State of Rhode Island General Assembly – **Office of the Auditor General**

Audit Summary

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JULY 2026

State of Rhode Island

Single Audit Report

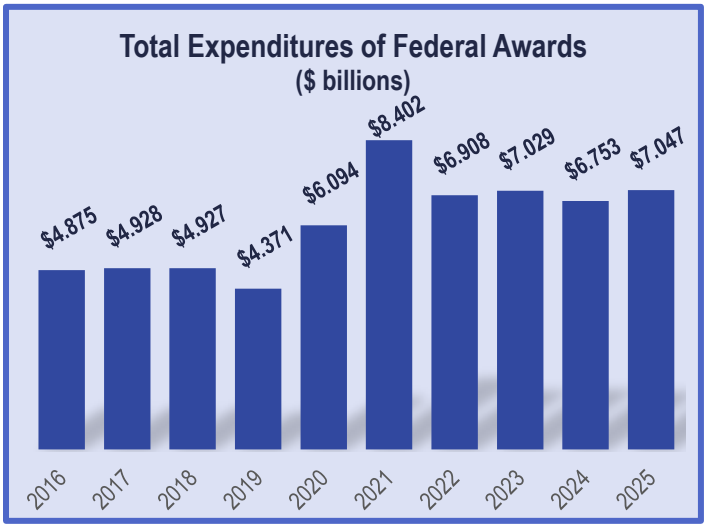
Fiscal Year Ended June 30, 2025

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2025. The Single Audit is required by both State and federal law as a condition of continued federal assistance.

The ***Single Audit Report*** includes findings and recommendations related to the State's key financial operations and the administration of federal programs. The report also includes a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating to financial reporting and the administration of federal programs. The report includes the State's financial statements (and our Independent Auditor's Report thereon) which were previously communicated in the State's Fiscal 2025 *Annual Comprehensive Financial Report*.

Substantial amounts of federal assistance continued to be expended in fiscal 2025. Expenditures of federal awards totaled $7.05 billion in fiscal 2025, of which approximately $519 million was COVID-related. Total expenditures in 2025 increased by $294 million over the prior year. The table below, showing the trend of total federal expenditures over the last 10 fiscal years, highlights the increased spending, beginning in fiscal 2020, in response to and recovery from the COVID-19 pandemic.

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 2025 expenditures totaling approximately $4.3 billion - the federal government shared $2.7 billion of that cost.



COVID-19 RELATED FEDERAL ASSISTANCE:	*FISCAL 2025 EXPENDITURES*
Coronavirus State and Local Fiscal Recovery Funds	$ 286,362,054
Education Stabilization Fund	75,784,864
Epidemiology and Laboratory Capacity for Infectious Diseases	62,140,723
Emergency Rental Assistance Program	21,926,592
Federal Transit Formula Grants	13,549,321
Coronavirus Capital Projects Fund	12,034,684
State Small Business Credit Initiatives Technical Assistance Grants Program	8,717,906
Disaster Grants – Public Assistance (FEMA Stafford Act)	8,554,135
Immunization Cooperative Agreements	7,324,575
Other COVID-19 related assistance	22,425,031
Total	**$ 518,819,885**

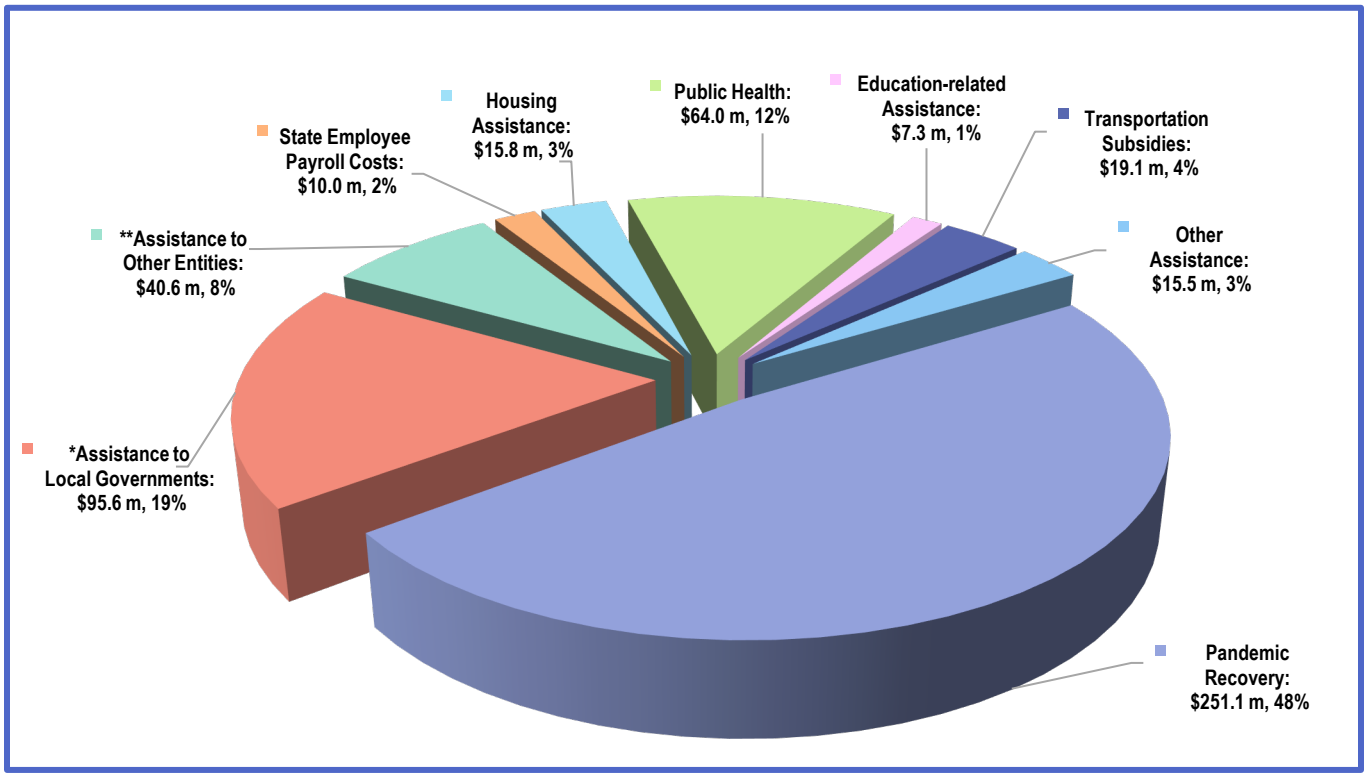
The continued decrease in pandemic-related expenditures ($791 million in 2024 and $1.4 billion in 2023) resulted as funding available for the Education Stabilization Fund and FEMA Disaster Assistance dwindled, as well as the expiration of enhanced funding on health and human services programs. Pandemic assistance expenditures are expected to continue to decline through December 31, 2026, the deadline for spending State Fiscal Recovery Funding. The major sources of COVID-19 related funding available during fiscal 2025 and expenditures through June 30, 2025, are detailed in the table above.

Utilization of federal funding made available for authorized COVID-19 pandemic recovery initiatives under the Coronavirus State and Local Fiscal Recovery Funds continued in fiscal 2025, accounting for almost half of the COVID-19 related spending. Assistance provided to local governments which was used to support education costs and to construct multi-purpose community centers across through the Education Stabilization and Capital Project Funds, respectively, in addition to pandemic recovery efforts The wide array of services to individuals and costs to support pandemic recovery efforts were reimbursed under these programs as shown in the accompanying Chart A on page 2.

Consistent with federal guidelines, we tested 68% of the total expenditures of federal awards as major programs following risk-based criteria established in the federal Uniform Guidance. Major program expenditures are summarized by program type in the accompanying Chart B on page 4.

Overall, the *Single Audit Report* includes 71 findings – 29 resulting from the audit of the State's financial statements and 42 related to the administration of federal programs.

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



** $56.8m provided for educational aid. ** $14.4m provided for pandemic recovery; $6.2m for housing assistance; $11.3m for education.*

Financial Statement Findings

Government Auditing Standards require that we communicate deficiencies in internal control over financial reporting based on our audit. We previously communicated (in a separate report released in June 2026) findings related to the State's controls over financial reporting and related compliance matters.

Those financial statement-related findings are also included in the *Single Audit Report* as required by federal regulation. A link to that separate report, which also includes 14 management comments (not included in the *Single Audit Report*), can be found below:

2025 Financial Statement Findings and Management Comments

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 2025 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.

2025 Major Programs
Supplemental Nutrition Assistance Program (SNAP) Cluster
Mortgage Insurance Homes
Section 8 Project-Based Cluster
Unemployment Insurance
Nationally Significant Freight and Highway Projects
Emergency Rental Assistance Program
Coronavirus State and Local Fiscal Recovery Funds
Coronavirus Capital Projects Fund
State Small Business Credit Initiative Technical Assistance Grant Program
Clean Water State Revolving Fund
Drinking Water State Revolving Fund
Immunization Cooperative Agreements
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Temporary Assistance for Needy Families
Child Care and Development Fund (CCDF) Cluster
Foster Care Title IV-E
Adoption Assistance
Children's Health Insurance Program
Medicaid Cluster

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) – 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 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.

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 managed care organizations (MCOs) represent approximately 58% 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.

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

EOHHS did not update the diagnosis-related group (DRG) grouper within the MMIS as is required in the approved State Plan.

The State is not currently in compliance with federal requirements to obtain audited financial reports from its Prepaid Ambulatory Health Plan (PAHP) provider in accordance with 42 CFR §438.3(m).

Medicaid Cluster – Operational and control deficiencies during fiscal 2025 resulted in 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.

The Department of Behavioral Healthcare, Developmental Disabilities & Hospitals (BHDDH) needs to improve its oversight and monitoring of Opioid Treatment Program (OTP) providers to ensure provider compliance with federal and State regulations relating to the delivery of medication assisted treatment.

The Medicaid Program disbursed $875,696 in potential improper payments for Opioid-Use-Disorder treatment services furnished by Opioid Treatment Programs between January 1, 2023 and December 31, 2024.

Controls over community health worker (CHW) provider enrollment and claiming needs to be improved to ensure that only allowable costs are reimbursed by the Medicaid program.

Controls need to be implemented to prevent payments for unsupported or denied certified community behavioral health clinic (CCBHC) claims.

Children's Health Insurance Program (CHIP) – Operational and system deficiencies resulted in noncompliance with federal regulations relating to CHIP eligibility.

Controls need to be developed to ensure EOHHS only charges allowable costs incurred during the approved budget period of the federal awards period of performance.

Unemployment Insurance (UI) – Controls to evaluate applicant work search requirements needs to be improved to detect noncompliance.

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.

The Department of Labor and Training (DLT) should improve internal controls over required Unemployment Insurance Program reports to ensure that the information is reported accurately and timely.

The United States Department of Labor (DOL) has found the Rhode Island Department of Labor and Training (DLT) to be non-compliant with the WPRS program. A corrective action plan was in place during fiscal year 2025. DLT's RESEA program activities could be enhanced by mandating subsequent RESEA activities.

Drinking Water State Revolving Fund, Immunization Cooperative Agreements, and Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) – Rhode Island Department of Health (RIDOH) controls over time and effort reporting are lacking to ensure accurate allocations and reimbursements from federal programs.

Immunization Cooperative Agreements and Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) – RIDOH controls over cash management are lacking to ensure records and support are accurate, complete, and in compliance with federal requirements. RIDOH could not provide adequate supporting documentation for several drawdowns made during fiscal 2025.

RIDOH controls are insufficient to ensure complete and accurate program reporting requirements. RIDOH did not complete 37% of the required federal reports for the ELC program and was unable to provide adequate supporting documentation for certain federal reports required for the ELC and Immunization programs for fiscal 2025.

Temporary Assistance for Needy Families (TANF) and CCDF Cluster – Subawards were not reported timely in accordance with federal regulations. Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

Temporary Assistance for Needy Families (TANF) – Internal controls are lacking to ensure that TANF eligibility is supported by documentation required by program regulations.

Internal controls were lacking in ensuring that Income Eligibility Verification (IEVS) data was run and processed timely to determine whether it affects the recipient's eligibility or the amount of assistance received.

The Department of Human Services (DHS) failed to update its ACF-199 reporting process to reflect changes in reporting instructions. Reported ACF data elements were unsupported by case/client information.

DHS is not currently in compliance with federal regulations relating to the State's approved Work Verification Plan.

SNAP Cluster – Controls over SNAP EBT reconciliations require improvement.

CCDF Cluster – DHS's internal controls over earmarking compliance requirements were deemed ineffective.

System controls over income validation within RIBridges require improvement. Controls over provider disbursements of Child Care Assistance Program (CCAP) funds for the Child Care Educators and Child Care Staff Pilot program were lacking to prevent duplicate disbursements.

The DHS Office of Child Care's (OCC) monitoring policies and procedures are not sufficient to ensure child care provider compliance with health and safety standards.

SNAP Cluster, Temporary Assistance for Needy Families (TANF), CCDF Cluster, Children's Health Insurance Program, and Medicaid Cluster – The State continued to maintain 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 security over RIBridges and the Medicaid Management Information System (MMIS).

SNAP Cluster, Temporary Assistance for Needy Families (TANF), CCDF Cluster, Foster Care Title IV-E, Adoption Assistance, Children's Health Insurance Program, and Medicaid Cluster – Internal controls over administrative costs allocated to certain federal programs need to be improved to ensure that costs allocated to the programs comply with federal regulations.

Emergency Rental Assistance Program and Coronavirus State and Local Fiscal Recovery Funds – Subrecipient monitoring procedures were insufficient to ensure subrecipient audit reports are obtained and reviewed. Monitoring procedures were not in place to ensure adequate documentation was obtained regarding the use of payment advances.

Emergency Rental Assistance Program – Controls over reporting were not adequate to verify the accuracy of certain data reported by the component agency.

Coronavirus Capital Projects Fund – Review of subrecipient audit reports under the Coronavirus Capital Projects Fund can be enhanced to provide detailed documentation of deficiencies that directly or indirectly impact the subawards.

Coronavirus State Fiscal Recovery Fund – Internal controls and compliance with procurement requirements can be improved at the Rhode Island Commerce Corporation.

Coronavirus State Fiscal Recovery Fund and State Small Business Credit Initiative Technical Assistance Grant Program – Written policies and procedures over federal awards are not adequately documented at the Rhode Island Commerce Corporation.

Foster Care Title IV-E and Adoption Assistance – The Department of Children, Youth and Families (DCYF) should strengthen controls over the eligibility determination process for the Foster Care Title IV-E and Adoption Assistance programs by requiring its contractor to complete eligibility quality control reviews on a timely basis.

DCYF should establish, document, and implement effective internal control over program reporting to ensure the accuracy, completeness, and timeliness of federal report submissions.

Adoption Assistance – DCYF did not appropriately segregate expenditures for the Adoption Assistance (93.659) and Guardianship (93.090) Programs.

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

The report is available on the Office of the Auditor General's website www.oag.ri.gov or by calling the office at 401.222.2435.

Chart B – Fiscal 2025 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type