



Audit Summary

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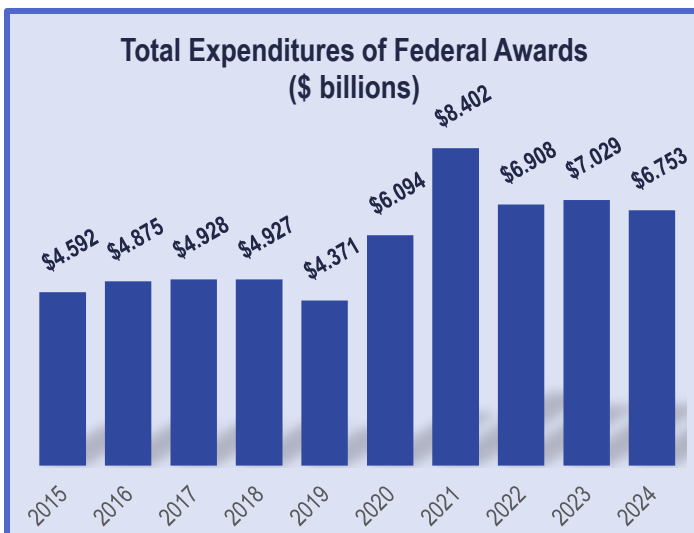
APRIL 2025

State of Rhode Island Single Audit Report Fiscal Year Ended June 30, 2024

We completed our annual Single Audit of the State of Rhode Island for the fiscal year ended June 30, 2024. 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 2024 *Annual Comprehensive Financial Report*.

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 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 the COVID-19 pandemic.



The net decrease of \$604.2 million in pandemic related expenditures resulted as enhanced Medicaid funding, FEMA Disaster Assistance, and funding assistance for homeowners and renters

expired during 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 in the following table.

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

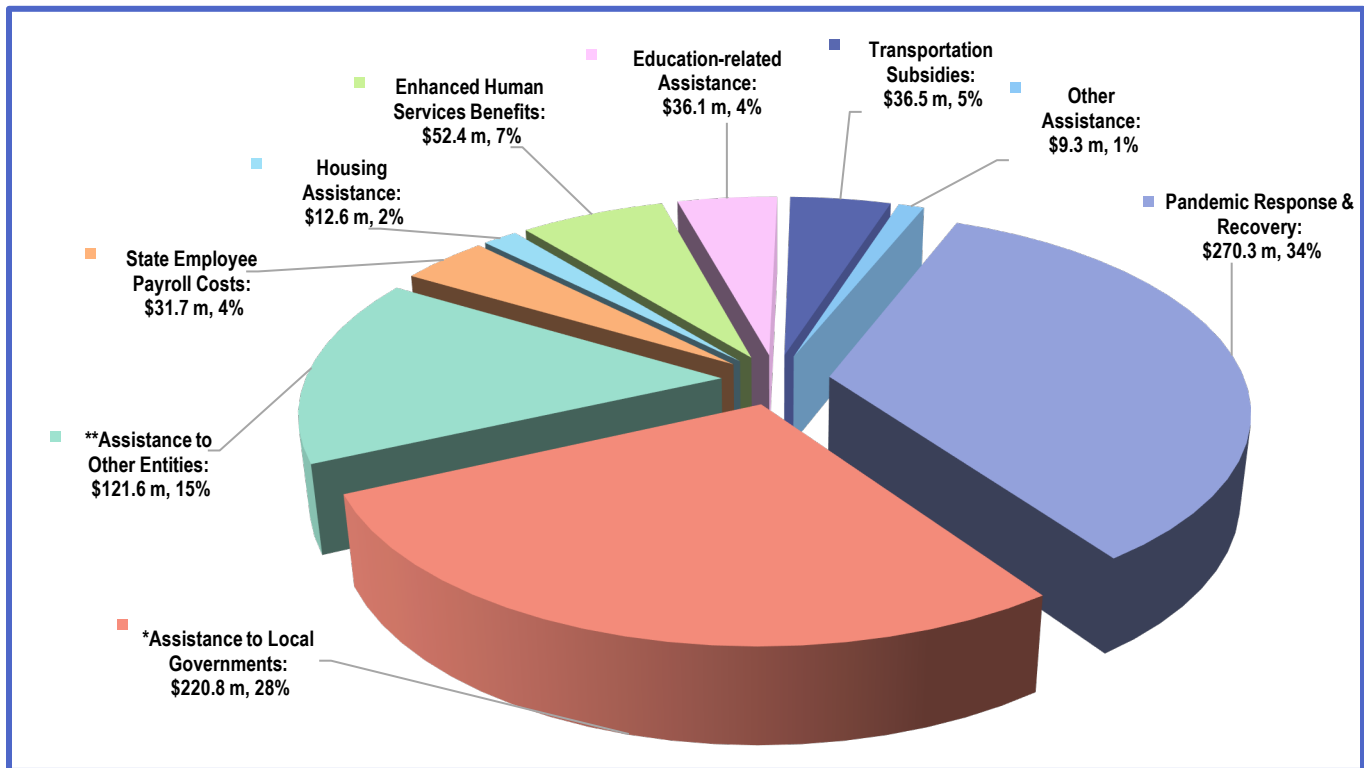
Utilization of federal funding made available for authorized COVID-19 pandemic recovery initiatives under the State Fiscal Recovery Fund continued in fiscal 2024. Education Stabilization funding, to aid local education agencies in sustaining operations, and FEMA disaster assistance reimbursing the State, 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 accompanying Chart A on page 2.

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 by program type in the accompanying Chart B on page 4.

Overall, the *Single Audit Report* includes 70 findings – 28 resulting from the audit of the State's financial statements and 42 related to the administration of federal programs.

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



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

Financial Statement Findings

Government Auditing Standards require that we communicate deficiencies in internal control over financial reporting based on our audit. We previously communicated (in a separate report released in March 2025) 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 11 management comments (not included in the *Single Audit Report*), can be found below:

https://www.oag.ri.gov/reports/2024_FinStmnt_FindingsMC.pdf

Federal Program Findings

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

The federal programs tested as major programs (see table to right) 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.

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

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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 conduction 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.

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

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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, 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 2024 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type

