorporated into our planning activities inclusion of requirements to allow for systematic processing of both retroactive enrollment changes impacting individual clients (e.g., for newborns and the deceased) as well as for general rate changes impacting entire populations.

2. Risk Share/Gain Share Settlements and Stop Loss Programs

Across its core contracts, EOHHS has long-maintained risk share arrangements with its MCOs. In FY 2025, EOHHS implemented a temporary separate risk share arrangement specific to the new CCBHC program. EOHHS ended its separate Hepatitis C stop loss program in FY 2022 and its separate Covid-19-related vaccine stop loss program in FY 2024. Any costs associated with Covid-19 vaccinations or Hepatitis C are not incorporated into the general risk share arrangements.

MCO risk share settlements are based on MCO submitted reporting and validated against accepted encounter claims in the MMIS. In FY 2020, 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.). The state uses various financial reporting from the MCOs to validate their risk share reporting, including:

- 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.

EOHHS' risk share arrangements are an important component of its contracts and generally minimize risk to both the MCOs and the State. And so long as the State continues to include such risk-mitigating mechanism in its contracts, any associated settlement will necessarily remain a manual payment.

3. State Directed Payments

Rhode Island incorporates many state directed payments (SDPs) into its managed care contracts. These include legislative mandated rate increases (e.g., for hospitals and nursing facilities) and minimum fee schedules (e.g., annual changes to the FQHC PPS encounter rate, OHIC rate increases). But they also include SDPs with separate payment terms—for example, the AE Incentive Payments, LTSS alternative payment mechanism (APM). These separate payment terms ended in SFY 2024. Most recently—and most significantly—Rhode Island passed an SDP for hospitals in SFY 2024.

These separate payment terms allow the State to be very precise in how much and to whom payments are made. But as a result, these separate payment terms are intentionally paid outside of the capitation payment system and so necessarily involve a manual calculation and manual payment. However, by FFY 2027 it is expected that such separate payment terms will no longer be allowed, with all such SDP needing to be incorporated into the monthly premium payments.



Anticipated Completion Date: Ongoing

Contact Persons: Maria Dawson, Interdepartmental Project Manager, Medicaid Enterprise Systems Planning & Implementation, Executive Office of Health and Human Services
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Storm Lawrence, Chief of Strategic Planning, Monitoring, and Evaluation, Medicaid Finance, Executive Office of Health and Human Services
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2024-005c: 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. EOHHS is also reviewing the documentation required when FACNs are submitted for payment or recoupments, including how requests document Federal authorities in place. Most recently, Medicaid Finance created a managed care FACN tracker to ensure that staff preparing these FACNs check that all pertinent items, including backup Excel files, fund sources, and provider IDs are included in the FACN. The tracker also mandates a second reader to ensure accuracy.

EOHHS has also 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.

Medicaid will develop procedures to ensure proper reconciliation of reconciliation procedures for system payouts, manual disbursements, and system recoupment.

Anticipated Completion Date: Ongoing

Contact Persons: Dezeree Hodish, Associate Director (Financial Management), Executive Office of Health and Human Services
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2024-005d: 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 modernized and modularized MES. 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

Contact Person: Maria Dawson, Interdepartmental Project Manager, Medicaid Enterprise Systems Planning & Implementation, Executive Office of Health and Human Services
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Finding 2024-006 – Corrective Action Plan

2024-006a: The Auditor General noted the following issues, which EOHHS has bucketed into three categories below:

1. Medicaid Finance Errors:
 - Correct the funding sources of health and human services expenditures due to five (5) journal entries omitted or recorded in error at June 30, 2024. The net impact of these audit adjustments shifted \$23.0 million in general revenue expenditures to federal or restricted revenue sources
 - Correct the calculation and recording of prepaid managed care premiums (capitation) at June 30, 2024 which was understated by \$11.1 million
2. Sister Agency Misstatements:
 - Correct a fiscal closing adjustment recorded by the Department of Children, Youth, and Families that understated health and human services expenditures and related federal revenue by \$17.7 million;
 - Reduce expenditures for privately operated providers of services to developmentally disabled individuals by \$4 million relating to an overstated accrual estimate
3. Impact of Claims Timing:
 - Reduce managed care expenditures by \$24.7 million for revised estimates of managed care settlements associated with managed care contracts that were initially misstated due to the use of incomplete data available at year-end.
 - Reduce drug rebate receivables recorded at June 30, 2024 by \$6.7 million for an error in estimation.
 - Record or adjust other omitted or misstated liabilities that resulted in a net understatement of expenditures of \$3.4 million at June 30, 2024.

The corrective action plans for items one (1) and two (2) are detailed below in the response to 2024-006(b). Regarding item three (3):

While EOHHS uses the most complete data available at year-end to prepare its accrual entries, certain expenditure categories inherently contain significant uncertainty, due to timing and therefore absence of data and not the estimation methods themselves. It is because of this known limitation with data availability that EOHHS partners with the Office of the Auditor General 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—with almost no collections yet received, as of the close of the fiscal year, for the third quarter.
 - Invoiced and collection amounts for the quarter ending 6/30 for pharmacy claims with service dates between 4/1 and 6/30.
- 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 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 incurred but not paid (IBNP) reserves to attempt to control for conservatism in health plan-reporting. Note that risk share/gain share payment/recoupment is necessary because the actuarially certified rates were "incorrect." Understanding the precise magnitude of that error requires continued refinement and completeness of the health plan's claims data, any collection of re-insurance payments or supplemental rebates, among other adjustments to a plan's benefit expenses. 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.



2024-006b: EOHS concurs with the findings related accrual errors and misstatements and is committed to rectifying these issues. The Medicaid Director prioritized the creation of standard operating procedures (SOPs) for the fiscal year close by assigning staff in Medicaid's Executive Administrative and Support Services division to work with the Medicaid finance team. They drafted standard operating procedures for end of year accruals and end of year journal entries. These SOPs include a listing of common accruals, staff members assigned to their preparation, and second readers to ensure accuracy of accruals. Second readers will be assigned to review the work of the individual analyst and to second read the file submitted to Accounts and Control, double checking that debits and credits are correctly stated by comparing the file to be sent to original analyst workbooks. The team will also compare the current accrual list to the prior year's list and common accruals in the SOP, including those submitted by BHDDH and DCYF.

Anticipated Completion Date: Ongoing

Contact Persons: Dezeree Hodish, Associate Director (Financial Management), Executive Office of Health and Human Services
dezeree.hodish@ohhs.ri.gov

Storm Lawrence, Chief of Strategic Planning, Monitoring, and Evaluation, Medicaid Finance, Executive Office of Health and Human Services
storm.lawrence@ohhs.ri.gov

Finding 2024-007 – Corrective Action Plan

The Department of Administration Office of Grants Management has begun addressing this finding prior to the issuance of this report. A new process to create and report the State Expenditure of Federal Awards (SEFA) is underway. The new business process will use information from the ERP and Grant Management System intended to result in a more accurate and timely reporting.

Anticipated Completion Date: Ongoing

Contact Person: Steve Thompson, Associate Controller Grants Management, Department of Administration
steve.thompson@doa.ri.gov

Finding 2024-008 – Corrective Action Plan

We agree with the recommendations related to this finding with the caveat below regarding 2024-008b.

2024-008a: We will continue to utilize eCivis to improve controls over federal program financial activity. Increased adoption of the system allows us greater insight into the federal awards, and system functions to work with state agencies to more effectively monitor fiscal aspects and controls.

2024-008b: As RIFANS is sunseting as of June 30, 2025, and all fiscal close activities for FY25 will be performed in ERP, this recommendation will not be acted upon.

2024-008c: Our focus is to ensure that eCivis successfully integrates with the new ERP system, currently expected to be implemented in fiscal 2026. Once this is accomplished, sufficient functionality between the two systems will exist to address the control deficiencies noted in this finding.

Anticipated Completion Date: Ongoing

Contact Person: Steve Thompson, Associate Controller Grants Management, Department of Administration
steve.thompson@doa.ri.gov



Finding 2024-009 – Corrective Action Plan

2024-009a: Treasury staff engaged PFM to provide Banking/Cash Management Consulting services following an RFP process that was initiated in fiscal 2024. After assessing Treasury's cash-related activity, PFM has developed a list of recommended improvements to address process inefficiencies. Treasury has begun implementing some of these recommendations, with the majority to be addressed through an impending banking RFP that will be supported by PFM.

2024-009b: Treasury staff currently utilizes G-Treasury as its workstation for initiating wires and viewing bank balances. PFM's assessment of Treasury's cash activities identified that the State is not fully utilizing G-Treasury's capabilities. Treasury staff and G-Treasury have discussed potential service enhancements that would allow staff to transition from the current Excel-based database to a more secure and modernized cash management system. Leveraging more of G-Treasury's service modules would also improve collateral risk management and investment manager oversight. Treasury will continue to request appropriations to implement and institutionalize the additional and necessary G-Treasury modules.

2024-009c: Treasury staff remains actively engaged in discussions surrounding the State's new ERP system, ensuring seamless banking integrations that enhance the efficiency of financial operations. By participating in ERP implementation meetings, Treasury is positioned to align banking functions with the system's capabilities. Additionally, the augmentation of Treasury's utilization of G-Treasury presents an opportunity to further strengthen integration, optimizing cash management and financial reporting processes. These efforts will help maximize the ERP system's potential, improving automation, transparency, and overall fiscal oversight.

Anticipated Completion Date: Ongoing

Contact Persons: Tiffany Kaschel, Chief Operating Officer, Office of the General Treasurer
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Evan LaBarge, Cash Manager, Office of the General Treasurer
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Justin Maistrow, Chief Investment Officer, Office of the General Treasurer
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Finding 2024-010 – Corrective Action Plan

2024-010a: Refer to 2024-001 and 2024-002 responses.

2024-010b: Management agrees with the recommendations. This is being addressed with the implementation of a new ERP system as stated in prior years. Accounts and Control will consider the review and oversight of material journal entries in the hierarchy decisions for the new system. Refer to 2024-001 and 2024-002 responses.

Anticipated Completion Date: July 1, 2025

Contact Persons: Tara Mello, Associate Controller Financial Management, Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov

Alexander Herald, Financial Reporting Manager, Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov

Finding 2024-011 – Corrective Action Plan

2024-011a: The process for preparing the government-wide financial statements will change with the ERP implementation. The ERP system automates the production of financial reporting by integrating the ERP with our report generating software.

Anticipated Completion Date: July 1, 2025



Contact Person: Alexander Herald, Financial Reporting Manager, Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov

Finding 2024-012 – Corrective Action Plan

Management agrees with the finding and will enhance review procedures to identify missing information provided by State agencies.

Anticipated Completion Date: Ongoing

Contact Person: Xiomara Soto, Administrator Financial Management & Reporting, Department of Administration, Office of Accounts & Control
xiomara.c.soto@doa.ri.gov

Finding 2024-013 – Corrective Action Plan

2024-013a: 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. Additionally, with the implementation of the new ERP system we can not commit to completing the reconciliation prior to the fiscal close. We will work with Accounts & Control to include DMV specific deadlines in future year end close timelines so we can complete before the fiscal close.

2024-013b: 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: September 30, 2025

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 2024-014 – Corrective Action Plan

2024-014a: RIDOT General Ledger Team continues to implement checks throughout the fiscal year to ensure accuracy and reporting of the IST Fund according to GASB Standards while using proper Generally Accepted Accounting Principles. The reporting in the fund balance has improved as we have continuously worked with Department of Administration's Office of Accounts and Controls Office to ensure all accounts are listed and being reported.

2024-014b: RIDOT has developed a plan of controls to streamline the reconciliation between FMS and RIFANS with new reports and procedures. Ensuring the appropriate reconciliation has provided the RIDOT General Ledger staff the ability to find possible issues quicker and provides RIDOT General Ledger Team the capacity to resolve any issues at the time of reconciliation to prevent any future issues.

2024-014c: RIDOT will continue to improve the control process during fiscal close to provide accurate data and classification of all funds and account to maintain the financial statements of the State.

Anticipated Completion Date: Ongoing

Contact Person: Loren Doyle, Director of Operations, Department of Transportation
loren.doyle@dot.ri.gov



Finding 2024-015 – Corrective Action Plan

2024-015a: 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 Financials.

2024-015b: In previous years, there were several attempts to develop a method to determine which assets were impaired. RIDOT's Financial Management Team and Bridge Maintenance Teams provided necessary information of which assets were to be impaired, replaced, and/or taken out of service. RIDOT will continue to work with Department of Administration's Office of Accounts and Control to determine the proper life cycle of these assets.

Anticipated Completion Date: Ongoing

Contact Person: Loren Doyle, Director of Operations, Department of Transportation
loren.doyle@dot.ri.gov

Finding 2024-016 – Corrective Action Plan

2024-016a / 2024-016b / 2024-016c: ETSS continues to prioritize investment and actions in alignment with risk to the State's operations. In-progress is the implementation of a Governance Risk, and Compliance (GRC) platform for a long-term, scalable, and efficient assessment of our technology partners and agencies with ensuring consistent risk measurement aligned to program frameworks.

2024-016a / 2024-016c: In parallel with technology efforts, ETSS continues work to address personnel capacity risks with a focus on retaining, skilling, and attracting talent. ETSS has launched a training program designed to upskill and provide internal succession planning for current staff with a focus on developing skills required to support the adoption of emerging technologies.

2024-016d: ETSS has recently hired a GRC manager dedicated to management of governance, risk, and compliance which includes the annual review of all policies. A road map has been defined to ensure policies will be updated by end of 2025.

Anticipated Completion Date:
2024-016a / 2024-016b / 2024-016c: Continuous

2024-016d: Q4 CY2025

Contact Person: Nathan Loura, Chief Information Security Officer, Enterprise Technology System Services, Department of Administration
nathan.loura@doit.ri.gov

Finding 2024-017 – Corrective Action Plan

The ServiceNow ITSM Maturity Project, initiated in November of 2024, focuses on improving several ITIL processes by implementing best practices and utilizing new out-of-the-box functionality within ServiceNow. A major change will be in the ETSS Infrastructure and Operations Change Management process. One key new feature is the ability to create different change models, such as application changes. These changes are expected to be rolled out in Q2 of 2025. After implementation, ETSS will collaborate with relevant teams to implement Change Management and create a Change Advisory Board (CAB) for Enterprise Application changes, which will be later expanded to support other applications.

Anticipated Completion Date: December 19, 2025, ERP Enterprise Application, Ongoing for other agency applications

Contact Person: Elvio Sciacca, Deputy Chief of Operations, Enterprise Technology System Services, Department of Administration
elvio.sciacca@doit.ri.gov



Finding 2024-018 – Corrective Action Plan

2024-018a / 2024-018d: ETSS has aligned security team resources to continue the centralization of management of user identities and align the efforts under the 'Zero Trust Architecture Center of Excellence'. This center of excellence has been charged under the drafted charter to expand privileged access management (PAM) capabilities and enhance access reviews while implementing further automation to mitigate risk.

2024-018b: ETSS is developing and implementing best practices within our ITSM platform, ServiceNow to capture and track critical information for the ERP Enterprise Application project. As part of our ServiceNow ITSM Maturity project, ETSS will configure the ability to build Business Application Services and Service offerings. This will enable the capture of key application service information and the creation of service catalog items with workflows to track requests like granting and removing application access. ETSS will first establish a blueprint for the ERP Enterprise Application and then expand this to include other applications.

2024-018c: The review of policy will fall under the actions of 2024-016d.

Anticipated Completion Dates:

2024-018a / 2024-018c: Ongoing

2024-018b: December 1 2025 for ERP Enterprise Application, Ongoing for other applications

2024-018d: Q4 CY2025

Contact Persons: Nathan Loura, Chief Information Security Officer, Enterprise Technology System Services, Department of Administration
nathan.loura@doit.ri.gov

Elvio Sciacca, Deputy Chief of Operations, Enterprise Technology System Services, Department of Administration
elvio.sciacca@doit.ri.gov

Finding 2024-019 – Corrective Action Plan

2024-019a: ETSS continues to mature in the utilization of our constrained resources and we are moving to a more centralized monitoring of our SQL Server databases by the ETSS database administrator (DBA). We have begun deployment of two enterprise monitoring tools; one to monitor activity and performance on our databases using Microsoft Arc, and the second to ingest the database logs using IBM Guardium Data Protection. Both tools provide dashboards that are monitored daily by the ETSS DBA. We also have begun ingesting the logs sent by the Guardium Data Protection service into the state's Security Information Event Monitoring (SIEM) for advanced threat protection.

2024-019b: ETSS is in the process of establishing a Data, Analytics and AI Center of Excellence (DAAI CoE). The DAAI CoE will create policies for the central management of the state's database systems and bring together the staff responsible for database administration from across state government. This will make the deployment of centralized tools for monitoring more efficient since the staff responsible for maintaining databases at each agency will be members of the DAAI CoE. The DAAI CoE will also provide technical training for its members.

2024-019c: A Plan of Action and Milestones (POAM) will be a deliverable of Data, Analytics and AI Center of Excellence (DAAI CoE). The DAAI CoE will analyze our current state of resource utilization and address weaknesses. Collectively the DAAI CoE will be work to address gaps by providing the expertise needed in those areas.

Anticipated Completion Dates:

2024-019a: We expect to have all of the SQL Server instances that are hosted in our private cloud connected to Microsoft Arc for activity monitoring by June 2025. We expect to have Guardium Data Protection installed on all of the SQL Server instances that are hosted in our private cloud by the end of the calendar year (12/31/2025). Guardium Data Protection takes longer as it requires downtime on the server, so the installation needs to be scheduled with the agency business owners for each database server.



2024-019b: We expect to have the DAAI CoE established and operational by March 2026.

2024-019c: We expect to have the DAAI CoE produce the POAMM by June 2026.

Contact Person: Scott Gausland, Chief Data & Analytics Officer, Enterprise Technology System Services, Department of Administration
scott.gausland@doit.ri.gov

Finding 2024-020 – Corrective Action Plan

2024-020a: ETSS has migrated to a cloud hosted Security Incident and Event Management (SIEM) solution within a program application environment that has been successful and is currently assessing feasibility to scale across the enterprise. The speed in which the transformation is dependent on funding, resource, and professional services availability.

2024-020b: ETSS aligned security team resources to further bolster the Security Operations Center (SOC) to help implement SOAR/automation capabilities in the recent investments of a next generation managed detection and response (MDR) platform and vulnerability management detection and response (VMDR) platform. Prioritization of further resources will be aligned to ETSS strategic planning noted in 2024-016a / 2024-016c.

Anticipated Completion Dates:

2024-020a: Q4 FY2026

2024-020b: Ongoing

Contact Person: Nathan Loura, Chief Information Security Officer, Enterprise Technology System Services, Department of Administration
nathan.loura@doit.ri.gov

Finding 2024-021 – Corrective Action Plan

2024-021a: All vendors will be required to submit a Security Questionnaire for ETSS' Security review using the Archer risk assessment tool, to gather assessment inputs and develop a risk score.

For vendors that ETSS conducts Quarterly Business Reviews (QBR) and/or Technical Business Reviews (TBR) with, ETSS will share the risk report with the vendor, and ask the vendor to provide a risk mitigation plan, if necessary.

The ETSS Security team created the attached Supply Chain Risk Management Policy, found via this link: https://rigov-policies.s3.amazonaws.com/ETSS_Policy_10-30_Supply_Chain_Risk_Management_SR.pdf

2024-021b: ETSS has made investment within the last fiscal year to enhance their vulnerability application platform that assesses risk of exploit from code, An enhanced endpoint detection and response platform with subject matter expert services to detect exploit on laptops/desktops/servers, has enterprise scoped external penetration test scheduled to complete Q3 CY2025, self-attestation of enterprise control protections, and has implemented the initial phase of a enterprise risk management platform to centralize and standardize risk assessment for the State. In parallel with these investments the ETSS VMO team has published a new Supply Chain Risk Management Plan (SCRM) that helps set the foundation of risk mitigation with third parties. With these combined efforts the following steps occur specifically to review SOC reports:

1. A vendor submits its Security Questionnaire that rolls up the objectives of each NIST 800-53 control family which is the State's supported security framework, which will result in the submittal of their artifacts like a SOC report, to the State's Vendor Management Office (VMO) or Agency Information Manager, which is then loaded into the Archer tool by the VMO.
2. A request within Archer is submitted to the ETSS Security Team for their review, to assess artifacts and responses that is then calculated by the application to provide a risk rating per engagement.



3. Based on the risk rating and data type protections as outline in policy PM-1, a solution is to be defined to mitigate risk or accept it with a suitable justification, which could include, but not be limited to, a request additional information and/or recommended configuration changes then returned to the vendor for remediation or implementation, as necessary. This effort is continued before and/or during an annual review process.

2024-021c: As part of an ongoing ETSS Leadership assessment strategic placement of resources is prioritized by critical need to meet the efforts planned with the constraints of workforce headcount allotted to ensure critical services are available to constituents and those services are secure. ETSS leadership is continuously reviewing the ability to move from a vendor led model of support on applications to managed fully within the State's workforce as we can. In the previous CY, RFPs have been posted to modernized legacy solutions aligned with our "cloud first and low code/no code" drive, have worked to set training paths to upskill the workforce to be ready to take over these functions, and have brought on new staff to help further centralize functions like vendor management, identity management, and governance. ETSS leadership have also submitted new job descriptions through the public hearing process to allow for competitive and attractive role descriptions needed to attract the talent and competencies needed. Continuing into the future ETSS Security and Application Leads and AIMs will request additional resources, and in some instances, an independent vendor may be required to perform some tasks due to complexity or niche technical skill sets.

Anticipated Completion Date: Ongoing

Contact Persons: Nathan Loura, Chief Information Security Officer, Enterprise Technology System Services, Department of Administration
nathan.loura@doit.ri.gov

Ramesh Madhavan, Chief of IT Sourcing and Vendor Management, Enterprise Technology System Services, Department of Administration
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Brian Tardiff, Chief Digital Officer, Enterprise Technology System Services, Department of Administration
brian.tardiff@doit.ri.gov

Finding 2024-022 – Corrective Action Plan

Management is reviewing the recommendations and is considering 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 solution. Unfortunately, the responses received were inadequate. Continued efforts will be made to address the OPEB issue set forth in this report, however all resources are currently prioritized to the ERP implementation.

Anticipated Completion Date: Ongoing

Contact Persons: Paula Cofone, Deputy Personnel Administrator of Employee Benefits, Department of Administration
paula.cofone@doa.ri.gov

Dorothy Pascale, State Controller, Department of Administration, Office of Accounts & Control
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Joseph Codega, State Budget Officer / OPEB Chair, Department of Administration, Office of Management and Budget
joseph.codega@omb.ri.gov

Finding 2024-023 – 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 and recently signed a revised contract that included requirements to provide tools to ERSRI with the ability to monitor contribution processing and add internal controls. ERSRI is working with TIAA to implement an industry standard SPARK file layout to provide internal controls for ERSRI by using



reports generated by TIAA. A formalized DC monitoring plan will be documented upon completion of rollout and testing of the process.

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 2024-024 – 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 McConaghy, Executive Director, Rhode Island Convention Center Authority
daniel.mcconaghy@riccauth.com

Finding 2024-025 – Corrective Action Plan

The variance is related to challenges with the existing technology used for cash collection. This system has exceeded its useful life and the Authority is actively exploring alternate options for cash collection and vaulting. More accurate information is one of the key objectives of this effort.

Anticipated Completion Date: Ongoing

Contact Person: Christopher Durand, Chief Financial Officer, Rhode Island Public Transit Authority
cdurand@ripta.com

Finding 2024-026 – Corrective Action Plan

Management agrees with the finding and recommendation.

Anticipated Completion Date: June 30, 2025

Contact Person: Sara Enright, Interim Vice President for Administration and Finance, Rhode Island College
senright@ric.edu



Finding 2024-027 – Corrective Action Plan

Management agrees with the finding and recommendation and plans to hire an additional employee in the finance department to assist in this role.

Anticipated Completion Date: Ongoing

Contact Person: David Rawlinson, Controller, Community College of Rhode Island
djrawlinson@ccri.edu

Finding 2024-028 – Corrective Action Plan

Since its inception in 2005 the Corporation has a strong track record of timely and accurate financial reporting. The findings outlined in this report for the current year are symptomatic of the poorly timed and unplanned exit of the Finance Director on March 5, 2024. The search for a replacement lasted until May 6, 2024. This vacancy combined with having a small accounting staff led to the challenges identified.

The efforts of the team to regroup and be diligent in its effort to provide accurate information revealed the prior year variances in both the schedule of federal expenditures and the GASB 87 schedules. While this work affected the timeliness of the audit it was important to reconcile the record to move forward.

The work completed with this GASB 87 reconciliation has resulted in the creation of detailed workbooks that will provide a sound foundation moving forward. Those workbooks are locked only to those who have intimate knowledge of how the transactions work and their financial statement impact. Three staff members are well trained and knowledgeable in this area, ensuring contingency for the future recordings necessary.

During the reporting period, the Corporation undertook an effort to terminate its defined benefit pension and payout the pensioners with their full benefit. To effectuate this, work a new pension fund was established in March 2024 to accept funds from the RI Commerce Corporation. The funds were received, and all pensioners were paid either a lump sum or provided with a lifetime annuity on or before June 30, 2024. This activity occurred during the staff vacancy and was overlooked in the year end reporting provided to the audit team. The weakness related to this pension fund has been addressed in that all transactions will be reflected on the general ledger going forward.

Notwithstanding this oversight, we are proud of the outcome. All pensioners have been paid what was due to them and the Corporation has reduced its potential future liability with the full transition of all staff to the defined contribution plan.

To avoid future challenges the Corporation is adjusting the accounting staff. In addition to engaging a new Chief Financial Officer, the Corporation has created a position for a Corporate Controller to add depth to the team should a future key personnel vacancy occur. The Corporation remains dedicated to providing timely accurate financial reporting to support its mission of operating and developing the full potential of the Business Park.

Anticipated Completion Date: Ongoing

Contact Person: Patricia Testa, Chief Financial Officer, Quonset Development Corporation
ptesta@quonset.com

Finding 2024-029 – Corrective Action Plan

Procedures are in process of being reviewed and will be completed prior to the issuance of this report. Underlying reports will be updated with the ERP implementation and corrected to capture all data for all programs in the TSA.

Anticipated Completion Date: December 31, 2025

Contact Person: Xiomara Soto, Administrator Financial Management & Reporting, Department of Administration, Office of Accounts & Control
xiomara.c.soto@doa.ri.gov



Finding 2024-030 – Corrective Action Plan

Management will submit the cost allocation methodology for grants management services allocated to federal programs as part of the billed costs going forward.

Anticipated Completion Date: Completed

Contact Person: Kayla Marques, Supervisor Financial Management and Reporting, Department of Administration, Office of Accounts & Control
kayla.marques@doa.ri.gov

Finding 2024-031 – Corrective Action Plan

Pursuant to federal SNAP regulations at 7 CFR 272.4(g) and corresponding state regulations, the Department is required to establish and operate a fraud detection unit, which is responsible for the detection and investigation of SNAP fraud. The Office of Internal Audit (OIA) at the Department of Administration, Office of Management and Budget, through a Memorandum of Understanding (MOU), provides DHS with fraud detection, investigation and prevention services across DHS's public assistance programs, including SNAP.

DHS staff refer to OIA SNAP cases in which staff suspect fraud. OIA, in turn, investigates the allegation. If OIA determines that the household has committed an intentional program violation of SNAP, they pursue disqualification of the individual(s) from the program, either through an administrative disqualification hearing (ADH), a waiver of ADH, or refer the case to the state police for criminal prosecution.

If the individual is found to have committed the IPV, and received SNAP benefits they were not entitled to, DHS establishes an overpayment claim against the household's liable individuals. The liable individuals are required to make payment agreements to return to DHS, the benefits they received, but were not entitled to. If the fraud is referred for criminal prosecution, the amount of overpaid benefits is determined by the Court through an Order for Restitution.

DHS followed the established and required protocols in the case cited in this finding. DHS referred a case to OIA in which identity fraud was suspected. OIA, with DHS assistance, and collaboration from the USDA Office of Inspector General (OIG), conducted the investigation, which revealed, not only fraudulent actions, but also criminal behavior and a significant estimate of overpaid SNAP benefits. The case was referred to the U.S. Attorney's Office for prosecution.

The criminal case is currently pending. Once a disposition is issued, DHS will take the appropriate sanction actions(s), including any disqualification from the SNAP, as well establishing an overpayment claim for any restitution ordered. Pursuant to federal regulations, any collection by DHS of any overpaid SNAP benefits will be returned to the Food and Nutrition Service (FNS), with DHS retaining 30% as provided for in the regulations. Should the liable individual not pay the ordered restitution in a timely manner and the claim becomes delinquent, DHS will pursue all other available collection actions to recoup the overpaid benefits.

OIA and DHS also engage in fraud prevention activities, mainly by utilizing data analytics and identifying case issues that are indicative of fraudulent activities. Once an issue is identified, OIA, in conjunction with DHS, review the impacted case population and determine actions that should be taken to mitigate the issue as well as educate customers on actions they can take to safeguard their benefits, including changing EBT card PINs, freezing cards or limiting access to out-of-state or internet transactions. Other prevention actions that may be taken include changes to the card security through vendor options, as well as widespread communication to customers and the public on new fraud trends, etc.

OIA and DHS also provide training to DHS staff to spot fraud in cases, including identifying fraudulent/altered documents, use of invalid identification cards, and identity fraud trends, etc. Approximately 60% of DHS staff have completed or are in the process of completing the fraud training.

Anticipated Completion Date: The criminal case is ongoing.

Contact Person: Iwona Ramian, Deputy Chief Legal Counsel, Department of Human Services
iwona.ramian@dhs.ri.gov



Finding 2024-032 – Corrective Action Plan

RIDE has a template it provides to LEAs in order to request proposals from Food Service Management Companies. The documentation required for the RFP process is robust but doesn't currently require a written code of standards conduct. RIDE will add an appendix to the RFP template in order to require LEAs to submit a written code of conduct as a part of the RFP process for sourcing Food Service Management Companies.

Anticipated Completion Date: Prior to July 1st, 2025

Contact Persons: Brandon Bohl, Finance Director, Department of Elementary and Secondary Education
brandon.bohl@ride.ri.gov

Rosemary Reilly-Chammat, Director – Office of School Health & Wellness, Department of Elementary and Secondary Education
rosemary.reilly-chammat@ride.ri.gov

Finding 2024-033 – Corrective Action Plan

RIDE has hired a full-time fiscal officer to oversee these programs from a fiscal perspective and maintain compliance with reporting requirements including the SF-425. RIDE is currently hiring for a program person who will assist the fiscal officer with reporting compliance.

Anticipated Completion Date: Ongoing

Contact Persons: Brandon Bohl, Finance Director, Department of Elementary and Secondary Education
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Rosemary Reilly-Chammat, Director – Office of School Health & Wellness, Department of Elementary and Secondary Education
rosemary.reilly-chammat@ride.ri.gov

Finding 2024-034 – Corrective Action Plan

RIDE's Finance team and Office of School Health & Wellness will develop internal procedures in order to ensure timely reporting of FFATA requirements for Child Nutrition Program subawards.

Anticipated Completion Date: June 30, 2026

Contact Persons: Brandon Bohl, Finance Director, Department of Elementary and Secondary Education
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Rosemary Reilly-Chammat, Director – Office of School Health & Wellness, Department of Elementary and Secondary Education
rosemary.reilly-chammat@ride.ri.gov

Finding 2024-035 – Corrective Action Plan

To eliminate the issue with stock discrepancies, the Central Distribution Center (CDC) will be incorporating updated software targeted toward minimizing inventory errors with the receipt, storage, and distribution of all commodities that come into the CDC. The CDC recently implemented handheld scanners for tracking purposes and stock management. The scanners have new upgrades that are designed to improve inventory picking procedures. The CDC is currently in the process of making this upgrade into our system and expects to have this fully implemented by May 31, 2025.

In addition to the new software, we are at the beginning stages of a warehouse reorganization which will include a new storage location labeling system which is being designed with the intention of creating a more structured storage system for all products. In conjunction with the handheld scanners, the labeling system will include barcodes for inventory which will



be matched to storage location. These labels are magnetic, durable, and removable and can be repositioned to any rack location in the warehouse as needed. We will immediately start automated cycle counts daily to detect and correct discrepancies early to ensure all issues with inventory are caught and addressed as early as possible. Similarly, the CDC will also be implementing a quarterly full inventory count with the first one occurring no later than May 31, 2025.

Stock discrepancies are a major challenge but by incorporating the right strategies they can be eliminated. By leveraging automation, enforcing standard procedures, and continuously monitoring inventory we will improve our inventory efficiency.

Anticipated Completion Date: May 31, 2025

Contact Persons: Terrence McNamara, Administrator Physical Resources, Department of Corrections
terrence.mcnamara@doc.ri.gov

Matthew Wiencis, Chief Distribution Officer, Department of Corrections
matthew.wiencis@doc.ri.gov

Finding 2024-036 – Corrective Action Plan

RIDE's Office of School Health & Wellness will develop a guidance document for LEAs regarding Paid Lunch Equity calculations and send communication at least annually to ensure LEAs have complied with 7 CFR Sec. 210.14(e).

Anticipated Completion Date: June 30, 2026

Contact Persons: Brandon Bohl, Finance Director, Department of Elementary and Secondary Education
brandon.bohl@ride.ri.gov

Rosemary Reilly-Chammat, Director – Office of School Health & Wellness, Department of Elementary and Secondary Education
rosemary.reilly-chammat@ride.ri.gov

Jennifer Goodwin, School Health Specialist, Department of Elementary and Secondary Education
jennifer.goodwin@ride.ri.gov

Finding 2024-037 – Corrective Action Plan

RIDE is currently evaluating third-party consultants in order to have the following services performed:

- A cybersecurity assessment performed of the overall agency using the NIST Framework
- A cybersecurity assessment of our internal applications including CNP Connect & Accelegrants
- An updated business continuity plan
- A Vendor Risk Assessment Program Development

Through the above deliverables from the selected consultant, RIDE will be able to have a better understanding of gaps in IT/ Cybersecurity throughout the agency, as well as the applications cited by the Auditor General.

Anticipated Completion Date: December 31, 2025

Contact Person: Brandon Bohl, Finance Director, Department of Elementary and Secondary Education
brandon.bohl@ride.ri.gov



Finding 2024-038 – Corrective Action Plan

Finding: 1 of 60 individuals had a return-to-work date submitted by the employer, however, the claimant received three payments after that date. DLT did not investigate any potential overpayment. (Questioned costs - \$2,139)

We do not concur with this finding. Per ETA guidance, specifically UIPL 01-16, because this claim was in payment status, we have to continue to make timely weekly payments (after proper certification), and an overpayment cannot be deemed recoverable until an official ineligibility determination is rendered.

Unemployment Insurance Program Letter 01-16 states “in order to be eligible to receive administrative grants, a state must do the following in context of identifying and establishing improper payments...continue to make timely UC payments (if due) and wait to commence recovery of overpayments until an official determination of ineligibility is made...”

In addition to the above requirement, data that State Workforce Agencies gather from crossmatch sources such as IB4, wage record /benefit, SDNH and NDNH wage/benefit have to be verified prior to initiating a decision disqualifying benefits. The actual cross match itself simply produces possible cases to investigate. The investigation is then initiated when the department sends out a request for wages form (720). When the form is returned by the employer the department can then use the verified information to render a disqualifying decision. A crossmatch itself is not enough to render a working and collecting determination based on wage record data as the claimant may have had actual earning within the quarter. The date identified on a NDNH crossmatch also is not enough to render a disqualification. This information needs to be verified.

*From: Unemployment Insurance 401 Handbook ETA 227 – OVERPAYMENT DETECTION AND RECOVERY ACTIVITIES
E. Definitions*

4. Cases Investigated. The number of cases emanating from a state-initiated overpayment detection process for which an investigation regarding a potential overpayment has been concluded. Example: during a wage/benefit crossmatch process, a state agency produces a printout identifying all benefit payments matched against wages in the same quarter. After the printout is screened, requests are sent to employers to identify which weeks in the quarter were worked. When an employer reply indicates overlap with weeks for which benefits were paid, claims are investigated to determine if they were overpaid.

This was a continued claim that was effective 8/13/23 and the claimant certified weekly through 2/17/24. The RTW date listen on the ledger was autogenerated on 2/27/24. At this time the claimant had exhausted their balance of credits, all benefits had been paid. The date listed as the return-to-work date from the NDNH crossmatch stated 1/30/24. Since this date had the potential to affect benefits the department initiated it's investigation and did send a 720 form to the employer to obtain the proper wage information. Since the requested information was not returned by the employer, the department lacked the proper information necessary to render a disqualification based on ETA guidelines.

Finding: 1 of 60 was not registered within EmployRI and staff were unable to locate any records of the claimant. (Questioned costs - \$10,829)

The agency concurs with the above finding that includes state UC questioned costs of \$10,829.

This exception was caused by a programming (IT system) error. A nightly job is run that is sent to Workforce Development (Geosol) which then registers claimant's with EmployRI. An issue was discovered on claims where the effective date of the claim was 56 days prior to the first payment being issued. These claimants were not populated on the nightly transfer to Workforce.

ETSS has confirmed that this programming error has been fixed.

We acknowledge the Auditor's recommendations and offer the following response. We feel the findings, while relevant, are de minimis in scope, when compared to the workload volumes processed.

Our current unemployment systems (Tax and Benefits) are aged and distressed. Due to their age and technology constraints, any changes or modifications needed, cannot be easily or quickly implemented. As such a larger burden is placed on staff to handle manually. DLT 's limited technology resources combined with having limited staffing resources also hinder our efficiency. We have limited staff resources to manually address our workload volumes, as well as the sheer number of forms involved in making proper determinations. In addition to this, the law requires benefit payments to be made



timely based on available information until verifiable evidence is found that justifies a disqualification. Therefore, until we can implement a more modernized tax and benefits system, we acknowledge that similar findings such as these may persist.

We will continue to utilize the resources we currently have and strive to be more efficient. We hope that by providing additional staff training and by strengthening our relationship with Workforce Development, this improved efficiency will be realized.

We are in the process of evaluating whether or not an amendment to our work search requirement, is needed. In doing so, we will evaluate whether any changes are necessary to either; our internal policy, the guidance provided on the claimant's benefit rights, the guidance displayed on DLT's website and to regulation 1.18 Filing of Claims for Unemployment Insurance Benefits. Any necessary modifications will be made.

Anticipated Completion Date: December 31, 2025

Contact Person: Philip D'Ambra, Director of Income Support, Department of Labor and Training
philip.l.dambra@dlt.ri.gov

Finding 2024-039 – Corrective Action Plan

UI Administrative staff meet with ETSS staff on a weekly basis to review and prioritize pending projects. The project related to the programming changes that are necessary to incorporate the 15% penalty, on fraud overpayments, is on the list, however, due to the complexity of the programming required as well as other competing obligations previously prioritized, this work has not yet started. Therefore, we anticipate this project will be implemented by next fall. Discussions regarding the non-relief of charges will begin when programming for the 15% project is complete.

Anticipated Completion Date: September 30, 2026

Contact Person: Philip D'Ambra, Director of Income Support, Department of Labor and Training
philip.l.dambra@dlt.ri.gov

Finding 2024-040 – Corrective Action Plan

Consultants and Sub-Consultants currently submit the Certification of Final Indirect Costs form to the Department of Administration Office of Internal Audit along with supporting documents to establish their Indirect Cost Rate.

The Contracts office will request Consultants and Sub-Consultants include the form with their Fee Proposal.

Anticipated Completion Date: April 30, 2025

Contact Persons: Everett Sammartino, Contracts and Specs Administrator, Department of Transportation
everett.sammartino@dot.ri.gov

Kimberly McDougal, Contracts and Specs Assistant Administrator, Department of Transportation
kimberly.mcdougal@dot.ri.gov

Finding 2024-041 – Corrective Action Plan

The Contracts office does not currently have ID/IQ procurement policies and procedures.

Contracts will develop ID/IQ Procurement Procedures and submit them to FHWA for review and approval.

Anticipated Completion Date: December 31, 2025

Contact Persons: Everett Sammartino, Contracts and Specs Administrator, Department of Transportation
everett.sammartino@dot.ri.gov



Gary Garzone, Contracts and Specs Assistant Administrator, Department of Transportation
gary.garzone@dot.ri.gov

Finding 2024-042 – Corrective Action Plan

Quonset Development Corporation (QDC) disputes the finding, asserting that since the MARAD grant funding was provided on a reimbursement basis, QDC did not have custody of Federal funds at any point. QDC was required to meet rigorous documentation standards for reimbursement prior to the release of any funds.

QDC has created written policies and procedures specifically referencing Uniform Guidance in the case we receive Federal funding in the future. These policies will be implemented after the Board of Directors approves such policies at the April 2025 meeting.

Anticipated Completion Date: Ongoing

Contact Person: Patricia Testa, Chief Financial Officer, Quonset Development Corporation
ptesta@quonset.com

Finding 2024-043 – Corrective Action Plan

2024-043a: Office of Performance Management will develop internal policies to explain how Grant reporting requirements are met and will adjust accordingly to comply with the FHWA guidance, as it becomes available.

2024-043b: Office of Performance Management will adopt a standard approval form to sign off on the required grant submissions.

Anticipated Completion Date: December 31, 2025

Contact Person: Anastasia Wachter, Principal Economic and Policy Analyst, Department of Transportation
anastasia.wachter@dot.ri.gov

Finding 2024-044 – Corrective Action Plan

2024-044a: Management agrees with this finding and will communicate the requirements for subrecipient monitoring and specifically the review of single audit reports to our agency partners for implementation.

2024-044b: Management agrees with this finding and will communicate the requirements for subrecipient monitoring and specifically the review of single audit reports to our agency partners for implementation.

2024-044c: Management agrees with this finding and will communicate the requirements for subrecipient monitoring; specifically, the documentation of expenses, and meeting notes.

Anticipated Completion Date: Completed April 23, 2025

Contact Persons: Paul L. Dion, Director, Pandemic Recovery Office, Department of Administration
paul.l.dion@doa.ri.gov

Brianna Ruggiero, Chief of Staff, Pandemic Recovery Office, Department of Administration
brianna.ruggiero@doa.ri.gov

Finding 2024-045 – Corrective Action Plan

RIDOH agrees with the finding and recommendations and will develop and implement enhanced internal controls over Uniform Grant Spreadsheets (UGSs) to assure that all indirect cost billings and drawdowns of federal funds are appropriate and accurate. The UGS internal controls will include (but are not limited to):



- Mandatory refresher training for all staff that complete and/or review UGSs, with focus on areas of potential errors and correct entry of UGS data in the Monthly Federal Grants Tracking spreadsheet used for drawdowns and indirect billing.
- Providing a crosswalk of expenditure categories and natural accounts to grants management staff to assure appropriate and consistent assignment of transactions to categories subject to/not subject to indirect costs.
- A rotating schedule of monthly in-depth reviews of UGSs to assure that data entry aligns with RIFANS transaction reports, transactions are recorded so natural accounts align with correct expenditure categories, the appropriate indirect cost rate is entered, and formulas for computation of indirect costs are not corrupted. Reviews will be conducted by supervisors of staff completing UGSs, and results will be reported to the Deputy CFO/Federal Grants Manager.
- Review of the Monthly Federal Grants Tracking spreadsheets each month before indirect cost billing and federal drawdowns are completed, to assure that expenditures reported align with RIFANS reports and indirect billings and drawdown requests are appropriate.

RIDOH credited the ELC Enhancing Detection federal award for the unallowable indirect costs on 3/14/2025 (J25075GMC530). The credit was calculated using RIFANS transaction data from 7/1/2020 through 3/13/2025, not from the UGSs. The UGSs for this award and others are being re-built from the start of the award using RIFANS data in new, less complicated templates to assure correct charging and reporting going forward.

Anticipated Completion Date: July 31, 2025

Contact Persons: Alisha Colella, Chief Financial Officer, Department of Health
alisha.colella@health.ri.gov

Carla Lundquist, Deputy CFO / Federal Grants Manager, Department of Health
carla.lundquist@health.ri.gov

Finding 2024-046 – Corrective Action Plan

RIDOH agrees with the finding and recommendation. Corrective action plan:

- In gathering time sheets for the requested audit samples, RIDOH found that some Master Time Sheet Coordinators (staff responsible for receiving signed time sheets, populating the Master Time Sheet spreadsheets sent weekly from/to HR/Payroll, and saving time sheets to the Time Sheet Repository in Teams) were saving documents locally instead of in the central Teams site. RIDOH is providing training and increased oversight of the non-compliant Time Sheet Coordinators and is conducting ongoing checks of the time sheets uploaded to Teams weekly to assure the time sheets are saved properly.
- Instructions have been provided and will be reiterated Department-wide that all time sheets must be signed and dated by both the employee and supervisors, and signatures without dates are not acceptable.
- RIDOH will adjust the questioned costs for ELC and DWSRF to appropriate non-federal funds.
- RIDOH has been working to move staff that use the general category codes (i.e., EH Management & Leadership) to non-federal funding sources as much as possible and will begin requiring staff on federal funds to record their hours for each federal grant separately. This is a complicated process and will be fully implemented once Time and Effort reporting is transferred to Workday (the ERP).

Anticipated Completion Date: The first three bullets above will be completed by June 30, 2025. Transition of Time and Effort reporting to Workday has been delayed, and the new target implementation date has not been announced.

Contact Persons: Alisha Colella, Chief Financial Officer, Department of Health
alisha.colella@health.ri.gov

Carla Lundquist, Deputy CFO / Federal Grants Manager, Department of Health
carla.lundquist@health.ri.gov



Finding 2024-047 – Corrective Action Plan

RIDE monitors 193 subrecipients – this process is overseen largely by one individual. This individual also monitored COVID era funds such as ESSER. With those programs having passed, more time can be re-allocated to subrecipient monitoring.

RIDE does review risk scores for sub-recipient monitoring and considers risk as a basis for onsite visits/monitoring. RIDE disagrees that a higher risk assessment was not given for non-completion of the annual survey; we don't disagree that a site visit was not performed, but that's due to resource constraints. RIDE will work on documenting these reviews more formally than the current process, while also documenting decisions for either performing a site visit, or not performing a site visit.

Anticipated Completion Date: Ongoing

Contact Persons: Brandon Bohl, Finance Director, Department of Elementary and Secondary Education

brandon.bohl@ride.ri.gov

Crystal Martin, Senior Finance Director, Department of Elementary and Secondary Education

crystal.martin@ride.ri.gov

Finding 2024-048 – Corrective Action Plan

RIDOH agrees with the finding and recommendations and will develop and implement enhanced internal controls over Uniform Grant Spreadsheets (UGSs) to assure that correct cumulative financial information is used to complete all Federal Financial Reports (FFRs). The UGS internal controls will include (but are not limited to):

- Mandatory refresher training for all staff that complete and/or review UGSs, with focus on areas of potential errors and correct entry of UGS data in the Monthly Federal Grants Tracking spreadsheet used for drawdowns and indirect billing.
- Required recording of federal revenue each month in the UGSs – this step previously has been optional.
- A rotating schedule of monthly in-depth reviews of UGSs to assure that data entry aligns with RIFANS transaction reports, transactions are recorded so natural accounts align with correct expenditure categories, the appropriate indirect cost rate is entered, and formulas for computation of indirect costs are not corrupted. Reviews will be conducted by supervisors of staff completing UGSs, and results will be reported to the Deputy CFO/Federal Grants Manager.
- Review cumulative RIFANS expenditure and revenue transaction records back to the start of the federal award against information recorded in UGSs to assure the tracking spreadsheets are complete and correct before FFRs are completed, signed, and submitted to federal funders.

In the past, it was RIDOH's practice to continue using the same RIFANS account number for multiple project periods of grants (multiple FAINs) for the federal programs, which complicated reconciliation of expenditure and revenue data due to overlapping periods at the start of a new FAIN and the closeout of an ending FAIN. RIDOH now requires a new RIFANS account number for all new FAINs, which will ease the analysis of cumulative transactions.

Anticipated Completion Date: June 30, 2025 for UGS internal controls. Review of cumulative RIFANS transactions for FFRs will be implemented by April 30, 2025.

Contact Persons: Alisha Colella, Chief Financial Officer, Department of Health

alisha.colella@health.ri.gov

Carla Lundquist, Deputy CFO / Federal Grants Manager, Department of Health

carla.lundquist@health.ri.gov



Finding 2024-049 – Corrective Action Plan

DHS continues its prior actions of training addressing eligibility, standing agenda on meetings, and quarterly meetings. At this time, DHS has completed the solicitation to hire a contractor to identify problematic processes, through the Business Processing Excellence Reengineering project. (BPER). The scope of work includes evaluating the eligibility to determine the deficiencies and to propose solutions.

Anticipated Completion Date: Ongoing

Contact Person: Donna Rook, Administrator, Family and Adult Services, Department of Human Services
donna.m.rook@dhs.ri.gov

Finding 2024-050 – Corrective Action Plan

System changes to modify the time schedule that RIBridges interfaces with SWICA for processing tasks has already been submitted (RIB-141767). Currently, the interface occurs twice yearly. This will increase the frequency to quarterly.

Anticipated Completion Date: October 31, 2025

Contact Person: Donna Rook, Administrator, Family and Adult Services, Department of Human Services
donna.m.rook@dhs.ri.gov

Finding 2024-051 – Corrective Action Plan

DHS management has implemented new procedures in SFY25 and anticipates this will not be a finding for the next Single Audit. Preparers of reports have been instructed to do a lookback for any additional entries from prior quarters not previously reported. Each report is now saved with the supporting documentation on a shared drive. Additionally, DHS will document the process of quarterly federal financial reporting. Regarding Federal Funding Accountability and Transparency Act (FFATA) reporting, DHS has started to track reporting by capturing contract execution dates to ensure timeliness.

Anticipated Completion Date: June 30, 2025

Contact Person: Ben Quattrucci, Associate Director Financial Contract Management, Department of Human Services
benjamin.a.quattrucci@dhs.ri.gov

Finding 2024-052 – Corrective Action Plan

DHS has a policy for subrecipient monitoring, which includes documentation required to be submitted by a subrecipient. The documentation is based on assessing the risk of each subrecipient.

There is no requirement in the Uniform Grant Guidance in regard to supporting documentation requirements. The invoice needs to be certified by an authorized agent and the expense needs to have been reasonably incurred. DHS ensures compliance in numerous ways, including monthly programmatic meetings, site visits, review of single audits and past performance. Additionally, DHS contracts include a budget narrative and allows for DHS to require additional documentation for audit purposes. If requested, DHS would have been able to produce more documentation to satisfy the allowability of costs.

Anticipated Completion Date: Not Applicable

Contact Person: Ben Quattrucci, Associate Director Financial Contract Management, Department of Human Services
benjamin.a.quattrucci@dhs.ri.gov



Finding 2024-053 – Corrective Action Plan

2024-053a: 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 terminated. Terminating the users access locks them out and prevents 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 terminated immediately. An SOP will be implemented with offboarding procedures to assist in timely removal of access.

Access is maintained and controlled within the GainwellNow system. Email notifications of pending requests for access are sent to Hector Rivera and Kim Tebow (both EOHHS), who must then review the request and attached form and either grant or deny access.

An FTE will be added to the EOHHS/Medicaid Systems team to standardize all user access policies and procedures.

Oversight of all IT security activities performed by the MMIS contractor is the responsibility of the EOHHS/Medicaid Project/Contract Manager assigned to the vendor. This individual is supported by the ETSS AIM assigned to support EOHHS/Medicaid. A SOC audit is completed yearly and provides documentation for penetration and vulnerability testing.

Anticipated Completion Date: Current and Ongoing

Contact Persons: Brian Tichenor, Medicaid Systems Manager, Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov

Hector Rivera, Interdepartmental Project Manager, Executive Office of Health and Human Services
hector.l.rivera@ohhs.ri.gov

Kimberly Tebow, Senior Medical Care Specialist, Executive Office of Health and Human Services
kimberly.tebow@ohhs.ri.gov

2024-053b: The 2025 MARS-E Assessment is underway and will be completed by 4/30/2025. The results will be reviewed to assure the items in the previous MARS-E assessment have been addressed as expected by the state. Documentation lacking to evaluate security controls; Complete pending MARS-E Assessment

Continued use of unsupported applications in need of update or patching; major upgrade of the end of life frameworks is planned for SFY2026 start. This expensive upgrade structurally supports most of the modernization platforms that the state is considering. Start SFY 2026; Completion SFY 2027

Lack of contractor tracking of exceptions and risk assessments; Exceptions for vulnerabilities are tracked in JIRA. Risk assessments are performed in all security tests and periodically on security controls. CISO approves all vulnerability exceptions. Complete pending MARS-E Assessment

Contractor only sharing partial vulnerability scanning results; Raw report results are provided in Sharepoint in support of the risk assessment process. Complete pending MARS-E Assessment

Lack of a robust triage process for security vulnerabilities; Complete pending MARS-E Assessment

Inadequate consideration of IT security vulnerabilities with industry best practices. Security vulnerability assessments are performed using the CMS method of impact X probability. The method has been reviewed by state and MARS-E assessor. Complete pending MARS-E Assessment

Anticipated Completion Dates: See above

Contact Person: Deb Merrill, Security Officer, Enterprise Technology System Services, Department of Administration
deb.merrill@doit.ri.gov



2024-053c: The State (EOHHS) collaborates with system vendors (MMIS/Gainwell and Deloitte/RI Bridges) Maintenance & Operations (M&O) and Security teams 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, Medicaid Systems Manager, Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov

Hector Rivera, Interdepartmental Project Manager, Executive Office of Health and Human Services
hector.l.rivera@ohhs.ri.gov

2024-053d: Our controls for User Access are in place. Depending on the access requested by the type of user and the program being administered, access are provided accordingly.

Anticipated Completion Date: Current and Ongoing

Contact Persons: Saurabh Gosai, Director – Technology, Strategy and Innovation, Department Human Services
saurabh.u.gosai@dhs.ri.gov

Sherri Kennedy, Chief - Human Services Policy and Systems Specialist, Department of Human Services
sherri.kennedy@dhs.ri.gov

Finding 2024-054 – Corrective Action Plan

Management agrees with the finding regarding inaccurate calculations. Management disagrees with the finding regarding information about DCYF children in the system.

The Office of Child Care (OCC) is continually reviewing available training materials related to CCAP eligibility and case processing and has identified certain gaps where additional training/clarification, and more frequent communication to processing staff is needed – specifically in income calculation/input of paystubs, confirming asset declarations, and confirming need hours. OCC is working with the DHS training department to create a CCAP-specific training to provide in-depth coverage of program requirements.

OCC continues to present at quarterly meetings to highlight error findings and the critical importance of accurate documentation. In addition, the CCAP administrator works continuously with field staff and Deloitte through weekly theme meetings to identify areas where system changes can improve accuracy of eligibility determinations.

OCC is currently reviewing the grace period/short-term approval policy, how it is applied to specific cases, and how it is implemented in RIBridges. The finding has been escalated from the CCAP administrator to the assistant director of the Office of Child Care to ensure continued collaboration from all facets of the eligibility work to continue to improve errors in determination.

Anticipated Completion Date: Ongoing – will continue to see a decline in errors in eligibility approval.

Contact Person: Nicole Chiello, Assistant Director, Office of Child Care, Department of Human Services
nicole.chiello@dhs.ri.gov

Finding 2024-055 – Corrective Action Plan

Management agrees with the findings, with some concerns noted in the corrective actions below. These corrective action steps are separated by specific health and safety finding.

Background Checks: DHS will prioritize an emergency reopening of the regulations for both family and child care center regulations to require all providers and staff who work with children to enroll in the workforce registry no later than one month after promulgation.



This will allow DHS staff to access employee files in real time to ensure that all staff have appropriate and current comprehensive background checks in their digital files. Until this regulation goes into effect, DHS will implement an immediate policy that all staff who work with children have their staff files audited as part of on-site monitoring visits.

Previously, DHS looked only at those staff who were new since this last visit. However, this led to expired background checks being found during the audit. These expired checks also counted as not being able to demonstrate completion of the background check.

DHS does want to acknowledge that during this audit, all staff were required to show evidence of a comprehensive background check. This included staff who did not have access to children and/or were not in the building when children were present. This does not align with regulation 218-RICR-70-00-1.12.A.1 which states, **“All individuals working or engaging directly with children who are employed or act as a volunteer in the program, must complete all requirements of a comprehensive background check as outlined here: <https://dhs.ri.gov/programs-and-services/child-care/child-care-providers/background-checks>.”**

While the auditing team was informed of this, those staff not working with children who were on a payroll sheet were included as a finding against the Department. DHS will send out communication to the field alerting them that the lack of background checks is not tolerated.

Staff who do not have these checks on file will be sent home until a background check is received (a practice that already exists, but typically the licensor is not looking at all files for every visit). For center providers, any staff or provider who is found to not have this information will be told to leave the program until this evidence is found.

This may result in programs needing to temporarily close due to staff ratio issues. For family child care providers, this will involve a file audit of all received background checks, as well as a visit to ensure that there are no additional or new household members who have not completed this check. Any provider who has not submitted or completed an updated background check will be required to close until received. Any provider who is found to have household members who have not been listed and/or completed appropriate background checks will be closed due to failure to adhere to regulations.

Immunizations: DHS recognizes and supports the importance of ensuring children are receiving timely vaccinations. However, DHS also recognizes that providers are only able to gather this data directly from families. Families who do not provide updated immunizations may be excluded from care if they do not provide these records.

DHS will communicate with providers that no child should be enrolled without this documentation and that failure to provide updates to this documentation can result in dismissal from the program. DHS does not know if any of the children identified in this finding had medical or religious exemptions for their immunizations but would challenge that this finding could be skewed if this additional information was not ascertained by the auditing team. DHS will continue to partner with the Rhode Island Department of Health to ensure that programs are actively monitored and surveyed regarding immunization documentation.

Emergency Preparedness Plan: DHS has been working with providers to ensure they have documented the required components of an emergency preparedness plan as required by federal funding agencies. DHS is requiring providers to include the DHS emergency plan form as part of renewal (for already existing providers) or as part of initial licensure. Absence of this form does not mean that the criteria is not being met. DHS did not train the auditors on what these required areas were and cannot speak to how this was monitored. However, DHS will continue to work with our providers to ensure that these criteria are met as part of the requirements in RISES. DHS has also created a training with The Center for Early Learning Professionals that reviews how to complete this plan and implement through practice.

Unallowable Items In Cribs: This audit found that 30% of providers were found to have unallowable items in cribs. For the purposes of this audit, this finding included cribs that did not have children sleeping in them. Per the regulations for both Family and Child Care Centers, “No items are placed in the crib **with an Infant** except for a pacifier.” (218-RICR-70-00-2.3.3.C.1.k and 218-RICR-70-00-1.10.C.i respectively)

DHS requests that only those providers who were found to have children in cribs with items be included in the finding. DHS has worked with The Center for Early Learning Professionals to develop individual trainings related to safe sleep. Providers who are found to be noncompliant regarding safe sleep practices are referred to those trainings with additional monitoring



visits occurring to ensure changes have been made. As a result of this audit, DHS will inform providers that any safe sleep violations may result in a probationary status with additional licensing action possible if the continued noncompliance with safe sleep is observed.

Toxic Substances unlabeled and accessible: DHS continues to monitor for this in both Family Child Care and Center-based programs. Typically, these are addressed and corrected onsite. Repeated noncompliance in this area can lead to probationary status. DHS will be reviewing the probationary process and use Technical Assistance with our federal funders to evaluate how other states address probation and other licensing actions. The goal is to solidify the current processes to ensure that there is an appropriate escalation review for repeated noncompliance that starts with probation and possibly lead to suspension of license. This will be communicated regularly to all providers.

Developmental history: Per regulations, developmental histories are required only for programs serving infants and toddlers. Per Family Child Care regulation (218-RICR-70-00-2.3.6.F.7.a) and Child Care Center regulation (218-RICR-70-00-1.13.F.8.a), only files for infants and toddlers must contain developmental histories.

DHS is unable to confirm whether or not this finding is related to this age group or if this finding occurred because age groups beyond that were assessed for compliance. Without this clarification, DHS would contest that this finding is accurate. DHS continues to support the provider community - both Family Child Care and Center providers - ensuring that they have gathered as much information as possible on the children they are enrolling in care.

DHS will continue to audit files while on site to ensure that infants and toddlers have these documents completed. In the new RISES system, new providers who identify the desire to be licensed for either age group are required to submit examples of these forms as part of the initial application.

For current providers, those serving these age groups will not be able to submit their first renewal in the system without uploading examples of these completed forms.

Anticipated Completion Date:

Background Checks: DHS will meet with policy staff immediately to discuss the emergency promulgation of new regulations. DHS will also immediately send out an email to the provider community regarding the outcomes of this audit and the responses that DHS intends to implement. Monitoring of programs, including for compliance of this regulation, will be ongoing.

All other findings will be addressed in an ongoing fashion.

Contact Person: Nicole Chiello, Assistant Director, Office of Child Care, Department of Human Services
nicole.chiello@dhs.ri.gov

Finding 2024-056 – Corrective Action Plan

2024-056a: During SFY 2024, several system fixes were deployed to address the findings noted in 2024-056. Specifically, in September 2024, a system fix was put in place to ensure children with verified SSNs were appropriately evaluated for Medicaid/CHIP coverage and excluded from Cover All Kids.

RI Bridges appropriately determines eligibility for CHIP when TPL data is not present. Once TPL information is known to the system, existing eligibility rules will only evaluate for Medicaid, not CHIP.

The TPL exceptions noted by the OAG show a discrepancy between TPL data in the MMIS and the information sent to RI Bridges via the TPL loopback file. EOHHS will work with their vendor to determine the root cause of the discrepancy and establish a corrective action plan if appropriate.

Rhode Island did not participate in the February 2024 PARIS interstate match due to a file issue that has since been addressed in April 2024. The May and August 2024 PARIS matches were suspended at the Federal level for all States due to an outstanding computer matching agreement between the DoD and HHS/ACF. Enhancements to existing PARIS Interstate match logic are scheduled to run as planned for fall/winter 2025.



Income/Wage Validation: EOHHS completed implementation of an interface on 3/5/24 between The Work Number (TWN) and RI Bridges. Contract and budget actions for TWN services were not completed until fall 2024. The system requirements that Equifax initially communicated to the State and our Integrated Eligibility System implementation partner were incomplete and the original integration configured in fall 2024 did not successfully pass testing. A system modification to correct the original specifications was originally scheduled for February 2025 but was delayed due to the 12/13/24 RI Bridges cyber event. Target date for TWN implementation is July 2025.

Anticipated Completion Date: July 1, 2025 for income/wage validation.

Contact Person: Anthony Salvo, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
anthony.salvo@ohhs.ri.gov

2024-056b: The Center for Staff Development and Learning (CSDL) the lead for training at the Rhode Island Department of Human Services (RIDHS) will work towards correction by using a blended approach to learning using formal (classroom or virtual learning sessions) and on the job learning activities. will conduct the following:

- a. The CSDL Team will continue to include in its Ex Parte Learning Series review of where the system performs an Ex Parte review to determine Medicaid eligibility for age outs ages 19, 26, and 65. In addition, included in the Medicaid Refresher, currently in development, a review will be done of updating income and verification procedures that includes end date and employment segments when household members lost employment.
- b. The Operations staff supervisors will schedule processing labs that will require the participants to process live cases with guidance from a supervisor.

Anticipated Completion Date: The trainings and refresher learnings are ongoing. Processing labs are scheduled as need for this specific topic, we anticipate that processing labs will be scheduled and completed between July – September of 2025. The Medicaid Refresher Learning Series will be released in July. This training will also be ongoing.

Contact Person: Zulma Valenzuela, Assistant Director of Administrative Services, Center for Staff Development and Learning, Department of Human Services
zulma.valenzuela@dhs.ri.gov

2024-056c: As noted in prior year responses, CMS will not pursue recoveries associated with questioned costs given that recoveries based on eligibility errors can only be pursued when identified by programs operating under CMS' Payment Error Rate Measurement program per section 1903(u) of the Social Security Act and regulations at 42 CFR Part 431, Subpart Q. This limits CMS's ability to recover on most of the SSA eligibility findings. While CMS will pursue the internal control deficiencies noted by the SSA, CMS will not pursue recoveries associated with the questioned costs.

Anticipated Completion Date: Not Applicable

Contact Person: Anthony Salvo, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
anthony.salvo@ohhs.ri.gov

Finding 2024-057 – Corrective Action Plan

EOHHS: The EOHHS Finance team created a Medicaid Administrative Claiming Reporting training presentation and trained all sister agencies with expectations for administrative claiming. The training included the following topics: administrative claiming background; completing required CMS-64 quarterly reporting for EOHHS which include timelines and supporting documentation; and frequently asked questions. The team also created a draft manual and shared this manual with the Medicaid admin claiming agencies.

Additionally, EOHHS hired an additional FTE in the Medicaid Finance team during Autumn 2024 to support Medicaid Administrative Claiming of all agencies; however, this FTE was unable to commence work due to being placed in a three-day rule as acting Medicaid CFO. The FTE will resume full-time work in the new position in mid-May 2025. The goal of this position will be to work with the EOHHS Medicaid and Central Management teams to develop processes to address the



audit findings. The Medicaid Finance team also has worked closely with the Medicaid program's Division of Executive Administrative and Support Services to develop cross-training and draft SOPs related to the CMS-64.

BHDDH: BHDDH concurs with this finding. Since the finding, BHDDH has refined their internal processes related to administrative claiming adding an additional staff member to doublecheck the Medicaid administrative claiming reporting to reduce the likelihood of future errors. The team members also conduct a reconciliation after the Medicaid cost allocation plan is processed. As of SFY 25 Q2 all time tracking is done internally for increased accuracy and more timely journal entries.

Anticipated Completion Date: Ongoing

Contact Persons: Dezeree Hodish, Associate Director (Financial Management), Executive Office of Health and Human Services

dezeree.hodish@ohhs.ri.gov

Deborah Mazzone, Deputy Finance Director, Department of Behavioral Healthcare, Developmental Disabilities and Hospitals

deborah.l.mazzone@bhddh.ri.gov

Finding 2024-058 – Corrective Action Plan

2024-058a: 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 (FDCR). EOHHS is currently developing an RFP (request for proposals) with an estimated completion date of SFY 2026. It is EOHHS' intention to conduct/complete the first audit in SFY 2026 followed by FY 2029, FY 2032, and so forth, but such completion is determinant on the quality of proposals received and funding available. The focus of the audit will be to ensure that supporting documentation is available for all FDCR inputs.

Anticipated Completion Date: June 30, 2025

2024-058b: All MCOs are monitored weekly to review error reports and resubmissions and monthly for alignment with FSR/FDCR reports. Amendment 11 with the Managed Care Organizations included the additional requirement, noted at Sections 2.16.04 and 2.16.06 for plans to submit audited financial reports specific to the Medicaid contract and implementing the periodic financial audit report requirement. It is EOHHS' intention to conduct/complete the first audit in SFY 2026 followed by FY 2029, FY 2032, and so forth, but such completion is determinant on the quality of proposals received and funding available. The focus of the audit will be to ensure that supporting documentation is available for all FDCR inputs.

Anticipated Completion Date: Current and Ongoing

Contact Persons: Lynn Doherty, Managed Care Compliance Officer, Executive Office of Health and Human Services
lynn.doherty@ohhs.ri.gov

Storm Lawrence, Chief of Strategic Planning, Monitoring & Evaluation, Executive Office of Health and Human Services

storm.lawrence@ohhs.ri.gov

Steven Corvese, Plan Analyst, Executive Office of Health and Human Services

steven.corvese@ohhs.ri.gov



Finding 2024-059 – Corrective Action Plan

The findings can be grouped into several areas as shown below. The responses are included below each grouping. Each response is included in each category.

1. Licensing

- a. "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 licensing data from BHDDH resulting in a weakness in control for this segment of providers."
- b. "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 licensing data from DCYF resulting in a weakness in control for this segment of providers."
- c. 4 out of 60 providers sampled noted instances where providers remained active during fiscal 2024 after provider licenses had expired, evidencing a deficiency in internal control relating to timely provider deactivation if provider licensure is not evidenced. No claims were paid to these providers thus noncompliance was not noted."

EOHHS' Division of Medicaid Compliance is actively working with BHDDH, DCYF, and RIDOH to address the licensing concerns by strengthening the communication of end dates between each agency's licensing division and Medicaid's Division of Medicaid Compliance.

Anticipated Completion Date: Ongoing. Anticipated June 2025.

Contact Persons: Emily Tumber, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
emily.tumber@ohhs.ri.gov

Nicholas James, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
nicholas.james@ohhs.ri.gov

2. Systems

- a. "Encounter data submitted by managed care organizations is not currently validated for provider enrollment upon acceptance. This deficiency in internal controls over provider eligibility prevents the detection of claiming submitted by unenrolled providers. Our testing noted 4 managed care providers that were not enrolled in the Medicaid Program as required by federal regulations resulting in noncompliance with provider eligibility requirements (questioned costs - \$3,371). All 4 providers were out-of-state providers required to be enrolled under federal regulations based on the volume of services billed to RI Medicaid. Implementing this additional edit when processing encounter data would improve controls over compliance."
- b. For claims representing care furnished to a beneficiary by an out-of-state furnishing provider, the SMA may pay a claim, in limited circumstances, to a furnishing provider that is not enrolled in the reimbursing state's Medicaid plan. 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."
- c. The State did not have documentation supporting review of the SSA Death Master file for 19 out of the 60 providers we tested."

- a. EOHHS conducted research on these cases and completed a system upgrade to remedy the issue on 5/1/2024.
- b. EOHHS conducted research on these cases and completed a system upgrade to remedy the issue on 5/1/2024.
- c. EOHHS implemented new Provider Screening Tool in February 2025 which will provide dated documentation following the automated search for various screening requirements, including Death Master File. This documentation



will be uploaded to the provider file. This will eliminate the manual process of searching for providers individually through the Death Master File and relying on an individual recording the date.

Anticipated Completion Date: Ongoing

Contact Person: Kimberly Tebow, Senior Medical Care Specialist, Executive Office of Health and Human Services
kimberly.tebow@ohhs.ri.gov

3. Provider Surveys

- a. Federal regulations require the Medicaid agency to execute provider agreements with nursing facility providers and intermediate care facilities for individuals with intellectual disabilities (ICF/IID) upon receiving notification from the State survey and certification unit that the provider has been certified in substantial compliance with federal health and safety regulations. The State Medicaid agency lacked documentation of a finalized provider agreements and approval letters to providers in 6 out of 18 providers reviewed. In respect to the State's only ICF/IID facility, the State Medicaid agency was not monitoring the RI Department of Health's (RIDOH) certification process and had no documentation from RIDOH regarding the facility's health and safety certification. All providers were recertified by RIDOH and compliant with program health and safety requirements.

EOHHS/Medicaid implemented tracking protocol for all surveys received by the RIDOH to ensure completeness and timely response. Revisions to the internal standard operating procedure for the review and approval of these surveys are under review. This was completed on February 1, 2024. Regarding the monitoring of RIDOH's certification process, EOHHS will collaboratively work with RIDOH to implement a monitoring program.

Anticipated Completion Date: June 2026 for the monitoring program.

Contact Person: Patricia Arruda, Chief of Strategic Planning, Monitoring & Evaluation, Executive Office of Health and Human Services
patricia.arruda@ohhs.ri.gov

Finding 2024-060 – 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: Steven Corvese, Plan Analyst, Executive Office of Health and Human Services
steven.corvese@ohhs.ri.gov

Finding 2024-061 – Corrective Action Plan

2024-061a: In order to determine CHIP eligibility appropriately, the IES would need to know of all TPL coverages at the time of the eligibility determination. This is not always the case as data is not always self-reported or available. The solution implemented on 5/19/2022 improved the eligibility determination process by looping TPL data from the states' MMIS to the IES on a regular basis.

Anticipated Completion Date: Monitoring

Contact Person: Jeffrey Schmeltz, Chief, Family Health Systems, Executive Office of Health and Human Services
jeffrey.schmeltz@ohhs.ri.gov

2024-061b / 2024-061c: The EOHHS Finance team created a Medicaid Administrative Claiming Reporting training presentation and trained all sister agencies with expectations for administrative claiming. The training included the following topics: administrative claiming background; completing required CMS-64 quarterly reporting for EOHHS which include timelines and supporting documentation; and frequently asked questions. The team also created a draft manual and shared this manual with the Medicaid admin claiming agencies.



Additionally, EOHHS hired an additional FTE in the Medicaid Finance team during Autumn 2024 to support Medicaid Administrative Claiming of all agencies; however, this FTE was unable to commence work due to being placed in a three-day rule as acting Medicaid CFO. The FTE will resume full-time work in the new position in Mid-May 2025. The goal of this position will be to work with the EOHHS Medicaid and Central Management teams to develop processes to address the audit findings. The Medicaid Finance team also has worked closely with the Medicaid program's Division of Executive Administrative and Support Services to develop cross-training and draft SOPs which building supervisory reviews of reporting.

EOHHS agrees that the CHIP with TPL population requires attention. We believe almost all the instances reported by OAG are from "timing" issues between the MMIS' collection of verified TPL and the sync with RIBridges. EOHHS has created a new project for the RIBridges system to automate triggers on CHIP cases when TPL is added so that eligibility is timely. This will hopefully result in a reduced number of months when a CHIP aid category and TPL segment overlap for members.

Anticipated Completion Date: Ongoing

Contact Person: Dezeree Hodish, Associate Director (Financial Management), Executive Office of Health and Human Services
dezeree.hodish@ohhs.ri.gov

Finding 2024-062 – 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. 2025 Update: Following the process from 2023 and 2024, we are requesting a new TPL files from Gainwell that will be shared to each MCO.

Anticipated Completion Date: Ongoing

Contact Person: Jeffrey Schmeltz, Chief, Family Health Systems, Executive Office of Health and Human Services
jeffrey.schmeltz@ohhs.ri.gov

Finding 2024-063 – 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.

Beginning June 2025, EOHHS will initiate on-site reviews of twenty (20) LEAs using a tiered, randomized sample of claims from State Fiscal Year 2023 (SFY23). The sample will include claims with at least 20 claims per LEA, selected to ensure wide geographic representation. If documentation is missing, incomplete, or found to be in error, the LEA and their billing contractor will be notified and corrective action will be implemented.

Lastly, EOHHS is also working in partnership with the CMS School-Based Services Technical Assistance Center to ensure continued alignment with federal expectations and the implementation of national best practices in school-based Medicaid claiming and update guidance.

Anticipated Completion Date: Administrative Claiming Materials – June 1, 2024; On-site Audit – June 30, 2025

Contact Persons: Tyler McFeeters, Health Program Administrator, Executive Office of Health and Human Services
tyler.mcfeeters@ohhs.ri.gov



Mark Kraics, Deputy Medicaid Director, Executive Office of Health and Human Services
mark.kraics@ohhs.ri.gov

Finding 2024-064 – Corrective Action Plan

EOHHS currently maintains full staffing within the Medicaid Eligibility Quality Control (MEQC) Unit, consisting of two (2) dedicated analysts and one (1) unit supervisor at EOHHS. Oversight of the unit is provided by a Deputy Medicaid Program Director who operates independently from the Medicaid operations and policy divisions, in accordance with 42 CFR §431.812, ensuring the unit's objectivity and compliance with federal separation-of-function requirements.

All future MEQC reviews will be conducted exclusively by this independent unit. Should any staffing limitations arise that may impact the timely completion of reviews, EOHHS is committed to proactively communicate with both EOHHS Leadership and CMS to request additional time or support, as appropriate. This structure supports consistent quality assurance, audit readiness, and adherence to MEQC program integrity standards.

Anticipated Completion Date: Completed

Contact Person: Mark Kraics, Deputy Medicaid Director, Executive Office of Health and Human Services
mark.kraics@ohhs.ri.gov

Finding 2024-065 – Corrective Action Plan

2024-065a: Rhode Island did not participate in the February 2024 PARIS interstate match due to a file issue that has since been addressed in April 2024. The May and August 2024 PARIS matches were suspended at the Federal level for all States due to an outstanding computer matching agreement between the DoD and HHS/ACF. Enhancements to existing PARIS Interstate match logic are scheduled to run as planned for fall/winter 2025.

EOHHS completed implementation of an interface on 3/5/24 between The Work Number (TWN) and RI Bridges. Contract and budget actions for TWN services were not completed until fall 2024. The system requirements that Equifax initially communicated to the State and our Integrated Eligibility System implementation partner were incomplete and the original integration configured in fall 2024 did not successfully pass testing. A system modification to correct the original specifications was originally scheduled for February 2025 but was delayed due to the 12/13/24 RI Bridges cyber event. Target date for TWN implementation is July 2025.

The Death Match process resumed in Spring 2025. Long-term modifications are scheduled for December 2025. These modifications include connecting RI Bridges to the SSA Death Master File (DMF) and utilizing the data from DMF as the primary source for monthly death verifications.

During SFY 2024, several system fixes were deployed to address the findings noted in 2024-065. Specifically, in September 2024, a system fix was put in place to ensure children with verified SSNs were appropriately evaluated for Medicaid/CHIP coverage and excluded from Cover All Kids.

The system automatically identifies individuals aging out of Medicaid Expansion prior to their 65th birth month and redetermines eligibility. EOHHS will improve controls of this process and ensure that if the system is unable to accurately remove the member from the Medicaid expansion category, a manual workaround will be implemented.

Anticipated Completion Date: January 1, 2026

Contact Person: Anthony Salvo, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
anthony.salvo@ohhs.ri.gov

2024-065b: EOHHS will proactively work with the system vendor and other State agencies to implement controls over eligibility system and process deficiencies. Corrective actions will include, but are not limited to, manual processes, code fixes, and new system enhancements.



Anticipated Completion Date: Ongoing

Contact Person: Anthony Salvo, Implementation Director of Policy and Programs, Executive Office of Health and Human Services
anthony.salvo@ohhs.ri.gov

2024-065c: EOHHS will identify and return any potential ineligible costs by end of the current Federal Fiscal Year (FFY).

Anticipated Completion Date: September 30, 2025

Contact Person: Allison Shartrand, Assistant Director, Financial & Contract Management, Executive Office of Health and Human Services
allison.shartrand@ohhs.ri.gov

Finding 2024-066 – 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. Project PH0630 - OI Edit for ESH was created and is being worked on by Gainwell and the State. The Project Charter states that the state must have controls in place to ensure that claims from the State Hospital, including Eleanor Slater Hospital (ESH) are reimbursed by Medicaid as the payer of last resort. Meetings, requirements gathering, and business designs are ongoing. The Business Design is anticipated to be completed by end of April 2025.

Anticipated Completion Date: To Be Determined

Contact Person: Hector Rivera, Interdepartmental Project Manager, Executive Office of Health and Human Services
hector.l.rivera@ohhs.ri.gov

Finding 2024-067 – Corrective Action Plan

The RIEMA Recovery staff will conduct an additional review of all projects prior to obligation including both small and large projects. This review will include not only that the state required documentation is included but will also review the FEMA final validation report submitted with the project. We acknowledge the errors which were reported by the State audit review of project number 694201 for federal disaster declaration DR-4505-RI. The agency will contact the Office of Housing and Community Development of the finding and they will be required to reimburse FEMA the unallowable costs.

Anticipated Completion Date: RIEMA is implementing this immediately for all project reviews.

Contact Person: Lawrence Macedo, Recovery Branch Chief, Rhode Island Emergency Management Agency
lawrence.macedo@ema.ri.gov

Finding 2024-068 – Corrective Action Plan

The RIEMA Recovery staff will revise the Federal Audit Clearinghouse tracking form to include the recommended items. We will not only include findings directly related to our program, FEMA 97.036, but all FEMA findings. We will also add any findings that were noted on any program on the tracking form. We are also creating an additional form, Verification of Compliance – FAC.Gov, which will be submitted to the RIEMA fiscal department. This form identifies any findings and requests their recommendation on proceeding with reimbursement to the sub-recipient in our payment package. Also, we will be incorporating our review of the Single Audit Report in both the tracking form and the verification form.

Anticipated Completion Date: RIEMA is implementing this for all project reviews.

Contact Person: Lawrence Macedo, Recovery Branch Chief, Rhode Island Emergency Management Agency
lawrence.macedo@ema.ri.gov



Finding 2024-069 – Corrective Action Plan

The Agency acknowledges that an inaccurate SF-425 was submitted for March 2024 and the cause was a formula error that was not detected prior to submission. This was a one-off issue that had already been corrected prior to the submission of future SF-425s as acknowledged by the auditor's statement "Cumulative amounts reported at State fiscal year end were accurate and complete."

Anticipated Completion Date: RIEMA submission of the revised March 2024 SF-425 and acknowledgement of receipt from FEMA of said revised March 2024 SF-425 has an anticipated completion date of May 2, 2025.

Contact Person: Brian Riggs, Chief Financial Officer, Rhode Island Emergency Management Agency
brian.j.riggs@ema.ri.gov

Finding 2024-070 – Corrective Action Plan

RIEMA acknowledges the audit finding regarding incomplete reporting of certain subawards to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) for fiscal year 2024.

The reporting gap occurred due to the departure of the staff member previously responsible for FFATA reporting. Unfortunately, this position remained vacant until February of the current year, which contributed to delays and omissions in subaward reporting during that period.

To prevent recurrence, RIEMA has filled the vacated position and will ensure the new staff member receives comprehensive training on FFATA requirements and FSRS procedures. Moving forward, we are also reviewing our internal processes to ensure continuity and compliance, even during periods of staffing transitions.

RIEMA remains committed to full compliance with federal reporting requirements and transparency in the use of grant funds.

Anticipated Completion Date: September 2025

Contact Person: Brian Riggs, Chief Financial Officer, Rhode Island Emergency Management Agency
brian.j.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, 2024

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	2023-001, 2023-002, 2023-003, 2023-004, 2023-005, 2023-006, 2023-007, 2023-008, 2023-009, 2023-010, 2023-011, 2023-012, 2023-013, 2023-014, 2023-015, 2023-016, 2023-017, 2023-018, 2023-019, 2023-020, 2023-021, 2023-022, 2023-023, 2023-024, 2023-025, 2023-026, 2023-027, 2023-028, 2023-029
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2023-031, 2023-032, 2023-033
Fish and Wildlife Cluster	15.605, 15.611	2021-042
Unemployment Insurance	17.225	2023-034, 2023-035, 2023-036
Highway Planning and Construction Cluster:	20.205, 20.219	2021-050
Highway Safety Cluster	20.600, 20.616	2022-049
Emergency Rental Assistance Program	21.023	2022-037, 2023-030, 2023-037, 2023-038
Homeowner Assistance Fund Program	21.026	2022-037, 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	2022-037, 2023-044
Immunization Cooperative Agreements	93.268	2022-037
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2022-037, 2023-030, 2023-033, 2023-049, 2023-050
Temporary Assistance for Needy Families	93.558	2022-037, 2023-051, 2023-052, 2023-053, 2023-054
Low-Income Home Energy Assistance	93.568	2023-055
CCDF Cluster	93.575, 93.596	2022-037, 2023-053, 2023-054, 2023-056
Adoption Assistance	93.659	2020-052
Children's Health Insurance Program	93.767	2020-061, 2023-054, 2023-057, 2023-058, 2023-059, 2023-060, 2023-061, 2023-062, 2023-063
Medicaid Cluster	93.775, 93.777, 93.778	2018-069, 2020-061, 2020-065, 2022-072, 2023-054, 2023-058, 2023-059, 2023-060, 2023-061, 2023-062, 2023-063, 2023-064, 2023-065, 2023-066, 2023-067
Opioid STR	93.788	2020-065
HIV Care Formula Grants	93.917	2020-070
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2023-030, 2023-050, 2023-068

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. EOHHS will return these funds by June 2025.*

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 Assistance 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 background checks-licensing information ultimately as part of a new system design.*

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: *Partially Implemented. Data discrepancies between RIBridges and the MMIS were gradually reduced during the PHE unwinding period. The remaining discrepancies were to be addressed via manual activities at the end of 2024. However, due to the 12/13/24 RIBridges cyber event, these activities were put on hold. Additionally, system mitigations were put in place to ensure Medicaid members with terminate dates effective 12/31/24 were reinstated in the MMIS. This was to ensure members had adequate time to file appeals while the system was offline. The State is redetermining the eligibility for these members in Spring 2025. Terminations will subsequently be sent to the MMIS and the two systems will be in sync. There are no outstanding system issues that prevent eligibility information from being sent to the MMIS.*

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: *Implemented. BHDDH believes that they had implicit approval to implement the CAP upon submission to the US DHHS Division of Cost Allocation Services since approval took several years. Since the CAP was ultimately approved, BHDDH does not believe that prior years need to be reallocated.*

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: *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: *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. See current year update and recommendation in Finding 2024-040.*

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 2022-049 – 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: *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. 2022-072a was implemented as the NCCI edit review was included in the scope of the MMIS SOC engagement. The other recommendations are dependent on the modular implementation of a new MMIS, which is a long-term project.*

Finding 2023-001 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-002.*

Finding 2023-002 – Financial Statement Finding

(Reported Initially in Finding 2018-003)

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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-003.*

Finding 2023-003 – Financial Statement Finding

(Reported Initially in Findings 2015-003, 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-004.*

Finding 2023-004 – Financial Statement Finding

The accumulation of significant deficits and surpluses in internal service funds must be avoided to ensure accurate financial reporting and compliance with federal regulations.

- 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.

Status: *Implemented.*

Finding 2023-005 – Financial Statement Finding

(Reported Initially in Findings 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-005.*

Finding 2023-006 – Financial Statement Finding

(Reported Initially in Finding 2022-004)

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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-006.*

Finding 2023-007 – 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.

- 2023-007 Ensure policies and procedures for presenting the SEFA are consistent with Uniform Guidance requirements.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-007.*

Finding 2023-008 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-008.*

Finding 2023-009 – Financial Statement Finding *(Reported Initially in Finding 2021-017)*

Material audit adjustments were proposed and accepted during our audit of the State's fiscal 2023 financial statements.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-001.*

Finding 2023-010 – Financial Statement Finding *(Reported Initially in Finding 2022-010)*

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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-009.*

Finding 2023-011 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-010.*

Finding 2023-012 – Financial Statement Finding *(Reported Initially in Findings 2021-012 and 2021-014)*

The State needs to minimize manual processes required to prepare the government-wide financial statements.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-011.*

Finding 2023-013 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-013.*

Finding 2023-014 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-014.*

Finding 2023-015 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-015.*

Finding 2023-016 – Financial Statement Finding (Reported Initially in Findings 2016-011, 2014-019, 2017-020, 2018-026, 2018-028, and 20121-019)

The State updated its current cybersecurity readiness and has begun to identify risk mitigation priorities and the resources needed to implement necessary corrective action.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-016.*

Finding 2023-017 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-017.*

Finding 2023-018 – Financial Statement Finding *(Reported Initially in Findings 2015-008 and 2022-022)*

The State's current practices for periodic logical access and privilege reviews at both the application and network levels need improvement.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-018.*

Finding 2023-019 – Financial Statement Finding *(Reported Initially in Finding 2022-021)*

The State's current practices for database logging and activity monitoring at the database level needs improvement.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-019.*

Finding 2023-020 – Financial Statement Finding *(Reported Initially in Findings 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.

- 2023-020 Establish a repeatable level of system restoration and incorporate business continuity planning within periodic disaster recovery testing.

Status: *Partially Implemented. Downgraded by auditors to a management comment in fiscal 2024.*

Finding 2023-021 – Financial Statement Finding *(Reported Initially in Finding 2022-023)*

The State needs to further enhance its coordination and training to improve its incident response capabilities in the event of a data breach.

- 2023-021 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. Downgraded by auditors to a management comment in fiscal 2024.*

Finding 2023-022 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-022.*

Finding 2023-023 – Financial Statement Finding

(Reported Initially in Finding 2022-026)

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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-023.*

Finding 2023-024 – Financial Statement Finding

(Reported Initially in Finding 2015-026)

Rhode Island Convention Center Authority – The Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures.

- 2023-024 The auditors recommend that the Authority fund the Operating Reserve.

Status: *Not Implemented. See current year update and recommendation in Finding 2024-024.*

Finding 2023-025 – Financial Statement Finding

(Reported Initially in Finding 2022-035)

Rhode Island Public Transit Authority – 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.

- 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.

Status: *Implemented.*

Finding 2023-026 – Financial Statement Finding

(Reported Initially in Finding 2022-036)

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.

2023-026 The auditors recommended that the Authority enhance internal control policies and procedures to correct this process going forward.

Status: *Partially Implemented. See current year update and recommendation in Finding 2024-025.*

Finding 2023-027 – Financial Statement Finding

Rhode Island Resource Recovery Corporation – The Corporation's employee handbook, conflict of interest policy, and State ethics policy are part of the Corporation's internal control framework. During our inquiries 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.

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 onboarding for new employees.

Status: *Implemented.*

Finding 2023-028 – Financial Statement Finding

Rhode Island College – 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.

2023-028 The College should implement a formal policy regarding expiring contracts and amended contracts to mitigate issues similar to this in the future.

Status: *Partially Implemented. See current year update and recommendation in Finding 2024-026.*

Finding 2023-029 – Financial Statement Finding

(Reported Initially in Findings 2015-021 and 2015-022)

Central Falls School District – 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.

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.

Status: *Implemented.*

Finding 2023-030 – ALNs 21.023; 21.027; 93.323; 97.036

(Reported Initially in Findings 2019-051, 2020-060, 2020-063, and 2022-060)

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

2023-030 Improve policies and procedures statewide to ensure compliance with regulations for subrecipient monitoring.

Status: *Partially Implemented. See current year updates and recommendations in Findings 2024-044 and 2024-068.*

Finding 2023-031 – ALN 10.557

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.

- 2023-031 Review and correctly implement (if required) regulations for issued food benefit packages in accordance with required federal regulations.

Status: *Implemented.*

Finding 2023-032 – ALN 10.557

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.

- 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.

Status: *Implemented.*

Finding 2023-033 – ALNs 10.557; 93.323

(Reported Initially in Finding 2021-062)

RIDOH can enhance controls over time and effort reporting to ensure accurate allocations and reimbursements from federal programs.

- 2023-033 Enhance weekly reporting of time and effort to improve documentation and support for personnel costs charged to federal programs.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-046.*

Finding 2023-034 – ALN 17.225

(Reported Initially in Findings 2020-002 and 2020-030)

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

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-038.*

Finding 2023-035 – 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.

- 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)).

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-039.*

Finding 2023-036 – ALN 17.225

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

- 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.

Status: *Implemented: a. Partially Implemented: b. The Department and RI's Enterprise Technology Strategy and Services (ETSS) Division contracted with IBM in August 2023, to create a strategic plan to address the modernization of DLT's systems, including the Tax system. The goal of this was to achieve an objective analysis of the current technology landscape and to receive strategic recommendations for modernization. This work is still ongoing.*

Finding 2023-037 – ALN 21.023

Documentation and monitoring procedures were inadequate to support allowable legal services that were prepaid to a contractor on a quarterly basis.

- 2023-037 Obtain documentation from the legal services contractor to ensure that quarterly time and effort complied with the underlying vendor contract.

Status: *Implemented.*

Finding 2023-038 – ALNs 21.023; 21.026; 21.027

Controls were not adequate to ensure complete and accurate program reporting.

- 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.

Status: *Implemented.*

Finding 2023-039 – ALN 21.027

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.

- 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.

Status: *Implemented.*

Finding 2023-040 – ALNs 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364

Rhode Island College – 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.

- 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.

Status: *Implemented.*

Finding 2023-041 – ALNs 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364

Rhode Island College – Direct loan reconciliations between the COD, G5 and student accounts were not being performed in a timely manner for the year.

- 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.

Status: *Implemented.*

Finding 2023-042 – ALNs 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, 93.364

University of Rhode Island – 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.

- 2023-042 We recommend that the University approve and formally implement its information security program.

Status: *Implemented.*

Finding 2023-043 – ALN 84.010

(Reported Initially in Finding 2022-055)

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).

- 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.

Status: *Implemented.*

Finding 2023-044 – ALNs 84.010; 84.048; 84.425

(Reported Initially in Finding 2022-056)

Information technology (IT) security controls over the Acelegrants system need improvement to protect reliability of the system data used to administer federal compliance.

- 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.

Status: *Partially Implemented. See current year update and recommendation in Finding 2024-037.*

Finding 2023-045 – ALN 84.048

RIDE did not calculate the correct Career and Technical Education (CTE) allocation for Local Education Agencies (LEA).

- 2023-045 Enhance internal controls over the allocation of CTE grants to LEAs to ensure the allocations are calculated in accordance with federal regulations.

Status: *Implemented.*

Finding 2023-046 – ALN 84.048

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

- 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.

Status: *Implemented.*

Finding 2023-047 – ALN 84.048

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

- 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.

Status: *Implemented.*

Finding 2023-048 – ALN 84.048

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.

- 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.

Status: *Implemented.*

Finding 2023-049 – ALN 93.323

(Reported Initially in Finding 2020-038)

Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

- 2023-049 Establish policies and procedures to ensure accurate and timely reporting of subawards in accordance with FFATA.

Status: *Partially Implemented. Not yet complete, due to transition of federal reporting from FSRS to SAM.gov. Further reporting training is needed, but the policy alignment is complete. Anticipated Completion Date: June 30, 2025.*

Finding 2023-050 – ALNs 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 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.

- 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.

Status: *Partially Implemented. As pandemic funding decreases, this risk has been substantially reduced. Reconciliations of transaction-level activity have ensured that costs were appropriately claimed to programs.*

Finding 2023-051 – ALN 93.558

(Reported Initially in Finding 2017-064)

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.

- 2023-051 Improve policies and procedures to ensure that all required eligibility compliance requirements for TANF are documented within RIBridges.

Status: *Partially Implemented. See current year update and recommendation in Finding 2024-049.*

Finding 2023-052 – ALN 93.558

DHS transferred an amount to the SSBG program that exceeded the federally allowed 10 percent of the TANF award for fiscal 2023.

- 2023-052 Monitor compliance with the federal 10% transfer limit prior to each transfer to the SSBG program.

Status: *Implemented.*

Finding 2023-053 – ALNs 93.558; 93.575, 93.596

Federal reports for both TANF and Childcare did not agree to underlying documentation.

- 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.

Status: *Partially Implemented. See current year update and recommendation in Finding 2024-051.*

Finding 2023-054 – ALNs 93.558; 93.575, 93.596; 93.767; 93.775, 93.777, 93.778

(Reported Initially in Finding 2015-069)

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).

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-053.*

Finding 2023-055 – ALN 93.568

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.

- 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.

Status: *Implemented.*

Finding 2023-056 – ALNs 93.575, 93.596 *(Reported Initially in Finding 2017-068)*

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.

2023-056 Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record.

Status: *Partially Implemented. See current year update and recommendation in Finding 2024-054.*

Finding 2023-057 – ALN 93.767 *(Reported Initially in Finding 2014-067)*

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.

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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-056.*

Finding 2023-058 – ALNs 93.767; 93.775, 93.777, 93.778

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.

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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-057.*

Finding 2023-059 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2021-069)*

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).

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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-058.*

Finding 2023-060 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2019-064)*

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.

2023-060 Enhance internal controls over provider eligibility by addressing deficiencies cited that collectively undermine compliance with federal regulations.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-059.*

Finding 2023-061 – ALNs 93.767; 93.775, 93.777, 93.778 (Reported Initially in Finding 2009-086)

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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-060.*

Finding 2023-062 – 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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-061.*

Finding 2023-063 – ALNs 93.767; 93.775, 93.777, 93.778 (Reported Initially in Finding 2020-055)

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.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-062.*

Finding 2023-064 – ALNs 93.775, 93.777, 93.778 (Reported Initially in Findings 2014-067 and 2018-060)

Operational and control deficiencies during fiscal 2023 resulted in noncompliance with federal regulations relating to Medicaid eligibility.

- 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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-065.*

Finding 2023-065 – 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 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).

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.

Status: *Implemented: a. Partially Implemented: b. EOHHS required that St. Mary's direct bill through the MMIS and the facility began billing in October 2023. The facility has since closed. 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. The expected implementation date is 7/1/2026 for all DCYF providers to directly bill the MMIS (and likely through the MCOs), and guidance will be provided to providers on correctly billing procedures.*

Finding 2023-066 – ALNs 93.775, 93.777, 93.778

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

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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-066.*

Finding 2023-067 – ALNs 93.775, 93.777, 93.778

Special education services monitoring needs more oversight to ensure that required corrective actions and certifications are obtained from local education agencies.

2023-067 Enhance oversight of special education services by LEAs to ensure compliance with adopted policies and procedures.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-063.*

Finding 2023-068 – ALN 97.036

(Reported Initially in Finding 2021-077)

RIEMA lacks controls over federal reporting to ensure that submitted federal reports are accurate and supported by the State accounting system.

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.

Status: *Partially Implemented. See current year update and recommendations in Finding 2024-069.*