State of Rhode Island

Single Audit Report

Fiscal Year Ended June 30, 2020

Dennis E. Hoyle, CPA, Auditor General

Office of the Auditor General

General Assembly

State of Rhode Island

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July 1, 2021

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, 2020. This audit was required by both state law (sections 22-13-4 and 35-7-10 of the General Laws) and the federal Single Audit Act. The audit was conducted in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). As required, this report is submitted to the Federal Single Audit Clearinghouse for distribution to federal funding agencies.

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

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

The ***Single Audit Highlights*** section on the following pages summarizes (1) recent COVID-19 federal assistance received by the State to address the effects of the global pandemic, (2) audit findings related to the financial statements and the administration of federal programs, (3) key statistics about federal assistance received by the State over the last decade, and (4) the federal programs audited in fiscal 2020 as major 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,

Dennis E. Hoyle, CPA
Auditor General

State of Rhode Island

Memorandum

To: Federal Single Audit Clearinghouse

Re: Submission of the State of Rhode Island – *Single Audit Report*
Fiscal Year Ended June 30, 2020
Federal EIN # 05-6000522

Submission of the State of Rhode Island's *Single Audit Report*, for the fiscal year ended June 30, 2020, was delayed beyond the original due date of March 31, 2021, due to the effect of the global COVID-19 pandemic. Such extensions were permitted pursuant to federal Office of Management and Budget (OMB) Memo M-21-20 - Appendix 3 - *Disaster Relief Flexibilities to Reduce Burden for Financial Assistance.*

OMB authorized therein:

> *IX. Extension of Single Audit submission: Awarding agencies, in their capacity as cognizant or oversight agencies for audit, should allow recipients and subrecipients that have not yet filed their single audits with the Federal Audit Clearinghouse as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the Single Audit reporting package, as required under Subpart F of 2 CFR § 200.501 to six months beyond the normal due date. No further action by awarding agencies is required to enact this extension. This extension does not require individual recipients and subrecipients to seek approval for the extension by the cognizant or oversight agency for audit; however, recipients and subrecipients should maintain documentation of the reason for the delayed filing. Recipients and subrecipients taking advantage of this extension would still qualify as a "low-risk auditee" under the criteria of 2 CFR § 200.520(a). (2 CFR § 200.501)*

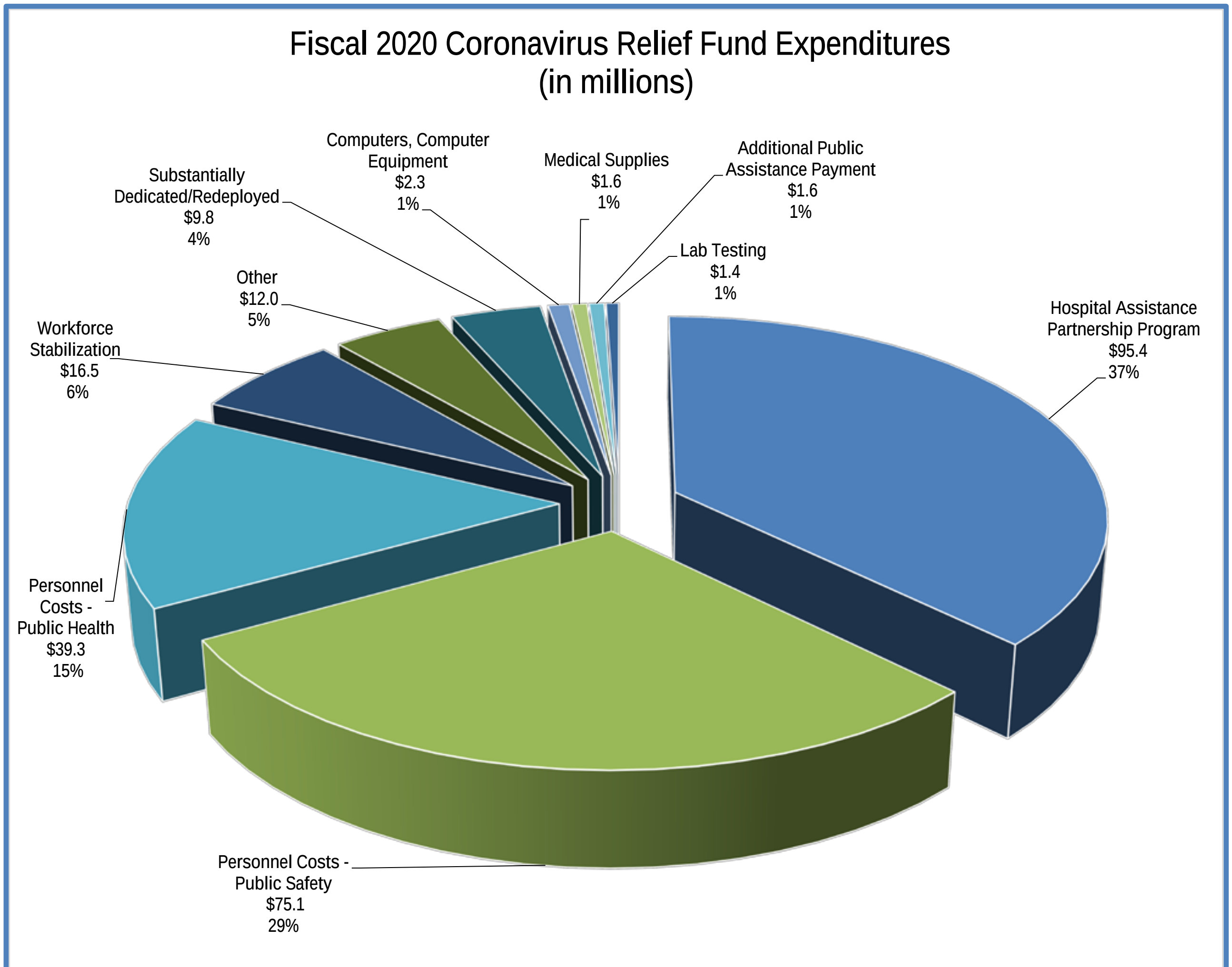
The State of Rhode Island experienced delays both in preparing and auditing components of the comprehensive Single Audit Report due to multiple effects of the COVID-19 global pandemic. This memorandum is included within the reporting package for the State of Rhode Island's *Single Audit Report* - Fiscal Year Ended June 30, 2020 - to meet the documentation requirement of OMB Memo M-21-20.

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.

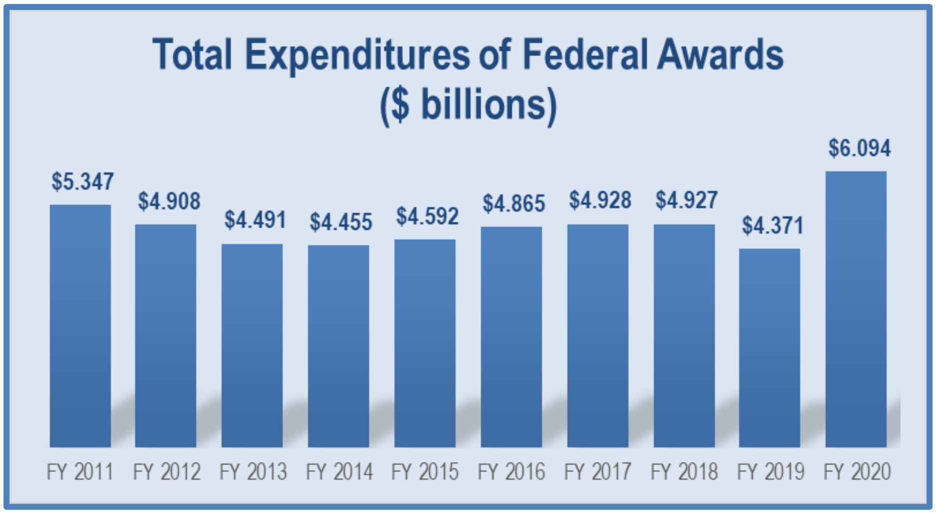
Federal funding represents approximately 40% of the State's General Fund expenditures and is the State's second largest revenue source. Expenditures funded from federal sources increased dramatically in Fiscal 2020 due to assistance made available in response to the global COVID-19 pandemic. The major sources of COVID-19 funding available during fiscal 2020 and expenditures through June 30, 2020, are detailed below:

COVID-19 Federal Assistance:	*Expenditures through June 30, 2020*
Coronavirus Relief Fund (CRF) – (total award $1.25 billion)	$ 255,053,124
Unemployment Insurance (UI)	1,015,601,829
Education Stabilization Fund	57,460,719
Enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid	70,671,156
Other COVID-19 related assistance	10,146,306
Total	$ 1,408,933,134

The following pie chart shows the major categories of expenditures made from the CRF during fiscal 2020.

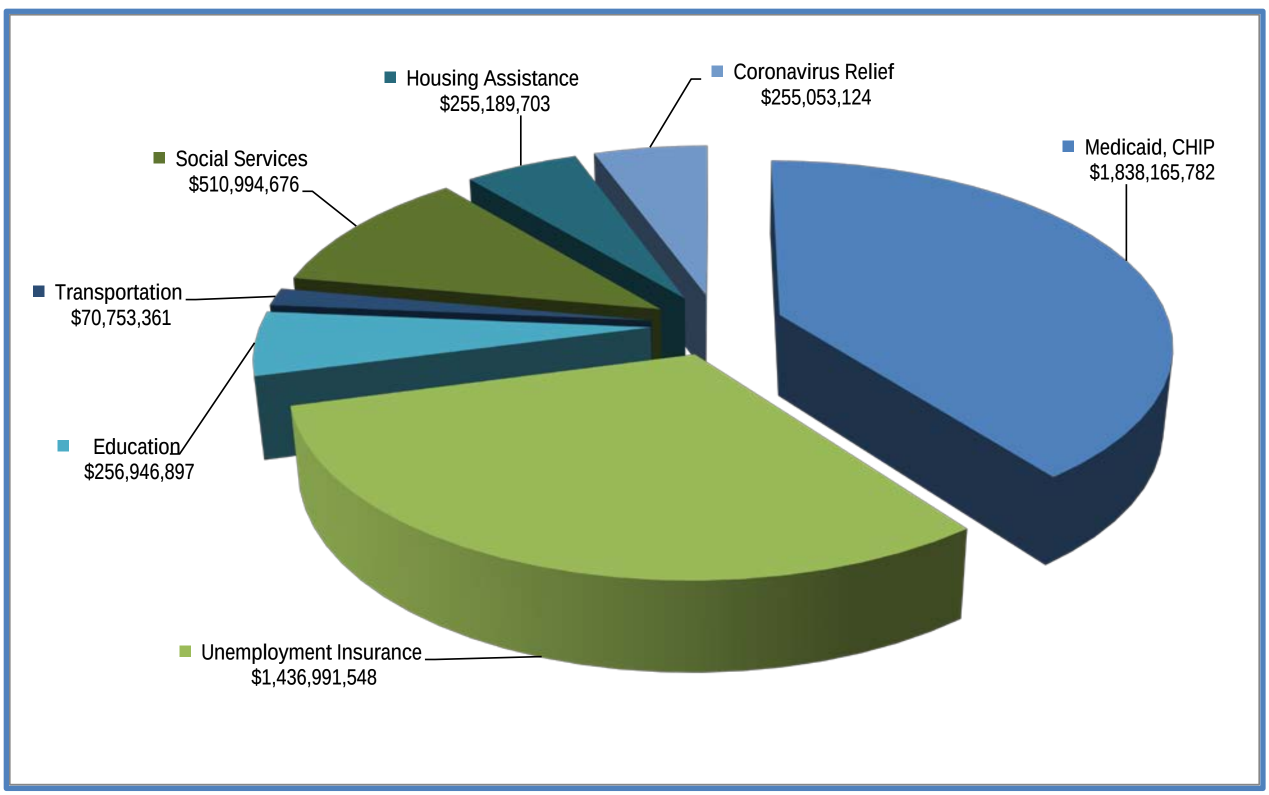


The following graph details the changes in total expenditures of federal awards as reported in the State's *Single Audit Reports* for fiscal years 2011 to 2020. In 2020, the significant increase was due to COVID-19 federal assistance. The general decrease in aggregate federal funding in years 2011 through 2014 is largely due to the phase-out of federal stimulus funding (American Recovery and Reinvestment Act) which began in fiscal year 2009 but resulted in significant expenditures in 2010 and 2011. 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 450 individual programs. Many programs are jointly financed with federal and state funding. Medicaid is the single largest program with fiscal 2020 expenditures totaling approximately $2.9 billion - the federal government shared $1.7 billion of that cost. Consistent with federal guidelines, we tested 76% 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 2020 Federal Award Expenditures Tested as Major Programs - Summarized by Program Type



The Single Audit Report includes 72 findings as summarized in the following table.

Summary of findings included in the 2020 *Single Audit Report*			
	Primary government	Component units	Total
Findings related to the financial statements			
Material weaknesses in internal control	7	1	8
Significant deficiencies in internal control	14	2	16
Material noncompliance		1	1
Findings related to the administration of federal programs			
Material noncompliance / material weakness in internal control	6		6
Material weaknesses in internal control	11		11
Significant deficiencies in internal control	21	2	23
Noncompliance / significant deficiency in internal control	3	4	7
Total	62	10	72

Findings Summary

Financial Statement Findings

Weaknesses identified in the State's internal control over financial reporting, result from our annual audit of the State's financial statements for the year ended June 30, 2020. The State's management has responsibility for, and maintains internal control over, financial reporting. *Government Auditing Standards* require that we communicate deficiencies in internal control over financial reporting and material noncompliance based on our audit.

The State must address certain long-standing issues which negatively impact controls over operations and financial reporting. Many of these result from the need for increased investment in information technology to keep pace with citizen expectations, rapid technology advancements, federal program compliance mandates, and the multi-faceted challenges of responding to a global pandemic.

During fiscal 2020, the State responded quickly to pandemic induced challenges with targeted technology enhancements. These included, supporting employees working remotely for the first time, processing changes to deal with an unprecedented increase in unemployment benefit claims, and multiple technology solutions to manage the scheduling, tracking and communication of COVID-19 tests. Continued technology deployments are necessary to support efficiency, effectiveness, and the ability to be strategically prepared for eventual crises.

The State completed a strategic plan in January 2020 to coordinate needed replacements/enhancements to its key statewide financial and administrative systems. Implementation and funding of the strategic plan is essential to ensure that critical legacy financial systems, such as the payroll system, will be available to support State operations. The plan details the need for, and the benefits to be derived from, an enterprise applications modernization effort ultimately concluding that "the risks of inaction far outweigh the cost of upgrades in capability".

Controls within the systems used to process unemployment insurance claims are insufficient to prevent fraudulent unemployment insurance benefit payments. The State's system for payment of unemployment insurance claims and collection of employment taxes is outdated. Recent efforts to develop a new system remain incomplete.

The State does not have a process to quantify unemployment insurance benefits approved but unpaid at fiscal year-end.

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.

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

The complexity of 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, various State initiatives, and additional challenges resulting from implementation of its RIBridges eligibility system. Medicaid is the State's single largest activity - representing nearly 35% of the annual budgeted outlays of the State's General Fund.

Responsibility for monitoring the investment activity of more than $369 million of funds on deposit with a fiscal agent (trustee) can be improved and should be vested with the Office of the General Treasurer.

The Executive Office of Health and Human Services (EOHHS) authorized more than $190 million in system payouts and manual disbursements in fiscal 2020, representing provider advances, payments to managed care organizations for contract settlements and/or non-claims based financial activity, and other program disbursements. The reporting and internal control processes relating to these types of disbursements are manual in nature and external to other established control procedures.

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 needs to (1) ensure its IT security policies and procedures are current and (2) complete assessments of compliance for all critical IT applications. Systems posing the most significant operational risk should be prioritized.

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.

The Department of Transportation's use of multiple systems to meet its operational and financial reporting objectives results in unnecessary complexity and control weaknesses since these systems were never designed to share data.

The resources necessary to effectively manage and administer the OPEB (retiree healthcare) System to ensure all functions are met and adequately controlled should be assessed. A unified database or computer application is needed to maintain membership data for each of the State's OPEB plans. 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.

Our report includes control deficiencies and material noncompliance reported by the independent auditors of component units included within the State's financial statements.

Federal Program Findings

2020 Major Programs
Supplemental Nutrition Assistance Program (SNAP) Cluster
WIC Special Supplemental Nutrition Program for Women, Infants, and Children
Qualified Participating Entities (QPE) Risk Sharing
Unemployment Insurance
Federal Transit Cluster
Coronavirus Relief Fund
Student Financial Assistance Cluster
Education Stabilization Fund
Temporary Assistance for Needy Families (TANF)
Low-Income Home Energy Assistance Program (LIHEAP)
Child Care and Development Fund (CCDF) Cluster
Foster Care Title IV-E
Adoption Assistance
Children's Health Insurance Program (CHIP)
Medicaid Cluster
Opioid STR
HIV Care Formula Grants

Coronavirus Relief Fund (CRF) – Controls over final centralized approval of expenditures funded by the Coronavirus Relief Fund (CRF) should be improved. Questioned costs were identified by an internal monitoring audit for Workforce Stabilization Loans made to congregate care providers who could not demonstrate the funds were used in accordance with loan agreements. These amounts are in the process of being recouped from providers.

Unemployment Insurance – Controls over the processing of unemployment insurance claims are ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. The Department of Labor and Training's (DLT) current estimate of known or suspected fraudulent benefits paid during fiscal 2020 is $171 million.

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 UC account when the overpayment was the result of the employer's failure to respond timely or adequately to a request for information. The Employment and Training Administration 227 report filed by DLT for the quarter ended June 30, 2020, significantly under-reported fraudulent claim activity.

Federal benefit programs for healthcare, cash assistance and childcare – Controls within RIBridges (the integrated eligibility system used to administer multiple federal benefit programs) are inadequate to ensure that user access is limited to only authorized individuals and such access is consistent with each user's specific scope of duties. Additionally, automated password change controls were not operational, and therefore, users were not required to change passwords at required intervals.

EOHHS, DHS and the Division of Information Technology must enhance systems security oversight over systems used to administer multiple federally funded programs to fully comply with federal regulations relating to ADP risk and system security review. The plan must be sufficiently comprehensive and include timely reaction to and consideration of identified security issues and risk factors.

Medicaid and Children's Health Insurance Programs – The State did not materially comply with CHIP eligibility requirements during fiscal 2020. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

The State did not materially comply with Medicaid eligibility requirements due to control deficiencies relating to the processing and documentation of recipient eligibility.

The State's current practices for inpatient hospital and long-term care facility rate setting do not fully comply with its State plan provisions requiring an annual review of inpatient hospital rate components and nursing facility audit requirements.

The State should improve controls to ensure that its managed care organizations (MCOs) are maximizing third party liability insurance (TPL) recoveries for Medicaid recipients.

BHDDH did not comply with Medicaid State Plan requirements for retainer payments made to certain providers. Questioned costs totaling $5.5 million were identified.

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.

EOHHS should adopt stricter settlement requirements when performing contract settlement for its managed care organizations (MCOs). Capitation payments to MCOs represent approximately 55% of Medicaid benefit expenditures. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. The State is also not currently in compliance with federal regulations for the screening, enrollment, and revalidation of providers used in MCO networks.

TANF – The State can improve compliance with TANF eligibility requirements specifically by ensuring consistent documentation of eligibility components within RIBridges. The State began to meet the required Income Eligibility and Verification System requirements in fiscal 2020.

The Department of Human Services (DHS) can improve the timely update and/or development of new employment plans for clients upon the expiration of an existing plan.

SNAP – DHS can improve its review and consideration of service organization control reports for vendors performing elements of the EBT process.

WIC – The Department of Health needs to review all Service Organization Control (SOC) reports for the WIC program to assess the sufficiency of controls in place at the service organizations relevant to program compliance requirements.

CCDF – RIBridges controls over eligibility determinations, income validation and calculation of required parent cost-sharing amounts require strengthening for the CCDF Cluster programs.

LIHEAP – DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with LIHEAP laws and regulations. Timely management decisions must be made on subrecipient audit findings.

DHS must enhance controls regarding the allocation of expenditures to multiple available grant awards/periods to ensure compliance with earmarking, period of performance and reporting compliance requirements for LIHEAP.

Available documentation was insufficient to adequately support the data cited within Annual Report on Households and the LIHEAP Performance Data Form.

DHS should ensure controls are adequately designed and operational within the computer application utilized by the State to administer LIHEAP at local community action agencies.

Foster Care and Adoption Assistance - Department of Children, Youth and Families (DCYF) can enhance controls over the Foster Care eligibility determination process by requiring the vendor to complete their eligibility quality control reviews on a timely basis.

DCYF can improve controls over the monitoring of its cost allocation plan to ensure that costs distributed to various programs are appropriate and consistent with the federally approved plan.

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.

HIV Care Formula Grants – Claims for HIV drugs were paid through the AIDS Drug Assistance Program (ADAP) rather than Medicaid when the program participant had established Medicaid eligibility. Approximately $500,000 in pharmacy claims should have been paid through Medicaid. Pharmacy rebates and related expenditures should be accounted for as federal funds consistent with program guidelines and requirements.

EOHHS lacks a comprehensive database of program participant information to effectively manage specific compliance activities for the HIV Care Formula Grant. EOHHS can improve its monitoring of subrecipient agencies which provide direct services to program participants.

Opioid STR – BHDDH can enhance its monitoring of subrecipients as required by federal program requirements. Additionally, BHDDH did not have a procedure in place to ensure compliance with the five percent limit on administrative and infrastructure development expenditures.

Federal Transit Cluster – The Rhode Island Public Transit Authority should adhere to its established procurement, suspension and debarment policies and procedures and ensure that non-competitive procurements and covered transactions are properly documented. Additionally, subrecipient monitoring activities can be enhanced.

Student Financial Assistance Cluster – these programs, which provide direct financial assistance and guaranteed loans to students, were audited at URI, RIC and CCRI. Recommendations were made to enhance compliance with federal program requirements applicable to these programs.

Corrective Action Plans (Section E), prepared by the State's management and a *Summary Schedule of Prior Audit Findings* (Section F) reports the status of findings from prior audits.

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Financial Statements

Basic Financial Statements

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REQUIRED SUPPLEMENTARY INFORMATION

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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 Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Rhode Island (the State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents 1% of the assets and deferred outflows and 1% of the revenues of the governmental activities and 1% of the assets and 2% of the revenues of the aggregate remaining fund information;

- the Convention Center Authority, a major fund, which represents 30% of the assets and deferred outflows and 1% of the revenues of the business-type activities;

- the HealthSource RI Trust, an agency fund, the Ocean State Investment Pool, an investment trust fund, and the Rhode Island Higher Education Savings Trust, a private-purpose trust fund, which collectively represent 33% of the assets and 23% of the revenues of the aggregate remaining fund information; and

- all the component units comprising the aggregate discretely presented component units.

The financial statements for these entities 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.

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

We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State, as of June 30, 2020, 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.

Matters of Emphasis

As described in Note 17 – *Contingencies* – the global pandemic has significantly impacted the State's economy and its operations.

As described in Note 17 – *Contingencies* – fraudulent claims for unemployment benefits increased significantly as overall benefit claims increased due to unemployment resulting from the global pandemic. While known fraudulent benefits have been quantified and accounted for within the financial statements of the Business-type activities – Employment Security Fund, the actual amount of benefits obtained fraudulently during fiscal 2020 may be significantly greater.

As described in Note 2 – *Cash, Cash Equivalents, Investments, and Funds in Trust* – the fair values of certain investments included within the fiduciary funds - pension and other employee benefit trusts, which represent 27% of the assets of the pension and other employee benefit trusts and 17% of the assets of the aggregate remaining fund information, have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the fund managers or general partners.

Our opinions are not modified with respect to these matters.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, 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 auditing standards generally accepted in the United States of America, 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.

Other 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 S*chedule of Expenditures of Federal Awards* (Section B) is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the *Schedule of Expenditures of Federal Awards* is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated February 19, 2021 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 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 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.

Dennis E. Hoyle, CPA
Auditor General

February 19, 2021 except for the *Schedule of Expenditures of Federal Awards* (Section B)
as to which the date is June 25, 2021.

Management's discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of Rhode Island (State) for the fiscal year ended June 30, 2020. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the financial statements, notes and required supplementary information which follow the MD&A should be reviewed in their entirety.

The COVID-19 pandemic required an unprecedented public health response, restrictions in certain segments of the economy to ensure compliance with social distancing mandates, and significant federal funding to provide States and others with the financial support needed during the public health crisis. This management's discussion and analysis, when applicable, will explain how the pandemic impacted the State's financial operations during fiscal 2020.

Financial Highlights - Primary Government

Government-wide Financial Statements

- **Net Position:** The total assets plus deferred outflows of resources of the State was less than total liabilities plus deferred inflows of resources at June 30, 2020 by $303.6 million. This amount is presented as "net position (deficit)" on the Statement of Net Position for the Total Primary Government. Of this amount $1.3 billion was reported as restricted net position, $3.8 billion as net investment in capital assets and $(5.5) billion was reported as unrestricted net position (deficit).

- **Changes in Net Position:** The net decrease in the primary government's net position in fiscal 2020 of $(75.5) million, which increased the overall net deficit reported by the State, at June 30, 2020 was attributable to business-type activities which experienced a decrease in net position of $(185.2) million during the fiscal year. This was primarily due to the Employment Security Fund operating at a $(193.5) million deficit in fiscal 2020. Offsetting the net position decrease relating to Employment Security were positive operating results of $109.7 million in governmental activities.

Fund Financial Statements

<u>**Governmental Funds**</u>

- The State's governmental funds reported a combined ending fund balance of $1,295.6 million, an increase of $43.9 million in comparison with the restated previous fiscal year. This is primarily a result of the increase in the fund balance of the Intermodal Surface Transportation (IST) Fund of $46.6 million, The State issued GARVEE bonds in May 2020 for transportation related projects as the pace of bridge and highway improvements being made under the State's RhodeWorks initiative rose significantly this year. This issuance increased the amount of unspent bond proceeds held at June 30, 2020 for expenditure on future transportation projects over the prior year.

- As of June 30, 2020, the State's General Fund reported an ending fund balance of $401.8 million, an increase of $30.7 million as compared to the prior year fund balance.

- The most significant source of General Fund revenues, taxes, increased by $84.8 million as compared to fiscal 2019. Sales and use and general business taxes both reflected increases from the prior fiscal year despite the effects of the pandemic. Transfers to the general fund from the Rhode Island Lottery declined significantly due principally to extended casino closings in the spring of 2020 related to the pandemic.

- On the expenditure side, total General Fund expenditures were $377.3 million greater than in fiscal 2019 due to greater spending across a number of categories the most significant of which are discussed below.

    - The year-over-year increase of approximately $37.9 million in the General Government function is attributable to a number of factors including a change in the Motor Vehicle Excise Tax Phase-Out aid to local communities program, which increased by $34.0 million from fiscal 2019 to fiscal 2020. Other significant changes include an increase of $13.1 million in expenses by the Office of Energy Resources for the Regional Greenhouse Gas Initiative program and a decrease in spending by the Executive Office of Commerce of $17.4 million in various economic development programs, including Rebuild RI. The General Assembly lowered appropriations in these programs in the final supplemental budget to address the projected fiscal 2020 deficit and because several of these programs had accumulated resources from prior year appropriations to allow them to continue operating for fiscal 2020.

    - The significant year-over-year increase of $291.0 million in the Health and Human Services function spending is primarily attributable to the significant inflow of federal money to address the impact of the pandemic. Included in this function are expenses of approximately $183.0 million expended for supplies to combat the pandemic, payments to assist hospitals, testing site operations, and establishment of two surge hospitals. Increased expenditures in health and human services department included the following:

        - The Department of Human Services saw increased spending of $38.9 million, primarily due to additional federal funding for the SNAP, preschool and childcare block grant programs.

        - The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had increased spending of $34.0 million resulting from new opioid response grants, funding for the home and community-based programs for the developmentally disabled and increased spending at Eleanor Slater Hospital.

        - The Department of Health experienced increased expenditures of $25.8 million primarily relating to the pandemic (e.g., laboratory supplies and equipment, testing and contact tracing activities, etc.) which were largely funded by federal grants.

Proprietary Funds

- The Rhode Island Lottery transferred $283.9 million to the General Fund in support of general revenue expenditures during the fiscal year, a significant decrease of $113.5 million in comparison with the previous fiscal year. This decrease was primarily attributable to extended casino closures in the spring of 2020 resulting from the pandemic.

- The Employment Security Fund ended the fiscal year with a net position of $365.7 million, a decrease of $193.5 million from the prior fiscal year. This change is principally attributable to the higher level of unemployment in the spring of 2020 as a result of the economic downturn caused by the pandemic.

- The Rhode Island Convention Center Authority ended the fiscal year with a net position deficiency of $39.1 million. This was an increase of $8.5 million in the net position deficiency when compared with the prior year. The Authority has historically had a net position deficiency, because the amount of debt related to capital assets has exceeded the net book value of the capital assets and because the repayment term for the debt is generally longer than the depreciable life of the assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the State's basic financial statements. The State's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements provide a broad view of the State's finances. The statements provide both short-term and long-term information about the State's financial position, which assist in assessing the State's financial condition at the end of the year. These financial statements are prepared using the accrual basis of accounting, which recognizes all revenues and grants when earned, and expenses at the time the related liabilities are incurred.

- The **Statement of Net Position** presents all of 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's 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 showing how the government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods - for example, uncollected taxes and earned but unused vacation leave. This statement also presents a comparison between direct expenses and program revenues for each function of the government.

Both of the government-wide financial statements have separate sections for three different types of activities:

- **Governmental Activities:** The activities in this section represent most of the State's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the State include general government, health and human services, education, public safety, natural resources, and transportation. The net position and change in net position of the internal service funds are also included in this column.

- **Business-type Activities:** These activities are normally intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. These business-type activities of the State include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority and the Employment Security Trust Fund.

- **Discretely Presented Component Units:** 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.

Fund Financial Statements

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of State government and report the State's operations in more detail than the government-wide financial statements. The State's funds are divided into three categories: governmental, proprietary and fiduciary.

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

  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 long-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.

  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 and the criteria for determining if any of the other governmental funds are major funds are detailed in Note 1 C. Each of the major funds is presented in a separate column in 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 on these financial statements. Individual fund data for each of these nonmajor governmental funds can be found in the supplementary information section.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported in proprietary funds. The State maintains two different types of proprietary funds - enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Similar to the government-wide statements, proprietary funds use the accrual basis of accounting. The State has three enterprise funds - the Lottery Fund, the Rhode Island Convention Center Authority (RICCA) Fund, and the Employment Security Fund. These funds are each presented in separate columns on the basic proprietary fund financial statements. The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for these funds is provided in the form of combining statements and can be found in the supplementary information section of the State’s CAFR.

- **Fiduciary funds:** These funds are used to account for resources 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 postemployment 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 in the supplementary information section of the State's CAFR.

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 nonmajor component units. The criteria for distinguishing between major and nonmajor component units are discussed in Note 1 B.

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information, including information concerning the State's pension and other postemployment benefit obligations. This section also includes a budgetary comparison schedule for each of the State's major governmental funds that have a legally enacted budget.

Other Supplementary Information

Other supplementary information, which follows the required supplementary information in the State's CAFR, includes the combining financial statements for nonmajor governmental funds, internal service funds and fiduciary funds.

Government-Wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (deficit) (governmental and business-type activities) totaled $(303.6) million at the end of fiscal 2020, compared to $(228.1) million at the end of the prior fiscal year, as restated. Governmental activities reported unrestricted net position (deficit) of $(5,434.8) million.

A portion of the State's net position reflects its investment in capital assets such as land, buildings, equipment and infrastructure (roads, bridges, and other immovable assets), less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets 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.

An additional portion of the State's net position represents resources that are subject to external restrictions on how they may be used.

State of Rhode Island's Net Position as of June 30, 2020 and 2019

(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019*	2020	2019	2020	2019*
Current and other assets	$ 3,601,750	$ 2,412,885	$ 410,203	$ 624,805	$ 4,011,953	$ 3,037,690
Capital assets	4,788,465	4,505,757	169,746	158,121	4,958,211	4,663,878
Total assets	8,390,215	6,918,642	579,949	782,926	8,970,164	7,701,568
Deferred outflows of resources	722,392	813,673	12,683	10,693	735,075	824,366
Long-term liabilities outstanding	7,065,884	6,969,022	223,803	232,013	7,289,687	7,201,035
Other liabilities	2,479,050	1,319,338	61,675	69,485	2,540,725	1,388,823
Total liabilities	9,544,934	8,288,360	285,478	301,498	9,830,412	8,589,858
Deferred inflows of resources	177,487	163,488	968	726	178,455	164,214
Net position (deficit):						
Net investment in capital assets	3,845,461	3,554,559	(31,295)	(42,225)	3,814,166	3,512,334
Restricted	979,507	850,784	366,561	561,601	1,346,068	1,412,385
Unrestricted	(5,434,782)	(5,124,876)	(29,080)	(27,981)	(5,463,862)	(5,152,857)
Total net position (deficit)	$ (609,814)	$ (719,533)	$ 306,186	$ 491,395	$ (303,628)	$ (228,138)

*Restated.

As indicated above, the State reported a balance in unrestricted net position (deficit) of $(5.5) billion as of June 30, 2020. 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 for all of the pension plans it has funding responsibility for. In addition, beginning in fiscal 2018 the State has recognized the net other post-employment benefit (OPEB) liability (asset) for the retiree health care plans that it has funding responsibility for. Recognition of these liabilities has had a significant adverse impact on unrestricted net position. At June 30, 2020 the net pension liability related to governmental activities was $3.7 billion and the net pension liability related to business-type activities was $20.9 million. In addition, the net OPEB liability related to governmental activities was $421.8 million and the net OPEB liability related to business-type activities was $4.0 million.

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

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

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

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

- Tobacco Settlement Asset-Backed Bonds and Accreted Interest - The Tobacco Settlement Financing Corporation (TSFC), a blended component unit, has issued Tobacco Asset-Backed Bonds that were used to purchase the State's future rights in the Tobacco Settlement Revenues under the Master Settlement Agreement and the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC and other monies of the TSFC and do not constitute a general, legal, or moral obligation of 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, 2020 approximately $604.3 million of principal and $123.1 million of accreted interest are included in the State's 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 of 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 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, 2020, approximately $104.9 million of such bonds are outstanding.
- The State has entered into certain capital lease agreements, known as Certificates of Participation (COPS), the proceeds of which 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. Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly. As of June 30, 2020, approximately $170.4 million of obligations (net) are outstanding relating to these projects.

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

Changes in Net Position

Governmental Activities

The State's overall net position related to governmental activities increased by almost $110 million for fiscal 2020.

Total revenues and transfers of $8.3 billion increased by $419.2 million compared to fiscal 2019. This increase in revenue primarily resulted from a significant influx of federal assistance (reported under operating grants) received to help the state combat the pandemic. Tax revenues increased by $83.9 million in fiscal 2020 with sales and use and general business taxes increasing over the prior year.

The State's expenses, which cover a wide range of services, increased by $314.3 million. The most notable increases were for the health and human services and general government categories primarily as a result of expenses incurred to address the pandemic.

The increase in Health and Human Services expenses is attributable to a number of factors. The Department of Human Services saw increased spending of $38.9 million, primarily due to additional federal funding for the SNAP, preschool and childcare block grant programs. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had increased spending of $34.0 million resulting from new opioid response grants, funding for the home and community-based programs for the developmentally disabled and increased spending at Eleanor Slater Hospital. The Department of Health experienced increased spending of $25.8 million primarily for pandemic related activities such as laboratory testing and contact tracing. Also included in this function are expenses of approximately $183 million expended for supplies to combat the pandemic, assistance payments to hospitals, costs for testing sites and establishment of two surge hospitals.

General government expenses increased by approximately $70.5 million in fiscal 2020 over the prior year. Among the most significant contributing factors were an increase in the Motor Vehicle Excise Tax Phase-Out aid to local communities' program, which, pursuant to law, increased by $34.0 million from fiscal 2019 to fiscal 2020. Other significant changes included an increase of $13.1 million in expenses by the Office of Energy Resources for the Regional Greenhouse Gas Initiative program and a $19.7 million increase in expenditures for the State's Temporary Disability Insurance program largely attributable to pandemic related claims.

Business-Type Activities

- As a result of increased unemployment, the Employment Security Fund net position decreased as a result of benefits paid significantly exceeding premium revenue.

- Lottery revenue and associated expenses fell significantly due to the casino closings in the spring of 2020 that were attributable to the pandemic.

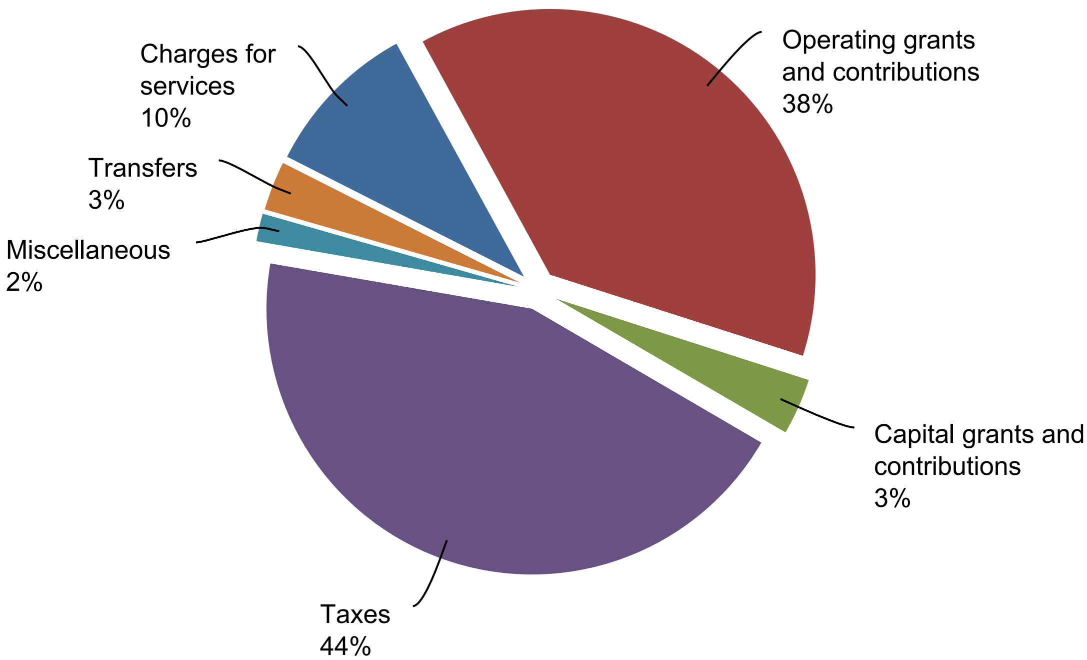
A more detailed analysis of changes in revenues and program expenses for both governmental activities and business-type activities is as follows:

State of Rhode Island's Changes in Net Position
For the Fiscal Years Ended June 30, 2020 and 2019
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 797,486	$ 713,955	$ 1,113,028	$ 1,332,911	$ 1,910,514	$ 2,046,866
Operating grants and contributions	3,159,368	2,817,912	1,010,408	1,278	4,169,776	2,819,190
Capital grants and contributions	288,421	295,979	—	—	288,421	295,979
General revenues:						
Taxes	3,693,329	3,609,427	—	—	3,693,329	3,609,427
Interest and investment earnings	12,884	19,028	764	639	13,648	19,667
Miscellaneous	142,310	101,495	14,148	11,461	156,458	112,956
Total revenues	8,093,798	7,557,796	2,138,348	1,346,289	10,232,146	8,904,085
Program expenses:						
General government	914,244	843,756	—	—	914,244	843,756
Health and human services	4,361,236	4,063,865	—	—	4,361,236	4,063,865
Education	1,802,009	1,803,273	—	—	1,802,009	1,803,273
Public safety	586,841	580,367	—	—	586,841	580,367
Natural resources	103,506	103,477	—	—	103,506	103,477
Transportation	365,022	426,522	—	—	365,022	426,522
Interest and other charges	102,687	99,971	—	—	102,687	99,971
Lottery	—	—	600,854	680,356	600,854	680,356
Convention Center	—	—	46,544	51,698	46,544	51,698
Employment Security	—	—	1,424,693	148,430	1,424,693	148,430
Total expenses	8,235,545	7,921,231	2,072,091	880,484	10,307,636	8,801,715
Excess (deficiency) before transfers	(141,747)	(363,435)	66,257	465,805	(75,490)	102,370
Transfers	251,466	368,236	(251,466)	(368,236)	—	—
Change in net position	109,719	4,801	(185,209)	97,569	(75,490)	102,370
Net position (deficit) - Beginning	(756,850)	(768,024)	491,395	393,826	(265,455)	(374,198)
Cumulative effect of prior period adjustments	37,317	6,373	—	—	37,317	6,373
Net position (deficit) - Beginning, as restated	(719,533)	(761,651)	491,395	393,826	(228,138)	(367,825)
Net position (deficit) - Ending	$ (609,814)	$ (756,850)	$ 306,186	$ 491,395	$ (303,628)	$ (265,455)

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2020.

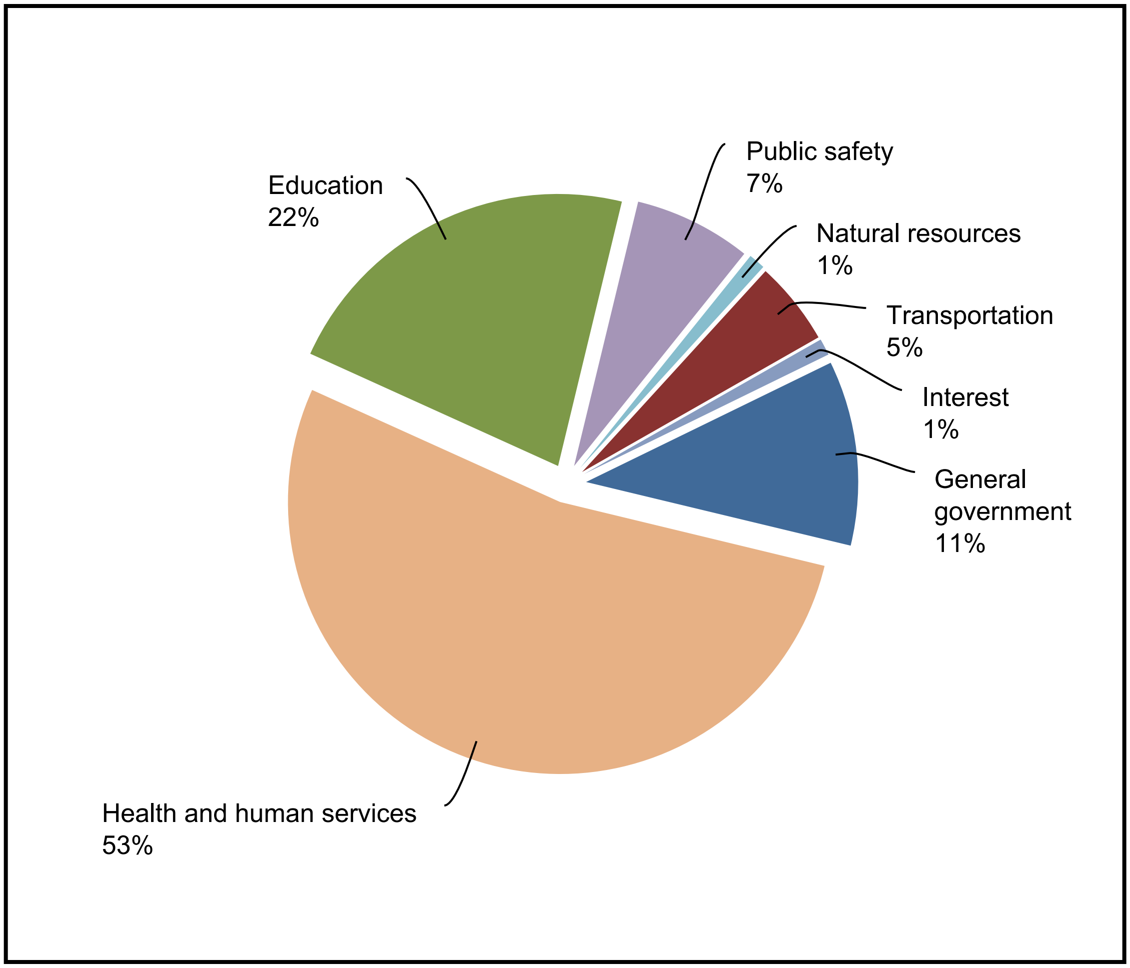
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent in fiscal 2020 versus the prior fiscal year. Taxes continued to represent the largest source of revenue at 44% of the total while operating grants and contributions represented 38% of the total in fiscal 2020. The proportion of total revenue derived from operating grants and contributions increased slightly in fiscal 2020 due to the influx of federal assistance as a result of the pandemic.

Chart 2 depicts the purposes for which program expenses related to Governmental Activities were expended during the fiscal year ended June 30, 2020.

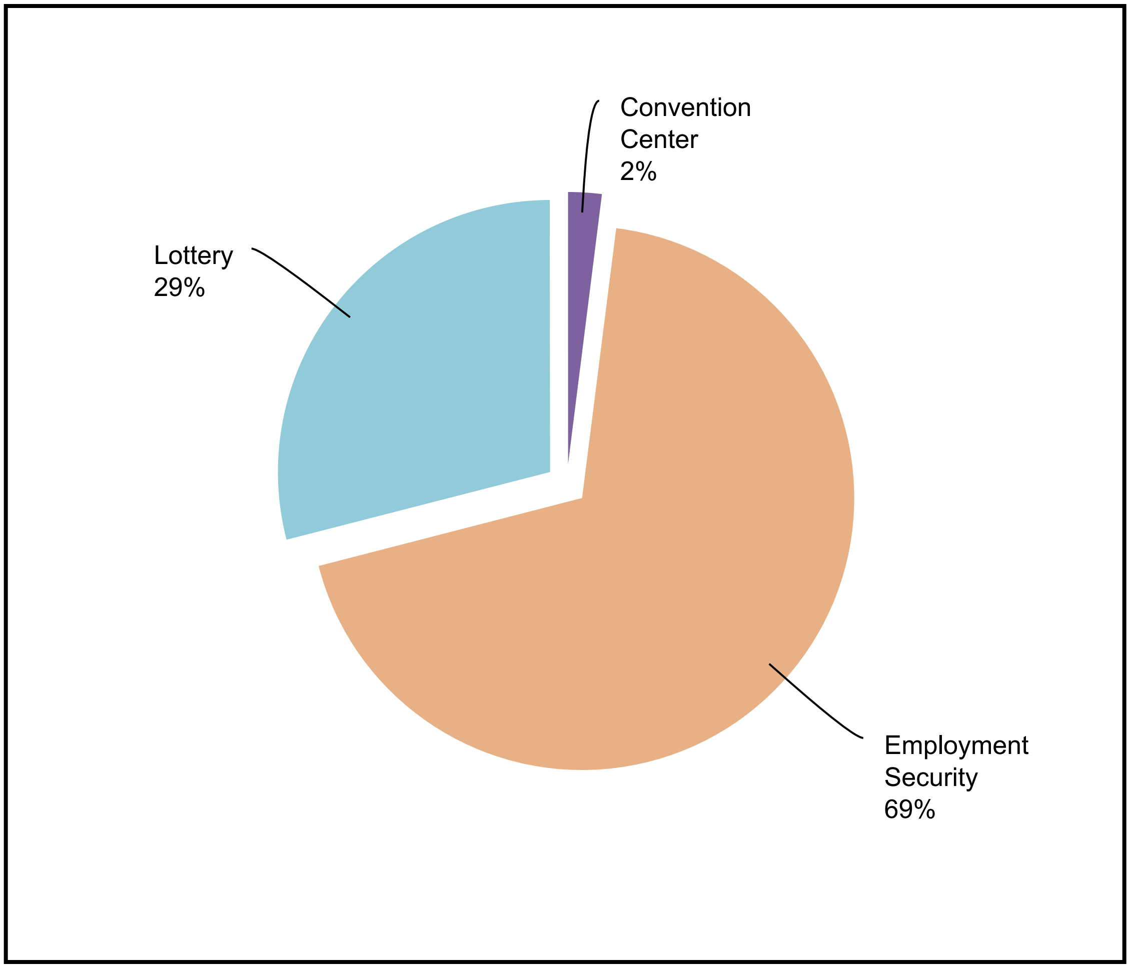
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal 2020 as in the prior fiscal year. There was an increase in health and human services from 51% to 53% in 2020 consistent with increased expenditures incurred in response to the COVID-19 public health emergency.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2020.

Chart 3 - Program Expenses - Business Type Activities



There was a substantial decrease in Lottery expenses due to prize awards and commissions decreasing in proportion to the decline in Lottery revenue caused by gaming facility closures in the fourth quarter of fiscal 2020 as a result of the COVID-19 public health emergency. There was a substantial increase in Employment Security expenses due to the significant increase in unemployment benefits resulting from business closures due to the COVID-19 public health measures employed in the fourth quarter of fiscal 2020.

Financial Analysis of the State's 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 on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the State's financing requirements. At the end of the current fiscal year, the State's governmental funds reported a combined ending fund balance of approximately $1.3 billion, an increase of $43.9 million from June 30, 2019. A breakdown of the components follows (expressed in thousands):

			Increase (decrease) from 2019	
	2020	2019	Change	Percent
Governmental Funds				
Nonspendable	$ 8,092	$ 1,732	$ 6,360	367.2 %
Restricted	984,317	913,729	70,588	7.7 %
Unrestricted				
Committed	57,907	92,317	(34,410)	(37.3)%
Assigned	6,851	37,255	(30,404)	(81.6)%
Unassigned	238,393	206,642	31,751	15.4 %
Total	$ 1,295,560	$ 1,251,675	$ 43,885	3.5 %

In the fund financial statements, 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 amounts can be spent. More information about each category is presented below:

- Nonspendable fund balance - 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 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 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 fund balance - in the State's General Fund, the residual classification for 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.

Significant changes in fund balance are discussed below:

- The net increase of $70.6 million in the restricted portion of the fund balance is primarily related to unspent proceeds relating to new borrowings for highway and bridge improvement projects (using GARVEE Bonds) which were offset to an extent by reductions in prior year bond proceeds and fund balances for several purposes including capital projects.

- The net decrease of $34.4 million in the committed portion of the unrestricted fund balance is primarily attributable to a decrease in the RI Highway Maintenance Account within the Intermodal Surface Transportation Fund. This account, which is funded by a variety of motor vehicle and license related fees, was created by the General Assembly in the 2014 session to address the State's highway and bridge infrastructure improvement needs.

- The net decrease of $30.4 million in the assigned portion of the unrestricted fund balance primarily resulted from a reduction in the amount of assigned fund balance allocated to fund the subsequent year's budget.

- The net increase of $31.8 million in the unassigned portion of fund balance primarily was due to more favorable actual operating results in fiscal 2020 than were expected when the fiscal 2021 budget was enacted.

General Fund

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

			Increase (decrease) from 2019	
	2020	2019	Change	Percent
Nonspendable	$ 7,918	$ 1,558	$ 6,360	408.2 %
Restricted	141,229	119,677	21,552	18.0 %
Unrestricted				
Committed	6,791	5,206	1,585	30.4 %
Assigned	6,851	37,255	(30,404)	(81.6)%
Unassigned	238,981	207,337	31,644	15.3 %
Total	$ 401,770	$ 371,033	$ 30,737	8.3 %

Revenues and other sources of the General Fund totaled $7.6 billion in fiscal 2020, an increase of $406.1 million or 5.6% from the previous year. The revenues from various sources and the change from the previous year are shown in the following table (expressed in thousands):

			Increase (decrease) from 2019	
	2020	2019	Amount	Percent
Revenues				
Taxes:				
Personal income	$ 1,398,121	$ 1,391,890	$ 6,231	0.4%
Sales and use	1,326,149	1,286,024	40,125	3.1%
General business	463,786	433,460	30,326	7.0%
Other	70,037	61,917	8,120	13.1 %
Subtotal	3,258,093	3,173,291	84,802	2.7%
Federal grants	3,128,124	2,826,622	301,502	10.7 %
Restricted revenues	349,753	281,236	68,517	24.4 %
Licenses, fines, sales, and services	406,489	398,221	8,268	2.1 %
Other general revenues	105,916	57,226	48,690	85.1 %
Subtotal	3,990,282	3,563,305	426,977	12.0 %
Total revenues	7,248,375	6,736,596	511,779	7.6%
Other sources				
Transfer from Lottery	283,871	397,321	(113,450)	(28.6)%
Other transfers	75,627	67,878	7,749	11.4 %
Total revenues and other sources	$ 7,607,873	$ 7,201,795	$ 406,078	5.6%

Despite the pandemic fiscal 2020 personal income taxes increased slightly from fiscal 2019 levels, rising $6.2 million or 0.4%. The rate of growth in personal income tax withholding payments rose to 3.5% in fiscal 2020, up from 2.6% in fiscal 2019. The growth in withholding payments in fiscal 2020 was likely enhanced by the Pandemic Unemployment Assistance and the Pandemic Emergency Unemployment Compensation payments that were part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law on March 27, 2020.

The State's unemployment rate increased to 6.6% in fiscal 2020, according to IHS Markit, up 2.9 percentage points from the 3.7% rate realized in fiscal 2019. The fiscal 2020 unemployment rate is the highest fiscal year unemployment rate since 2015. Nominal personal income growth rose 79.2% in fiscal 2020 to 6.1% from 3.4% growth in fiscal 2019 abetted by growth in transfer payments as a result of not only PUA and PEUC payments but also the $1,200 per person CARES Act Economic Impact Payments (EIP). General sales and use tax revenues posted an increase of 3.1% in fiscal 2020 over fiscal 2019. Fiscal 2020 use tax payments paid at the time of registration of a new motor vehicle decreased by 5.6%, down from a positive 5.7% rate of growth between fiscal 2018 and fiscal 2019. Due to the effects of the pandemic sales taxes collected from the provision of prepared meals and beverages decreased 5.6% in fiscal 2020 falling to $188.0 million in tax revenues. The slight increase in fiscal 2020 sales and use tax was likely attributable to a shift in consumption expenditures from in-person taxable sales to remote (on-line) taxable sales and a rise in the purchase of taxable items associated with home improvement projects.

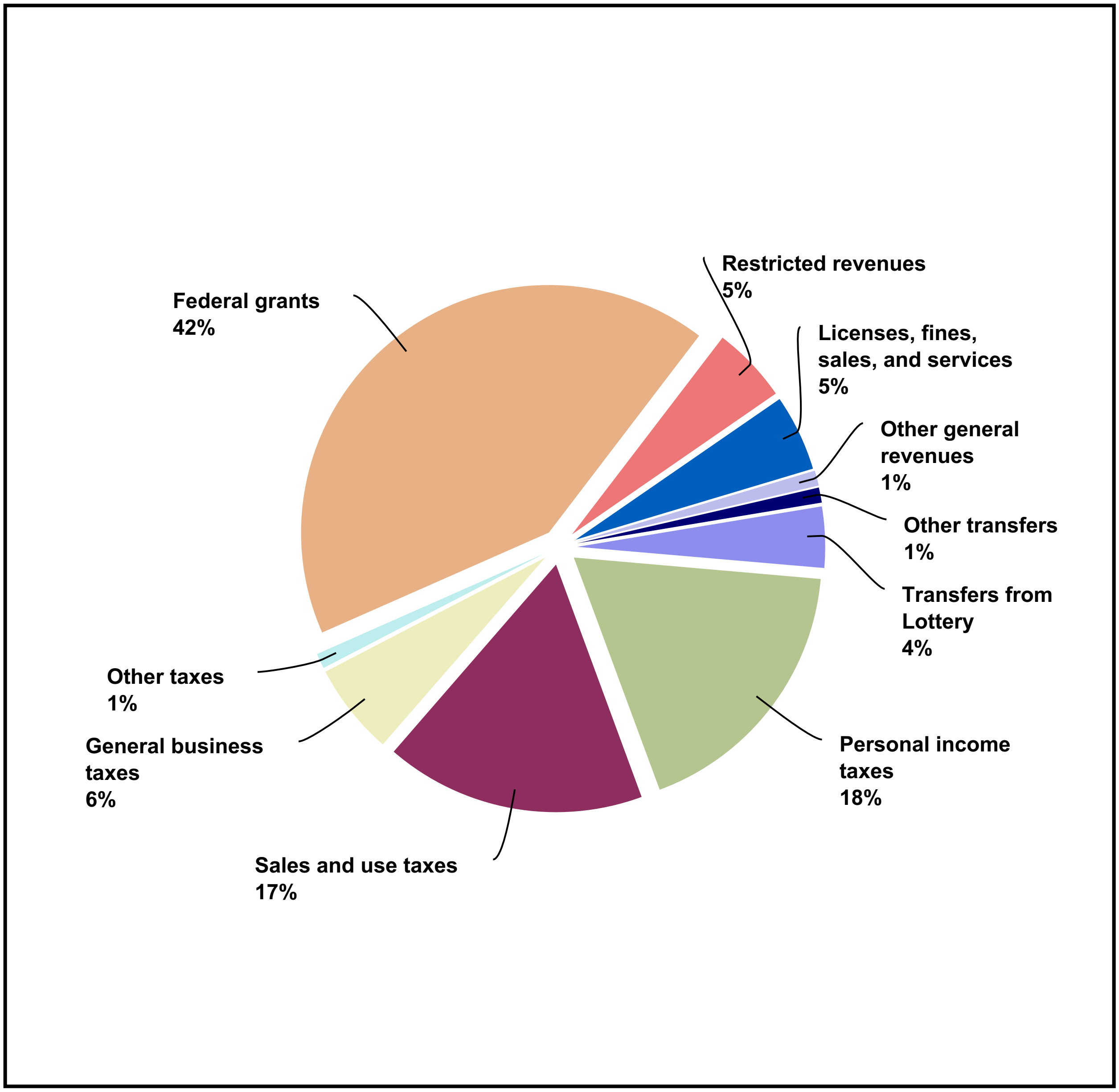
General business tax revenues increased by 7.0% in fiscal 2020, driven by large gains in public utilities gross earnings tax, financial institutions tax, and insurance company gross premiums tax revenues of 6.9%, 63.7%, and 16.0%, respectively. This increase was offset by year-over-year decreases in business corporation taxes of 4.2% and the health care provider assessment of 3.1%.

Other taxes rose by 13.1% over fiscal 2019. The increase is largely attributable to estate and transfer tax revenues, which rose 15.1% over fiscal 2019 levels. Realty transfer taxes also increased substantially gaining 9.2% over fiscal 2019 levels, indicating ongoing strength in the housing market.

Finally, the R.I. Lottery's transfer to the General Fund was down 28.6% in fiscal 2020 vs fiscal 2019. This decline is largely attributable to the shutdown of the State's two casinos for nearly three months in the spring as a result of the pandemic, followed by a limited reopening of the facilities through the end of the fiscal year.

Chart 4 depicts the General Fund's revenues and other sources for fiscal 2020.

Chart 4 - Revenues and Other Sources - General Fund



Expenditures and transfers out totaled $7,577.1 million in fiscal 2020, an increase of $383.8 million, or 5.34%, 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):

			Increase (decrease) from 2019	
	2020	2019	Amount	Percent
General government	$ 577,417	$ 539,520	$ 37,897	7.02 %
Health and human services	4,325,361	4,034,359	291,002	7.21 %
Education	1,662,174	1,641,632	20,542	1.25 %
Public safety	578,721	577,168	1,553	0.27 %
Natural resources	83,703	81,986	1,717	2.09 %
Debt Service:				
Principal	143,503	120,488	23,015	19.10 %
Interest	62,348	60,806	1,542	2.54 %
Total expenditures	7,433,227	7,055,959	377,268	5.35 %
Transfers out	143,909	137,346	6,563	4.78 %
Total expenditures and transfers out	$ 7,577,136	$ 7,193,305	$ 383,831	5.34 %

The year-over-year increase of approximately $37.9 million in the General Government function is primarily attributable to a change in the Motor Vehicle Excise Tax Phase-Out aid to local communities program, which increased by $34.0 million from fiscal 2019 to fiscal 2020. Other significant changes include an increase of $13.1 million in expenses by the Office of Energy Resources for the Regional Greenhouse Gas Initiative program; $2.1 million in the Information Technology Investment Fund; $2.2 million by the General Assembly and $2.9 million by the Department of Labor and Training primarily for the Real Jobs RI job training program. This increased spending was offset by a decrease in spending by the Executive Office of Commerce of $17.4 million in various economic development programs, including Rebuild RI. The General Assembly lowered appropriations in these programs in the final supplemental budget to address the projected fiscal 2020 deficit and because several of these programs had accumulated resources from prior year appropriations to allow them to continue operating for fiscal 2020.

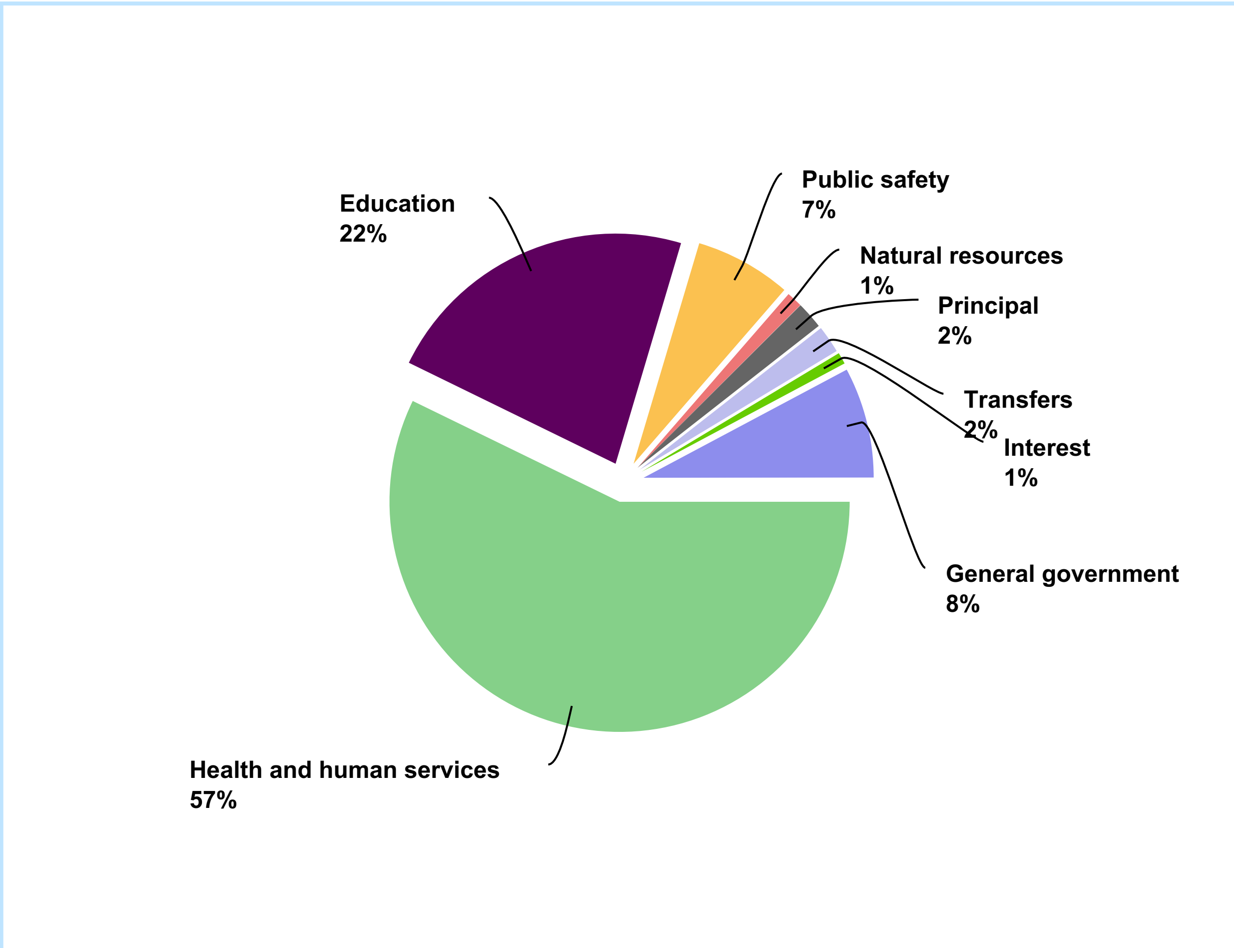
The year-over-year increase of $291.0 million in the Health and Human Services function is primarily attributable to the significant inflow of federal money to address the impact of the COVID-19 pandemic, as well as increased or new federal resources in various agencies. The Department of Human Services saw increased spending of $38.9 million, primarily due to additional federal funding for the SNAP, preschool and childcare block grant programs. The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals had increased spending of $34.0 million resulting from new opioid response grants, funding for the home and community-based programs for the Developmentally Disabled and increased spending at Eleanor Slater Hospital. The Department of Health experienced increased spending of $25.8 million primarily for pandemic related activities such as laboratory testing and contact tracing. Also included in this function are expenses of approximately $183 million expended by the Department of Administration and the Rhode Island Emergency Management Agency for supplies to combat the pandemic, assistance payments to hospitals, costs for testing sites, and establishment of two surge hospitals.

The increase in Education function expenditures of $20.5 million is the result of additional funding of $7.6 million for early childhood (pre-K) programs; $6.7 million more for the State's contribution to Teacher retirement costs; and $43.7 million in new CARES Act federal funding for distribution to local school districts. This increased spending was offset by a reduction of approximately $7.0 million in Higher Education expenditures resulting from a reduction in state appropriations due to the direct allocation of CARES Act funds to each institution.

The increase in debt service of approximately $24.6 million from fiscal 2019 to fiscal 2020 is the result of several offsetting items. First, a new debt issuance for the Historic Structures Tax Credit program resulted in additional debt service costs of $9.9 million. Second, the debt issuances for the Garrahy Courthouse Garage and the Eleanor Slater Hospital required increased funding of approximately $1.4 million each in fiscal 2020 compared to fiscal 2019. Third, the issuance of new general obligation bonds added about $11.3 million to debt service expenditures. These increases were partially offset by savings of $1.5 million in the Fidelity Job Rent Credit program as a result of available debt service reserve funds.

Chart 5 depicts the General Fund's expenditures and other uses for fiscal 2020.

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, tolls, federal grants, Rhode Island Capital Plan funds, 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 2019	
	2020	2019	Change	Percent
Restricted	$ 320,289	$ 237,741	$ 82,548	34.72 %
Unrestricted				
Committed	50,717	86,735	(36,018)	(41.53)%
Unassigned (deficit)	(588)	(694)	106	15.27 %
Total	$ 370,418	$ 323,782	$ 46,636	14.40 %

The net increase of $82.5 million in the restricted portion of the fund balance is primarily related to GARVEE bonds issued by the State in May 2020 for transportation related projects as the pace of bridge and highway improvements being made under the State's RhodeWorks initiative rose significantly this year. This issuance increased the amount of unspent bond proceeds held at June 30, 2020 for expenditure on future transportation projects over the prior year.The net decrease of $36.0 million in the committed portion of the unrestricted fund balance resulted from multiple factors including a decrease in the RI Highway Maintenance Account.

General Fund Budgetary Highlights - General Revenue Sources

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

Pandemic related adjustments to general revenue receipt estimates resulted in a significant decrease of $256.6 million between the original budget and the final budget. General revenue appropriations decreased from the original budget by $118.9 million. Some significant changes between the preliminary and final estimated general revenues and the enacted and final general revenue appropriations (expressed in thousands) are listed below.

General Fund Budgetary Highlights
General Revenue Sources
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	$ 1,426,800	$ 1,358,900	$ 1,405,508	$ 46,608
General business	459,693	427,000	478,248	51,248
Sales and use	1,339,834	1,288,400	1,326,194	37,794
Other taxes	52,600	73,200	70,037	(3,163)
Departmental revenue	448,452	440,725	434,983	(5,742)
Other sources:				
Lottery transfer	412,800	268,600	283,871	15,271
Unclaimed property	9,900	12,200	12,081	(119)
Miscellaneous	28,650	53,134	52,790	(344)
Total revenues and other sources	4,178,729	3,922,159	4,063,712	141,553
Expenditures and other uses:				
General government	553,215	523,571	543,079	19,508
Health and Human services	1,490,113	1,490,778	1,439,022	(51,756)
Education	1,487,455	1,432,058	1,430,769	(1,289)
Public safety	500,305	466,500	477,998	11,498
Natural resources	46,507	45,806	45,693	(113)
Total expenditures and other uses	4,077,595	3,958,713	3,936,561	(22,152)
Excess of revenues and other sources over expenditures and other uses	$ 101,134	$ (36,554)	$ 127,151	$ 163,705

*See Notes on the General Fund Budgetary Comparison Schedule

The favorable variance between the fiscal 2020 actual revenues and the fiscal 2020 final budget for personal income taxes was primarily attributable to the fact that the actual negative impact of the pandemic on personal income tax revenue was not as significant as was assumed at the spring revenue estimating conference which occurred in early May several months before the July 15th extended filing date for calendar year 2019 individual income tax returns and first and second quarter 2020 estimated tax payments.

Actual fiscal 2020 general business taxes came in $51.2 million above the final enacted budget but just $18.6 million more than the original budget due to actual business corporation tax and health care provider assessment revenues coming in a combined $18.2 million lower than the estimated amount included in the original budget. At the time of final enactment in June 2020, the revenue estimates for these items had been reduced such that the difference between actual fiscal 2020 revenues and final enacted fiscal 2020 revenues for these items was a positive $16.7 million.

Sales and use and excise tax revenues received in fiscal 2020 were $13.6 million less than estimated sales and use tax revenues included in the fiscal 2020 original budget, led by a deficit in sales and use tax revenues of $13.0 million. The shortfall in sales and use tax revenues was eliminated when compared to the final enacted fiscal 2020 budget with actual sales and use tax revenues coming in $37.8 million above the estimate.

The strength in sales and use tax revenues in fiscal 2020 is likely the result of the state's successful efforts in getting remote sellers to collect and remit the sales tax on taxable sales made into the state and stronger than expected retail sales during the COVID-19 pandemic.

Actual fiscal 2020 other tax revenues were substantively higher than in the original budget but below the final budget estimate. In the case of the former, the difference was $17.4 million while in the case of the latter, the difference was $(3.2) million. The large positive variance between actual fiscal 2020 and the original budget is due to the receipt of large infrequently occurring estate and transfer tax payment(s) of $25.8 million over the course of the fiscal year. The receipt of estate and transfer tax payments are difficult to predict in number and amount. By the time the final budget was enacted, all payments such as these had been received and estate and transfer tax payments fell short of expectations by $2.8 million. In addition, actual realty transfer tax revenues in fiscal 2020 ended up less than expected in the final budget by $0.3 million but exceeded the amount included in the original budget by $0.4 million.

Finally, the actual fiscal 2020 Lottery transfer to the General Fund was $15.3 million above the revenue estimate contained in the final budget but was $128.9 million below the estimated Lottery transfer to the General Fund contained in the fiscal 2020 original budget. The surplus compared to the final budget was largely driven by higher than expected transfers of net terminal income from video lottery terminals installed at Twin River and Tiverton. The final fiscal 2020 transfer of net terminal income ended up $12.0 million above the final enacted estimate but was $96.4 million below the fiscal 2020 original budget. This large swing in the transfer of net terminal income resulted from the closure of the State's two casinos for nearly three months as a result of the COVID-19 pandemic. The transfer revenues generated by traditional lottery products was $6.5 million less than contained in the fiscal 2020 original budget, but $3.1 million more than the revenue estimate in the final budget. The shortfalls compared to the original budget estimate were of similar magnitude for table games and sports betting but were in-line with the fiscal 2020 final budget.

The unfavorable variance in the General Government function of $19.5 million is due to a number of factors. Most significantly, the categorization of certain pandemic-related costs as general revenue expenses in accordance with GASB standards in anticipation of Federal Emergency Management Agency (FEMA) reimbursements in fiscal 2021 contributed $25.6 million to the variance. Offsetting this were surpluses across several General Government agencies, the largest of which was $2.3 million in the General Assembly. The General Assembly typically ends the fiscal year with a surplus, which under Rhode Island law is fully reappropriated to fiscal 2021. The next largest surplus was $1.3 million in the Department of Revenue, split mostly between the Division of Taxation and the Division of Motor Vehicles, which both experienced higher turnover savings from vacant positions than expected. The Department of Business Regulation also ended the fiscal year with a surplus of approximately $1.3 million, primarily due to the allocation of more personnel and other costs to federal Coronavirus Relief Fund (CRF) resources than was accounted for in the final enacted budget.

The favorable variance in the Health and Human Services function of $51.8 million was due to positive variances of $51.2 million in the Office of Health and Human Services (OHHS), $6.0 million in the Department of Children, Youth and Families, $5.7 million in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH), $4.2 million in the Department of Human Services (DHS), offset by a deficit of $1.1 million in the Department of Health (DOH). The OHHS positive variance was primarily in the various programs under Medical Assistance, which were expected to see a greater increase in caseloads due to the economic impact of the pandemic than materialized in fiscal 2020. The DCYF surplus was primarily in the Child Welfare program and is also due to lower caseloads than assumed in the enacted budget. Finally, the DOH deficit is due to the inability for the department to charge as much payroll costs to the CRF under the eligibility rules as was anticipated in the final budget. Offsetting these agency surpluses was the categorization as general revenue expenditures in fiscal 2020 of $14.3 million of pandemic related costs that the State expects will be reimbursed by FEMA in fiscal 2021.

The favorable variance in the Education function of approximately $1.3 million, of which $0.7 million was in the Department of Elementary and Secondary Education Early Childhood Demonstration program due to lower enrollment because of the closure of schools during the early stages of the pandemic. Approximately $0.3 million of the surplus in this function was in the Office of the Postsecondary Commissioner primarily due to lower expenses at the Nursing Education Center.

The unfavorable variance in the Public Safety function of $11.5 million is due to a number of factors. Most significantly, the categorization of certain pandemic-related costs as general revenue expenses in anticipation of FEMA reimbursements in fiscal 2021 contributed $69.9 million to the variance. In addition, offsetting this were a number of agency surpluses. The Department of Corrections ended the year with a surplus of $50.4 million due to the allocation of a substantial portion of its personnel costs to the CRF under the presumptive eligibility of public safety employees, which included Correctional Officers. Similarly, the Department of Public Safety ended with a $4.5 million surplus due to the ability to allocate personnel costs for State Police Troopers, Sheriffs and Capitol Police to the CRF.

Capital Assets and Debt Administration

Capital Assets

The State's investment in capital assets for its governmental and business-type activities as of June 30, 2020 amounts to $4,958.2 million, net of accumulated depreciation of $3,718.6 million. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, computer systems, and construction in progress. The total increase in the State's investment in capital assets for the current fiscal year was approximately 6.31% of net book value. This increase is primarily related to investments for the construction and rehabilitation of highways and bridges as well as other infrastructure, and new buildings.

Actual expenditures to purchase or construct capital assets were $530.0 million for the year. Of this amount, $448.9 million was used to construct or reconstruct highways. Depreciation charges for the year totaled $258.2 million.

State of Rhode Island's Capital Assets as of June 30, 2020 and 2019

(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019 (Restated)	2020	2019	2020	2019 (Restated)
Capital assets not being depreciated or amortized						
Land	$ 391,363	$ 392,804	$ 46,808	$ 46,808	$ 438,171	$ 439,612
Works of Art	4,385	4,385	—	—	4,385	4,385
Intangibles	182,036	179,816	—	—	182,036	179,816
Construction in progress	660,498	498,484	4,931	31,633	665,429	530,117
Total capital assets not being depreciated or amortized	1,238,282	1,075,489	51,739	78,441	1,290,021	1,153,930
Capital assets being depreciated or amortized						
Land improvements	8,331	8,381	—	—	8,331	8,381
Buildings	891,078	865,400	276,453	234,377	1,167,531	1,099,777
Building improvements	510,132	458,383	—	—	510,132	458,383
Equipment	361,788	353,106	48,608	41,382	410,396	394,488
Intangibles	341,738	341,951	175	175	341,913	342,126
Infrastructure	4,948,464	4,693,179	—	—	4,948,464	4,693,179
	7,061,531	6,720,400	325,236	275,934	7,386,767	6,996,334
Less: Accumulated depreciation or amortization	3,511,348	3,290,134	207,229	196,254	3,718,577	3,486,388
Total capital assets being depreciated or amortized	3,550,183	3,430,266	118,007	79,680	3,668,190	3,509,946
Total capital assets (net)	$ 4,788,465	$ 4,505,755	$ 169,746	$ 158,121	$ 4,958,211	$ 4,663,876

Additional information on the State's capital assets can be found in Note 5 to the financial statements of this report.

Debt Administration

Under 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’s governmental activities had total bonded debt outstanding of $2.7 billion, of which $1,263.3 million is general obligation debt, $704.8 million is special obligation debt and $604.3 million is debt of the blended component units. Additionally, accreted interest of $123.1 million has been recognized for debt of one blended component unit, which is not scheduled to be paid until 2052. On an overall basis the State's total bonded debt increased by $134.4 million during fiscal 2020. This increase consists of a $42.1 million increase in general obligation debt, an increase of $110.3 million in special obligation debt, and a decrease of $18.0 million in the blended component units’ 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 $257.8 million and $1.3 billion are supported by pledged revenue. These obligations are discussed in Notes 7 and 13.

In December 2019 the State issued $153 million of general obligation bonds with interest rates of 2.00% - 5.00%, maturing from 2021 through 2040. The aggregate premium paid on these bonds was $18.4 million. Pursuant to law this premium was transferred to the Rhode Island Infrastructure Bank.

The State also issued $68.2 million of general obligation refunding bonds with interest rates of 3.00% - 5.00%, maturing from 2021 through 2030. The premium paid on these bonds was $14.1 million. These bonds, combined with the premium, were deposited in an irrevocable trust to advance refund $80 million of series 2010C bonds with interest rates from 4.663% to 6.098%. The refunding resulted in a reduction of debt service of $7.2 million and an economic gain (difference between the present value of the debt service payments on the old and new debt) of $6.8 million. The advanced refunding resulted in a deferred loss (difference between the reacquisition price and the net carry amount of the old debt) of approximately $1.6 million that was recorded as a deferred outflow of resources.

The State's assigned general obligation bond ratings are as follows: AA (Stable) by Standard & Poor's Ratings Services (S&P), Aa2 (Stable) by Moody's Investor Service, Inc., and AA (Stable) by Fitch Ratings. The State does not have any debt limitation.

Bonds authorized by the voters that remain unissued as of June 30, 2020 amounted to $311.9 million; other obligations that are authorized but unissued totaled $64.8 million and are described in Note 7. Additional information on the State's long-term debt can be found in the notes to the financial statements of this report.

During fiscal 2020, the State entered into two $150 million line of credit agreements with financial institutions for a total $300 million. Draws on the lines of credit to facilitate liquidity during fiscal 2020 totaled $35 million. At June 30, 2020, a total of $10 million remained outstanding while a total of $290 million remained available under the line of credit agreements.

Conditions Expected to Affect Future Operations

Fiscal Year 2021 Budget Challenges

The fiscal 2021 budget was enacted almost 6 months into the fiscal year on December 21, 2020. The delay in enacting a budget for fiscal 2021 resulted from a number of factors including uncertainty during the spring and summer of 2020 about how federal CARES Act funds appropriated to assist states in managing the effects of the global pandemic could be utilized. Also, there were unfulfilled expectations that additional federal assistance to combat the costs of the pandemic and ameliorate any revenue losses that resulted from it would be forthcoming.

The enacted budget for fiscal 2021 which totals $12.7 billion and includes a full year of costs associated with the pandemic includes $4.2 billion of general revenue and $5.8 billion of federal funds. For fiscal 2020, which included pandemic related costs for about 4 months, the total revised budget was $11.8 billion, including $4.0 billion of general revenue and $4.0 billion of federal funds. The significant increase in the total budget from fiscal 2020 to fiscal 2021 is attributable to greater expected spending for a full year on pandemic related costs including costs for personal protective equipment, testing, contact tracing, vaccination initiatives, assistance to the unemployed and assistance to businesses, local governments and other organizations affected by the pandemic.

The state continues to carefully monitor revenues in fiscal 2021 and beyond for the impact of the pandemic especially on revenues derived from the Rhode Island Lottery including its casino associated revenues which have experienced decline due to a curtailment in hours and several closings since the pandemic began.

Spending on pandemic related costs and economic assistance to individuals and businesses affected by the pandemic could significantly affect the State's financial results for fiscal 2021 and 2022. In addition, the amount and nature of federal assistance received could also have a major impact on the State's financial results for fiscal 2021 along with future fiscal years.

Lottery Revenue

Net operations of the Rhode Island Lottery represent the State's third-largest revenue source. The following factors currently exist that will impact the Lottery's future operations:

- *Continuing impacts on revenue caused by the COVID-19 pandemic* – Capacity and operating restrictions on the State's two licensed casinos and restaurants and bars implemented as public health measures by the State will continue to impact Lottery revenue as the State manages the public health emergency.

- *Changes in gaming technology* – The Lottery continues to utilize new gaming technology to expand product offerings. Planned expansions of newly implemented mobile sports betting and iLottery gaming products allow patrons to play Lottery games utilizing mobile applications and the internet. Facilitating access to Lottery games, especially during the public health emergency, may offset some of the negative impacts that have resulted from the pandemic.

- *Competition from casinos in nearby states* – Prior to the pandemic, the Lottery was experiencing competition from increased growth in casino offerings in nearby Massachusetts. Efforts to compete effectively will undoubtedly persist and continue to involve enhanced player incentives and ensuring new games and gambling options are offered to patrons.

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 for information about each of the State's pension plans.

Future operations will continue to be affected by the amounts actuarially required to responsibly fund pensions consistent with statutory and actuarial requirements. Similarly, the State's 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.

In May 2017, the Employees' Retirement System of Rhode Island Board voted to lower the investment rate of return assumption from 7.5% to 7% which has been reflected in the determination of the net pension liability for the various plans administered by the System beginning with the June 30, 2017 measurement date valuations. Funding valuations performed as of June 30, 2017 reflected the lower investment return assumption and impacted required employer contributions beginning in fiscal 2020.

Transportation Funding Initiative

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, a new initiative proposed by the Governor, called RhodeWorks, was enacted by the General Assembly in 2016. RhodeWorks calls for investing an additional $1 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 million of new GARVEE debt that will be repaid with federal funds, and 3) $129 million of federal funds made available sooner by restructuring existing federally-funded debt. The plan is expected to save nearly $1 billion over 10 years by addressing transportation infrastructure problems on a more proactive basis.

Since RhodeWorks was enacted in 2016, DOT has completed 119 projects including 69 bridges. Additionally, in FY 2020, DOT issued $200 million of new GARVEE debt that will be repaid with federal funds in order to rebuild the Providence Viaduct Northbound.

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.

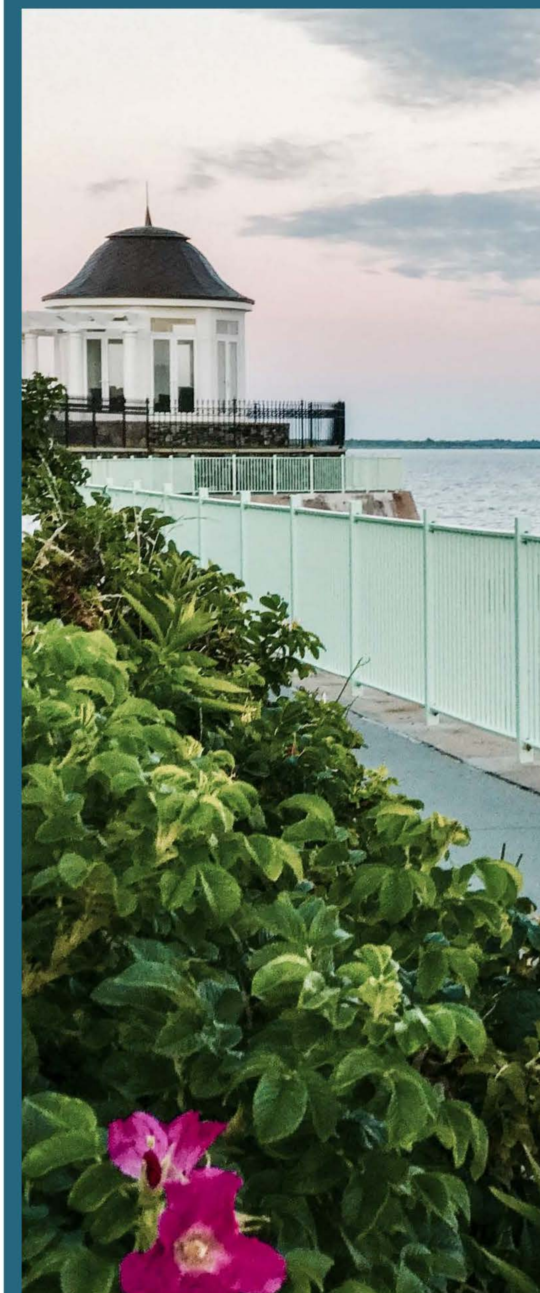
Statewide School Construction Funding

Voters approved a $250 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% of the state share of their approval on a pay-as-you-go basis for projects that have not completed and for projects that have not issued permanent financing (bonds) through RIHEBC. The State has authorized school project awards approximating $177 million of the $250 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.

Requests for Information

This report is designed to provide a general overview of the State's finances and accountability for all of 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 Margaret.Carlson@doa.ri.gov. The State's Comprehensive Annual 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, 2020

State of Rhode Island
Statement of Net Position
June 30, 2020
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	Business - Type Activities	Total	Component Units
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	$ 1,568,194	$ 26,343	$ 1,594,537	$ 392,536
Funds on deposit with fiscal agent	375,375	298,712	674,087	—
Investments	—	—	—	1,442
Receivables (net)	1,149,294	63,130	1,212,424	105,430
Restricted assets:	—	—	—	—
Cash and cash equivalents	50,890	1,840	52,730	775,707
Investments	—	—	—	274,516
Receivables (net)	—	—	—	92,166
Other assets	—	—	—	39,293
Due from primary government	—	—	—	29,143
Due from component units	21,632	—	21,632	1,977
Internal balances	(254)	254	—	—
Due from other governments and agencies	322,989	17,855	340,844	3,883
Inventories	2,217	952	3,169	8,896
Other assets	16,564	907	17,471	13,182
Total current assets	3,506,901	409,993	3,916,894	1,738,171
Noncurrent assets:				
Investments	—	—	—	274,494
Receivables (net)	29,155	—	29,155	127,438
Due from other governments and agencies	17,181	—	17,181	—
Restricted assets:	—	—	—	—
Cash and cash equivalents	—	—	—	80,692
Investments	—	—	—	510,373
Receivables (net)	—	—	—	1,128,043
Other assets	—	—	—	1,424,870
Due from component units	41,275	—	41,275	1,237
Net OPEB Asset	7,238	—	7,238	—
Capital assets - nondepreciable	1,238,282	51,739	1,290,021	285,554
Capital assets - depreciable (net)	3,550,183	118,007	3,668,190	2,104,134
Other assets	—	210	210	196,512
Total noncurrent assets	4,883,314	169,956	5,053,270	6,133,347
Total assets	8,390,215	579,949	8,970,164	7,871,518
Deferred outflows of resources	722,392	12,683	735,075	94,285

(Continued)

State of Rhode Island
Statement of Net Position
June 30, 2020
(Expressed in Thousands)

	Primary Government			
	Governmental Activities	**Business - Type Activities**	**Total**	**Component Units**
Liabilities and deferred inflows of resources				
Current Liabilities:				
Accounts payable	$ 981,702	$ 14,893	$ 996,595	$ 85,593
Notes payable	10,000	—	10,000	80,834
Due to primary government	—	—	—	21,632
Due to component units	29,143	—	29,143	1,977
Due to other governments and agencies	—	6,933	6,933	—
Accrued expenses	—	5,011	5,011	—
Unearned revenue	1,033,802	—	1,033,802	37,764
Other current liabilities	133,461	1,238	134,699	460,691
Current portion of long-term debt	290,942	20,967	311,909	164,967
Obligation for unpaid prize awards	—	12,633	12,633	—
Total current liabilities	2,479,050	61,675	2,540,725	853,458
Noncurrent Liabilities:				
Due to primary government	—	—	—	41,275
Net pension liability	2,286,088	20,850	2,306,938	302,394
Net pension liability-special funding situation	1,366,538	—	1,366,538	—
Net OPEB liability	421,757	3,990	425,747	165,265
Unearned revenue	—	7,853	7,853	3,448
Due to component units	—	—	—	1,237
Notes payable	—	—	—	184,861
Loans payable	—	—	—	11,829
Obligations under capital leases	140,538	—	140,538	1,478
Compensated absences	15,615	431	16,046	23,463
Bonds payable	2,767,751	190,679	2,958,430	2,823,663
Other liabilities	67,597	—	67,597	402,736
Total noncurrent liabilities	7,065,884	223,803	7,289,687	3,961,649
Total liabilities	9,544,934	285,478	9,830,412	4,815,107
Deferred inflows of resources	177,487	968	178,455	55,729
Net position (deficit)				
Net investment in capital assets	3,845,461	(31,295)	3,814,166	1,613,485
Restricted for:				
Capital Projects	346,238	—	346,238	—
Debt	94,251	872	95,123	386,552
Assistance to other entities	149,897	—	149,897	—
Employment security programs	135,972	365,689	501,661	—
Other	252,975	—	252,975	942,791
Nonexpendable	174	—	174	219,988
Unrestricted	(5,434,782)	(29,080)	(5,463,862)	(67,849)
Total net position (deficit)	$ (609,814)	$ 306,186	$ (303,628)	$ 3,094,967

(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, 2020

(Expressed in Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**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	$ 914,244	$ 261,568	$ 163,354	$ 3,257	$ (486,065)	$ —	$ (486,065)	$ —
Health and human services	4,361,236	394,744	2,560,736	1,519	(1,404,237)	—	(1,404,237)	—
Education	1,802,009	34,724	237,927	99	(1,529,259)	—	(1,529,259)	—
Public safety	586,841	33,909	123,321	12,896	(416,715)	—	(416,715)	—
Natural resources	103,506	30,840	23,709	837	(48,120)	—	(48,120)	—
Transportation	365,022	41,701	50,321	269,813	(3,187)	—	(3,187)	—
Interest and other charges	102,687	—	—	—	(102,687)	—	(102,687)	—
Total governmental activities	8,235,545	797,486	3,159,368	288,421	(3,990,270)	—	(3,990,270)	—
Business-type activities:								
State Lottery	600,854	882,672	—	—	—	281,818	281,818	—
Convention Center	46,544	21,317	—	—	—	(25,227)	(25,227)	—
Employment Security	1,424,693	209,039	1,010,408	—	—	(205,246)	(205,246)	—
Total business-type activities	2,072,091	1,113,028	1,010,408	—	—	51,345	51,345	—
Total primary government	$ 10,307,636	$ 1,910,514	$ 4,169,776	$ 288,421	(3,990,270)	51,345	(3,938,925)	—
Component units:	$ 1,529,803	$ 760,026	$ 645,932	$ 204,045				80,200
General Revenues:								
Taxes:								
Personal income					1,400,322	—	1,400,322	—
General business					465,737	—	465,737	—
Sales and use					1,328,879	—	1,328,879	—
Gasoline					146,735	—	146,735	—
Other					351,656	—	351,656	—
Interest and investment earnings					12,884	764	13,648	90,370
Miscellaneous revenue					142,310	14,148	156,458	10,755
Transfers (net)					251,466	(251,466)	—	—
Total general revenues and transfers					4,099,989	(236,554)	3,863,435	101,125
Change in net position					109,719	(185,209)	(75,490)	181,325
Net position (deficit) - beginning as restated					(719,533)	491,395	(228,138)	2,913,642
Net position (deficit) - ending					$ (609,814)	$ 306,186	$ (303,628)	$ 3,094,967

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

State of Rhode Island

Balance Sheet

Governmental Funds

June 30, 2020

(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 1,139,617	$ 99,394	$ 294,698	$ 1,533,709
Funds on deposit with fiscal agent	—	303,663	71,712	375,375
Restricted cash equivalents	—	—	50,890	50,890
Receivables (net)	1,075,755	17,785	74,459	1,167,999
Due from other funds	—	—	60	60
Due from component units	785	2,581	—	3,366
Due from other governments and agencies	269,826	60,947	—	330,773
Loans to other funds	21,908	—	75,030	96,938
Other assets	8,756	—	—	8,756
Total assets	$ 2,516,647	$ 484,370	$ 566,849	$ 3,567,866
Liabilities, deferred inflows of resources and fund balances				
Liabilities				
Accounts payable	854,486	90,192	13,462	958,140
Notes payable	10,000	—	—	10,000
Due to other funds	12,763	1,043	1,261	15,067
Due to component units	—	—	17,486	17,486
Loans from other funds	75,031	—	11,008	86,039
Unearned revenue	1,033,532	—	—	1,033,532
Other liabilities	101,367	14,933	260	116,560
Total liabilities	2,087,179	106,168	43,477	2,236,824
Deferred inflows of resources	27,698	7,784	—	35,482
Fund Balances				
Nonspendable	7,918	—	174	8,092
Restricted	141,229	320,289	522,799	984,317
Unrestricted				
Committed	6,791	50,717	399	57,907
Assigned	6,851	—	—	6,851
Unassigned	238,981	(588)	—	238,393
Total fund balances	401,770	370,418	523,372	1,295,560
Total liabilities, deferred inflows of resources and fund balances	$ 2,516,647	$ 484,370	$ 566,849	$ 3,567,866

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, 2020
(Expressed in Thousands)

Fund balance - total governmental funds			$ 1,295,560
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	8,292,010	
	Accumulated depreciation	(3,506,593)	
			4,785,417
Deferred outflows of resources			722,392
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	(84,240)	
	Bonds payable	(2,695,388)	
	Net premium/discount on Bonds	(236,013)	
	Obligations under capital leases	(157,870)	
	Premium on Certificates of Participation	(12,492)	
	Interest payable	(24,186)	
	Net pension liabilities	(3,652,626)	
	Net OPEB liabilities	(421,757)	
	Other liabilities	(80,347)	
			(7,364,919)
Other long-term assets and unearned revenue are not available to pay for current-period expenditures and, therefore, are deferred in the funds.			
	Receivables	9,821	
	Due from component units	47,881	
	Net OPEB asset	7,238	
	Unavailable revenue	35,482	
			100,422
Deferred inflows of resources			(177,487)
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.			28,801
Net position - total governmental activities			$ (609,814)

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, 2020
(Expressed in Thousands)

	General	Intermodal Surface Transportation	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	$ 3,258,093	$ 217,933	$ 210,423	$ 3,686,449
Licenses, fines, tolls, sales, and services	406,489	37,303	677	444,469
Departmental restricted revenue	349,753	4,370	—	354,123
Federal grants	3,128,124	321,416	—	3,449,540
Income from investments	2,360	4,491	5,782	12,633
Other revenues	103,556	3,102	42,216	148,874
Total revenues	7,248,375	588,615	259,098	8,096,088
Expenditures:				
Current:				
General government	577,417	—	222,804	800,221
Health and human services	4,325,361	—	—	4,325,361
Education	1,662,174	—	162	1,662,336
Public safety	578,721	—	—	578,721
Natural resources	83,703	—	—	83,703
Transportation	—	659,789	1,840	661,629
Capital outlays	—	—	248,444	248,444
Debt service:				
Principal	143,503	39,609	19,459	202,571
Interest and other charges	62,348	26,219	26,207	114,774
Total expenditures	7,433,227	725,617	518,916	8,677,760
Excess (deficiency) of revenues over (under) expenditures	(184,852)	(137,002)	(259,818)	(581,672)
Other financing sources (uses):				
Issuance of bonds and notes	—	165,555	221,150	386,705
Debt issuance premiums	—	36,955	32,458	69,413
Transfers in	359,498	32,462	121,399	513,359
Payment to advance refunded bonds escrow agent	—	—	(82,028)	(82,028)
Transfers out	(143,909)	(51,334)	(66,650)	(261,893)
Total other financing sources (uses)	215,589	183,638	226,329	625,556
Net change in fund balances	30,737	46,636	(33,489)	43,884
Fund balances - beginning	371,033	323,782	556,861	1,251,676
Fund balances - ending	$ 401,770	$ 370,418	$ 523,372	$ 1,295,560

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, 2020
(Expressed in Thousands)

Net change in fund balances - total governmental funds		$ 43,884
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	531,688	
Depreciation expense	(244,730)	
		286,958
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	282,550	
Accrued interest and other charges	(2,816)	
Proceeds from sale of debt	(386,705)	
Refunding loss deferral	1,616	
Deferral of premium/discount	(69,413)	
Amortization of premium/discount	36,024	
Accreted interest	(13,128)	
Amortization of refunding gains/losses	(7,560)	
		(159,432)
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	(12,250)	
Pension expenses, net of related deferred outflows	(88,500)	
OPEB expenses, net of related deferred outflows	42,857	
Program expenses	(2,822)	
Program and miscellaneous revenue	(6,043)	
Operating and capital grant revenue	(1,749)	
General revenue - taxes	6,881	
		(61,626)
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.		(65)
Change in net position - total governmental activities		$ 109,719

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, 2020
(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	$ 21,693	$ 2,292	$ 2,358	$ 26,343	$ 34,485
Restricted cash and cash equivalents	—	1,840	—	1,840	—
Funds on deposit with fiscal agent	—	—	298,712	298,712	—
Receivables (net)	5,003	520	57,607	63,130	10,079
Due from other funds	66	713	2,338	3,117	15,309
Due from other governments and agencies	—	—	17,855	17,855	—
Loans to other funds	—	—	—	—	2,236
Inventories	952	—	—	952	2,217
Other assets	484	423	—	907	7,812
Total current assets	28,198	5,788	378,870	412,856	72,138
Noncurrent assets:					
Capital assets - nondepreciable	—	51,739	—	51,739	—
Capital assets - depreciable (net)	472	117,535	—	118,007	3,048
Other assets	—	210	—	210	—
Total noncurrent assets	472	169,484	—	169,956	3,048
Total assets	28,670	175,272	378,870	582,812	75,186
Deferred outflows of resources	7,318	5,365	—	12,683	—
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	6,725	8,168	—	14,893	23,615
Due to other funds	2,863	—	—	2,863	556
Due to other governments and agencies	—	—	6,933	6,933	—
Loans from other funds	—	—	—	—	13,135
Accrued expenses	5,011	—	—	5,011	—
Unearned revenue	625	3,309	—	3,934	—
Other current liabilities	670	536	32	1,238	9,079
Bonds payable	—	16,695	—	16,695	—
Compensated absences	338	—	—	338	—
Obligation for unpaid prize awards	12,633	—	—	12,633	—
Total current liabilities	28,865	28,708	6,965	64,538	46,385
Noncurrent liabilities:					
Net pension liability	20,850	—	—	20,850	—
Net OPEB liability	3,990	—	—	3,990	—
Unearned revenue	1,250	387	6,216	7,853	—
Bonds payable	—	190,679	—	190,679	—
Compensated absences	431	—	—	431	—
Total noncurrent liabilities	26,521	191,066	6,216	223,803	—
Total liabilities	55,386	219,774	13,181	288,341	46,385
Deferred inflows of resources	968	—	—	968	—
Net Position (Deficit)					
Net investment in capital assets	472	(31,767)	—	(31,295)	3,048
Restricted for:					
Debt	—	872	—	872	—
Employment insurance programs	—	—	365,689	365,689	—
Unrestricted	(20,838)	(8,242)	—	(29,080)	25,753
Total net position (deficit)	$ (20,366)	$ (39,137)	$ 365,689	$ 306,186	$ 28,801

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, 2020
(Expressed in Thousands)

	Business-type Activities-- Enterprise Funds				Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security	Totals	Internal Service Funds
Operating revenues:					
Charges for services	$ —	$ 21,158	$ —	$ 21,158	$ 428,951
Employer premiums	—	—	197,380	197,380	—
Lottery sales	246,393	—	—	246,393	—
Video lottery, net	352,834	—	—	352,834	—
Table games	83,257	—	—	83,257	—
Sports book	200,188	—	—	200,188	
Federal grants	—	—	1,010,408	1,010,408	—
Miscellaneous	—	159	11,659	11,818	—
Total operating revenues	882,672	21,317	1,219,447	2,123,436	428,951
Operating expenses:					
Personal services	12,550	13,569	—	26,119	57,006
Supplies, materials, and services	253,741	11,353	—	265,094	371,914
Prize awards, net of prize recoveries	334,429	—	—	334,429	—
Depreciation and amortization	134	12,855	—	12,989	367
Benefits paid	—	—	1,424,693	1,424,693	—
Total operating expenses	600,854	37,777	1,424,693	2,063,324	429,287
Operating income (loss)	281,818	(16,460)	(205,246)	60,112	(336)
Nonoperating revenues (expenses):					
Interest revenue	702	62	—	764	249
Other nonoperating revenues (expenses)	1,098	1,024	12,026	14,148	22
Interest expense	—	(8,767)	—	(8,767)	—
Total nonoperating revenue (expenses)	1,800	(7,681)	12,026	6,145	271
Income (loss) before transfers	283,618	(24,141)	(193,220)	66,257	(65)
Transfers in	—	32,667	—	32,667	—
Transfers out	(283,871)	—	(262)	(284,133)	—
Change in net position	(253)	8,526	(193,482)	(185,209)	(65)
Net position (deficit) - beginning	(20,113)	(47,663)	559,171	491,395	28,866
Net position (deficit) - ending	$ (20,366)	$ (39,137)	$ 365,689	$ 306,186	$ 28,801

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, 2020

	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	$ 890,016	$ —	$ —	$ 890,016	$ —
Cash received from customers	—	19,099	—	19,099	419,179
Cash received from employer premiums	—	—	204,854	204,854	—
Cash received from grants	—	—	1,006,903	1,006,903	—
Cash payments for gaming activities	(596,604)	—	—	(596,604)	—
Cash payments to suppliers	(5,134)	(10,731)	—	(15,865)	(377,147)
Cash payments to employees	(11,643)	(14,334)	—	(25,977)	(56,535)
Cash payments for benefits	—	—	(1,418,828)	(1,418,828)	—
Other operating revenue (expense)	—	2,027	10,101	12,128	21
Net cash provided by operating activities	276,635	(3,939)	(196,970)	75,726	(14,482)
Cash flows from noncapital financing activities:					
Loans from other funds	—	—	—	—	8,269
Loans to other funds	—	—	—	—	(2,236)
Repayment of loans to other funds	—	—	—	—	1,089
Repayment of loans from other funds	—	—	—	—	(6,482)
Transfers in	—	32,382	1,428	33,810	—
Transfers out	(283,056)	—	(142)	(283,198)	—
Net transfers from (to) fiscal agent	—	—	196,132	196,132	—
Other cash flows from noncapital financing activities	—	(57)	—	(57)	—
Net cash provided by (used for) noncapital financing activities	(283,056)	32,325	197,418	(53,313)	640
Cash flows from capital and related financing activities:					
Principal paid on capital obligations	—	(14,570)	—	(14,570)	—
Interest paid on capital obligations	—	(8,458)	—	(8,458)	—
Acquisition of capital assets	(253)	(25,706)	—	(25,959)	(142)
Net cash provided by (used for) capital and related financing activities	(253)	(48,734)	—	(48,987)	(142)
Cash flows from investing activities:					
Interest on investments	702	62	—	764	250
Net cash provided by investing activities	702	62	—	764	250
Net increase (decrease) in cash and cash equivalents	(5,972)	(20,286)	448	(25,810)	(13,734)
Cash and cash equivalents, July 1	27,665	24,418	1,910	53,993	48,219
Cash and cash equivalents, June 30	$ 21,693	$ 4,132	$ 2,358	$ 28,183	$ 34,485
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	281,818	(16,460)	(205,246)	60,112	(336)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	134	12,854	—	12,988	365
Other revenue (expense) and transfers in (out)	473	2,429	10,042	12,944	20
Net changes in assets and liabilities:					
Receivables, net	5,647	385	7,475	13,507	(10,518)
Inventory	176	—	—	176	(119)
Deferred outflows of resources	(3,186)	—	—	(3,186)	—
Prepaid items	(43)	145	—	102	—
Due to / due from transactions	(106)	—	(15,487)	(15,593)	—
Accounts and other payables	(11,674)	(288)	(3)	(11,965)	(4,347)
Accrued expenses	(1,736)	—	32	(1,704)	453
Net pension liability	3,708	—	—	3,708	—
Net OPEB liability	114	—	—	114	—
Deferred inflows of resources	242	—	—	242	—
Unearned revenue	75	(3,004)	6,217	3,288	—
Prize awards payable	993	—	—	993	—
Total adjustments	(5,183)	12,521	8,276	15,614	(14,146)
Net cash provided by (used for) operating activities	$ 276,635	$ (3,939)	$ (196,970)	$ 75,726	$ (14,482)

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, 2020
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Agency Funds
Assets				
Cash and cash equivalents	$ 13,323	$ —	$ 6,609	$ 19,102
Deposits held as security for entities doing business in the State	—	—	—	59,828
Advance held by claims processing agent	200	—	—	—
Receivables				
Contributions	25,131	—	—	—
Due from State for teachers	32,239	—	—	—
Other	1,048	—	—	—
Miscellaneous	—	18	73,161	345
Total receivables	58,418	18	73,161	345
Prepaid expenses	3,365	—	—	—
Due from other plans	1,354	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	80,021	—	—
Equity in pooled trusts	8,921,563	—	—	—
Other investments	1,176,735	—	5,182,442	—
Total investments	10,098,298	80,021	5,182,442	—
Total assets	10,174,958	80,039	5,262,212	$ 79,275
Liabilities				
Accounts payable	7,229	742	94,160	6,174
Due to other plans	1,354	—	—	—
Incurred but not reported claims	1,032	—	—	—
Other	6,316	—	—	—
Deposits held for others	—	—	—	73,101
Total Liabilities	15,931	742	94,160	$ 79,275
Net position				
Restricted for:				
Pension benefits	9,754,944	—	—	
Other postemployment benefits	404,083	—	—	
External investment pool participants	—	79,297	—	
Tuition savings program	—	—	5,164,860	
Other	—	—	3,192	
Total net position	$ 10,159,027	$ 79,297	$ 5,168,052	

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, 2020
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts
Additions			
Contributions			
Member contributions	$ 217,592	$ —	$ —
Employer contributions	532,559	—	—
New employer contributions	12,757	—	—
Supplemental employer contributions	360	—	—
State contributions for teachers	108,636	—	—
Interest on service credits purchased	192	—	—
Service credit transfers	874	—	—
From program participants	—	253,054	260,353
Total contributions	872,970	253,054	260,353
Other income	2,209	—	—
Investment income			
Increase (Decrease) in fair value of investments	352,829	—	(95,398)
Interest	62,675	948	—
Dividends	66,376	—	171,157
Other investment income	142	—	—
	482,022	948	75,759
Less: investment expense	88,260	78	—
Net investment income	393,762	870	75,759
Total additions	1,268,941	253,924	336,112
Deductions			
Retirement benefits	965,420	—	—
Death benefits	3,514	—	—
Distributions	23,897	208,372	—
Program participant redemptions	—	—	829,622
Refund of contributions	6,711	—	—
Administrative expense	10,168	—	21,901
Service credit transfers	874	—	—
OPEB benefits	30,679	—	—
Total deductions	1,041,263	208,372	851,523
Change in net position restricted for:			
Pension benefits	161,839	—	—
Other postemployment benefits	65,839	—	—
External investment pool participants	—	45,552	—
Tuition Savings Program	—	—	(515,597)
Other	—	—	186
Fiduciary net position - beginning	9,931,349	33,745	5,683,463
Fiduciary net position - ending	$ 10,159,027	$ 79,297	$ 5,168,052

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, 2020
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	$ 77,479	$ 9,655	$ 98	$ 12,796	$ 622
Investments	—	—	—	1,035	—
Receivables (net)	3,288	2,947	—	5,232	96
Restricted assets:					
Cash and cash equivalents	21,934	82,727	10,638	—	24,233
Due from primary government	—	—	—	—	—
Investments	—	4,479	—	—	87,922
Receivables (net)	—	50	—	—	—
Other assets	—	—	—	—	2,525
Due from primary government	52	1,398	132	5,108	1,394
Due from other governments	—	—	120	—	—
Due from other component units	—	103	—	—	—
Inventories	—	—	—	2,004	40
Other assets	412	147	61	919	176
Total current assets	103,165	101,506	11,049	27,094	117,008
Noncurrent Assets:					
Investments	—	516	—	4,978	31,833
Receivables (net)	—	4,257	—	—	—
Restricted assets:					
Cash and cash equivalents	51,075	9,207	—	—	—
Investments	9,462	6,472	—	—	—
Receivables (net)	6,042	186	—	—	—
Other assets	—	885	—	—	—
Capital assets - nondepreciable	56,026	527	—	22,076	6,658
Capital assets - depreciable (net)	460,464	485	—	109,384	222,061
Due from other component units	—	—	—	—	—
Other assets, net of amortization	401	—	277	988	—
Total noncurrent assets	583,470	22,535	277	137,426	260,552
Total assets	686,635	124,041	11,326	164,520	377,560
Deferred outflows of resources	1,140	464	—	22,734	902

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2020
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	2,788	954	166	5,433	1,053
Notes payable	—	—	—	—	—
Due to primary government	—	—	—	2,890	6,384
Due to other component units	235	—	—	—	—
Unearned revenue	1,613	1,642	—	298	5,621
Other liabilities	7,829	5,971	825	20,532	8,681
Current portion of compensated absences	—	—	—	64	—
Current portion of long-term debt	18,044	3,535	1,660	—	5,970
Total current liabilities	30,509	12,102	2,651	29,217	27,709
Noncurrent liabilities:					
Due to primary government	65	—	—	9,012	—
Due to other component units	1,237	—	—	—	—
Unearned revenue	—	3,261	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Obligations under capital leases	1,283	—	—	—	—
Net pension liability	1,799	302	—	71,715	—
Net OPEB liability	348	58	—	71,285	—
Other liabilities	—	26,320	—	14,131	—
Compensated absences	—	—	—	172	—
Bonds payable	271,990	9,057	33,780	—	213,707
Total noncurrent liabilities	276,722	38,998	33,780	166,315	213,707
Total liabilities	307,231	51,100	36,431	195,532	241,416
Deferred inflows of resources	337	600	—	8,334	—
Net position (deficit)					
Net investment in capital assets	249,178	1,012	277	121,365	56,363
Restricted for:					
Debt	21,644	—	9,879	—	81,435
Other	39,502	—	678	4,880	—
Other nonexpendable	—	85,557	—	—	—
Unrestricted	69,883	(13,764)	(35,939)	(142,857)	(752)
Total net position (deficit)	$ 380,207	$ 72,805	$ (25,105)	$ (16,612)	$ 137,046

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2020
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	$ 151,716	$ 27,775	$ 14,169	$ 98,226	$ 392,536
Investments	—	—	—	407	1,442
Receivables (net)	59,295	4,469	4,304	25,799	105,430
Restricted assets:					
Cash and cash equivalents	—	—	181	635,994	775,707
Due from primary government	—	—	—	—	—
Investments	—	—	—	182,115	274,516
Receivables (net)	—	—	—	92,116	92,166
Other assets	—	—	—	36,768	39,293
Due from primary government	2,605	1,717	2,169	14,568	29,143
Due from other governments	—	—	—	3,763	3,883
Due from other component units	1,516	—	—	358	1,977
Inventories	3,820	—	734	2,298	8,896
Other assets	3,670	103	1,881	5,813	13,182
Total current assets	222,622	34,064	23,438	1,098,225	1,738,171
Noncurrent Assets:					
Investments	203,250	29,211	4,706	—	274,494
Receivables (net)	27,672	1,264	—	94,245	127,438
Restricted assets:					
Cash and cash equivalents	4,333	670	—	15,407	80,692
Investments	—	—	—	494,439	510,373
Receivables (net)	—	—	—	1,121,815	1,128,043
Other assets	34,322	1,136	—	1,388,527	1,424,870
Capital assets - nondepreciable	29,019	14,729	6,785	149,734	285,554
Capital assets - depreciable (net)	857,502	175,115	77,682	201,441	2,104,134
Due from other component units	—	—	—	1,237	1,237
Other assets, net of amortization	1,837	—	—	193,009	196,512
Total noncurrent assets	1,157,935	222,125	89,173	3,659,854	6,133,347
Total assets	1,380,557	256,189	112,611	4,758,079	7,871,518
Deferred outflows of resources	31,881	9,920	8,009	19,235	94,285

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2020
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	26,974	4,779	7,008	36,438	85,593
Notes payable	—	143	—	80,691	80,834
Due to primary government	3,065	4,143	4,927	223	21,632
Due to other component units	1,516	—	—	226	1,977
Unearned revenue	16,425	3,435	2,868	5,862	37,764
Other liabilities	18,957	3,220	1,068	383,016	450,099
Current portion of compensated absences	1,590	4,468	3,882	588	10,592
Current portion of long-term debt	12,846	971	295	121,646	164,967
Total current liabilities	81,373	21,159	20,048	628,690	853,458
Noncurrent liabilities:					
Due to primary government	19,266	12,932	—	—	41,275
Due to other component units	—	—	—	—	1,237
Unearned revenue	—	—	—	187	3,448
Notes payable	—	479	—	184,382	184,861
Loans payable	368	146	—	11,315	11,829
Obligations under capital leases	19	—	—	176	1,478
Net pension liability	118,982	41,591	31,791	36,214	302,394
Net OPEB liability	39,336	19,598	15,395	19,245	165,265
Other liabilities	9,641	2,058	—	350,586	402,736
Compensated absences	19,257	1,094	260	2,680	23,463
Bonds payable	278,874	12,914	941	2,002,400	2,823,663
Total noncurrent liabilities	485,743	90,812	48,387	2,607,185	3,961,649
Total liabilities	567,116	111,971	68,435	3,235,875	4,815,107
Deferred inflows of resources	19,437	8,667	5,999	12,355	55,729
Net position (deficit)					
Net investment in capital assets	606,026	160,720	82,456	336,088	1,613,485
Restricted for:					
Debt	—	—	—	273,594	386,552
Other	118,624	14,205	2,690	762,212	942,791
Other nonexpendable	112,799	18,819	2,813	—	219,988
Unrestricted	(11,564)	(48,273)	(41,773)	157,190	(67,849)
Total net position (deficit)	$ 825,885	$ 145,471	$ 46,186	$ 1,529,084	$ 3,094,967

(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, 2020
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	$ 79,308	$ 38,143	$ 8,819	$ 139,241	$ 34,302	$ 572,449	$ 157,982	$ 137,618	$ 361,941	$ 1,529,803
Program revenues:										
Charges for services	64,475	5,254	676	22,396	19,625	351,286	66,746	31,979	197,589	760,026
Operating grants and contributions	—	16,719	3,516	95,193	—	237,004	82,962	96,477	114,061	645,932
Capital grants and contributions	14,032	—	—	28,172	14,468	45,386	8,864	6,443	86,680	204,045
Total program revenues	78,507	21,973	4,192	145,761	34,093	633,676	158,572	134,899	398,330	1,610,003
Net (expenses) revenues	(801)	(16,170)	(4,627)	6,520	(209)	61,227	590	(2,719)	36,389	80,200
General revenues:										
Interest and investment earnings	2,074	4,019	154	188	2,227	7,690	51	434	73,533	90,370
Miscellaneous revenue	81	6,353	—	—	270	—	2,019	—	2,032	10,755
Total general revenue	2,155	10,372	154	188	2,497	7,690	2,070	434	75,565	101,125
Change in net position	1,354	(5,798)	(4,473)	6,708	2,288	68,917	2,660	(2,285)	111,954	181,325
Net position (deficit) - beginning as restated	378,853	78,603	(20,632)	(23,320)	134,758	756,968	142,811	48,471	1,417,130	2,913,642
Net position (deficit) - ending	$ 380,207	$ 72,805	$ (25,105)	$ (16,612)	$ 137,046	$ 825,885	$ 145,471	$ 46,186	$ 1,529,084	$ 3,094,967

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

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Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

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

B. Reporting Entity

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

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

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

Blended Component Units

A component unit is reported as part of the primary government and blended into the appropriate funds in any of the following circumstances:

- 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's CAFR, 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, Dunkin' Donuts Center and the Veterans Memorial Auditorium Arts and Cultural Center located in Providence. RICCA is dependent upon annual State appropriations of lease revenue by the General Assembly to fund debt service on its outstanding bonds; therefore RICCA's total debt outstanding, including leases, is expected to be repaid entirely with the resources of the State. For more detailed information, a copy of the 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 from January 1 to June 30. This accrual is estimated based upon the historical TSR payments for the prior three fiscal years.

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

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

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

Rhode Island Public Rail Corporation (RIPRC)

This corporation was created and established for the purpose of enhancing and preserving the viability of commuter rail operations in the State. Currently its primary purpose, as outlined in the State's General Laws, 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 in 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's 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 CAFR, 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 nonmajor 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 nonmajor categories, are as follows:

Major Component Units

Rhode Island Airport Corporation (RIAC)

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

Rhode Island Commerce Corporation (RICC)

This corporation was created in 1995 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, so as to promote economic development. 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 02903, 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 Director of Finance and Administration, R. I. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02903, 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 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 as a body corporate and politic, 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 provides back office functions for the State's truck tolling initiative that began on June 11, 2018. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at www.ritba.org.

University and Colleges

The State's University and Colleges include the University of Rhode Island (URI), Rhode Island College (RIC) and the Community College of Rhode Island (CCRI). The Council on Postsecondary Education is vested with the responsibility of providing oversight for Rhode Island College (RIC) and the Community College of Rhode Island (CCRI), along with the Office of the Postsecondary Commissioner. 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.

Nonmajor 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 by RIIFC of its projects. 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 02903, or at www.commerceri.com.

Rhode Island Industrial-Recreational Building Authority (RIIRBA)

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

Rhode Island Resource Recovery Corporation (RIRRC)

This corporation 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's 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)

This corporation 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 Metropolitan Regional Career and Technical Center (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's Board of Education. The Met is funded primarily through State appropriations and federal grant funds. In addition, it conducts its operations in facilities that are owned by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief

Financial Officer, The Metropolitan Regional Career and Technical Center, 325 Public Street, Providence, RI 02905.

Rhode Island Infrastructure Bank (RIIB)

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

Rhode Island Health and Educational Building Corporation (RIHEBC)

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

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

For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Health and Educational Building Corporation, 50 Dorrance Street, Suite 300, Providence, RI 02903 or at www.rihebc.com.

Related Organizations

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

C. Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all nonfiduciary 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 nonfiduciary 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 creditors, grantors or contributors, 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 nonmajor funds being combined into a single column.

The State reports the following fund types:

Governmental Fund Types

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 Saver 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.

Agency Funds **-** These funds account for assets held by the State pending distribution to others, assets pledged to the State as required by statute, and health insurance for certain employees and retirees of a component unit.

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

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, Dunkin' Donuts Center 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 nonexchange 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.

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

All proprietary and trust funds are accounted for using the economic resources measurement focus. With this measurement focus, all assets, liabilities, deferred outflows of resources, and deferred inflows of resources associated with the operations of these funds are included on their respective statements of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., 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 nonoperating 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 nonoperating revenues and expenses.

Agency funds are a type of fiduciary fund used to account for the assets held for distribution by the State as an agent for another entity for which the government has custodial responsibility and accounts for the flow of assets. Agency funds have no measurement focus. In an agency fund financial statement, assets equal liabilities and there is no net position.

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

E. Cash and Cash Equivalents

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

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

F. Funds on Deposit with Fiscal Agent

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

G. Investments

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

H. Receivables

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

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, on 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 on the fund financial statements. Transfers between governmental and business-type activities are reported at the net amount on the government-wide financial statements.

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

K. Inventories

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase. Inventories of the proprietary funds are stated at cost (first-in, first-out). 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 Colleges' inventory consists of supplies and are stated at cost (first in, first out). 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:

Asset Category	Capitalization Thresholds	Estimated Useful Lives
Capital Assets (Depreciable)		
Land improvements	$1 million	20 years
Buildings	No minimum	20 - 50 years
Building Improvements	$1 million	10 - 20 years
Furniture and equipment	$5 thousand	3 - 10 years
Intangibles (including computer software)	$2 million	5 - 10 years
Infrastructure	$1 million	7 - 75 years

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during the construction of capital facilities is not capitalized, with the exception of the Convention Center Authority, an enterprise fund.

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 assets' estimated useful lives.

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.

The State recognizes and records liabilities and deferred outflows of resources related to legal obligations to perform future asset retirement activities in accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations*. The related deferred outflows of resources are amortized over the estimated useful remaining life of the underlying 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 Statement of Revenues, Expenditures, and Changes in Fund Balances-Governmental Funds, 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 on 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 on 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 on refundings are presented as either deferred inflows of resources or deferred outflows of resources.

N. Obligations Under Capital Leases

The construction and acquisition of certain office buildings, campus facilities and other public facilities, as well as certain equipment acquisitions, have been financed through bonds and notes issued by a trustee pursuant to a lease/purchase agreement with the State or similar financing arrangements (See Note 7D).

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 the System. The primary government's proportionate share of pension amounts were further allocated to proprietary funds (the Lottery) based on the amount of employer contributions paid by each proprietary fund. For this purpose, benefit payments (including refunds of employee contributions), are recognized when due and payable and in accordance with the benefit terms. Investments are recorded at fair value.

As more fully explained in Note 18, a special funding situation exists with respect to local teachers for which the State funds 40% of actuarially 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, 2019 measurement date, the State administered one non-contributory (pay-as-you-go) plan covering certain retired judges. For the plan, the provisions of GASB Statement No. 73 have been implemented which are largely consistent with the provisions of GASB Statement No. 68 regarding recognition of the pension liability, pension expense and deferred inflows/outflows except there is no fiduciary net position accumulated to offset the total pension liability, and no employer contributions are made other than the amount needed to provide benefits on a pay-as you-go basis. See Note 18 for complete details of the State's reporting of this plan.

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

P. Postemployment Benefits Other Than Pensions (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's 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. 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 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 (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.

T. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2020, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance,* addresses the temporary relief to governments and other stakeholders in the light of the COVID-19 pandemic by postponing the effective dates of certain GASB pronouncements that first became effective or are scheduled to become effective for periods beginning after June 25, 2018 and later. The effective dates for certain pronouncements are postponed by one year and GASB Statement 87 *Leases* is postponed by eighteen months. The primary government and component units have implemented GASB Statement No. 95.

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

GASB Statement No. 84, *Fiduciary Activities,* will be effective for reporting periods beginning after December 15, 2019. The objective of this statement is to establish criteria for identifying fiduciary activities. Activity meeting the established criteria would then be presented in a statement of fiduciary net position and a statement of changes in fiduciary net position.

GASB Statement No. 87, *Leases*, will be effective for reporting periods beginning after June 15, 2021. This Statement requires a lessee to recognize a lease liability and an intangible right to use leased assets. The lessor is required to recognize a lease receivable and a deferred inflow of resources.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* will be effective for reporting periods beginning after December 15, 2020. The objective of this Statement is to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. Additionally, the standard simplifies accounting for interest cost incurred before the end of a construction period.

GASB Statement No. 91, *Conduit Debt Obligations,* will be effective for reporting periods beginning after December 15, 2021. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. Additionally, this Statement improves the comparability of financial reporting for issuers by eliminating the option to recognize a liability for a conduit debt obligation.

GASB Statement No. 92, *Omnibus,* will be effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* the removal of LIBOR as an appropriate benchmark interest rate will be effective for reporting periods ending after December 31, 2021. All other requirements of this Statement will be effective for reporting periods beginning after June 15, 2020. The objective of this Statement is to enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. More comparable reporting will improve the usefulness of information for users of state and local government financial statements.

GASB Statement No. 94, *Public-Private and Public-Private Partnerships and Availability Payment Arrangements,* will be effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for arrangements in which the governmental entity (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA),* will be effective for reporting periods beginning after June 15, 2022. The objective of this Statement is to provide accounting and financial reporting guidance for transactions in which a government entry contracts with another party for the right to use their software. A right-of-use and a corresponding liability would be recognized for SBITA's.

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans,* will be effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to provide financial reporting consistency in which the potential component unit does not have a governing board and the primary government performs the duties that the governing board would perform. In the absence of a governing board of the potential component unit, the situation should be treated the same as the primary government appointing a majority of the potential component unit's governing board.

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 the State's name.

In accordance with Chapter 35-10.1 of the 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, 2020 pursuant to this statutory provision. However, the State Investment Commission has instituted a collateralization requirement for institutions holding the State's 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 State Investment Commission 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 classification of the collateral. 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's 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's 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, 2020, of the $543.2 million invested, $14.5 million were Collateralized Repurchase Agreements.

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

Cash Equivalents and Investments

The State Investment Commission (Commission) is responsible for the investment of all State funds. Pursuant to Chapter 35-10 of the General Laws, the Commission 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 Ocean State Investment Pool Cash Portfolio (the Cash Portfolio) is a portfolio of the Ocean State Investment Pool 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, under the Rhode Island Local Government Investment Pool Act, G.L. 35-10.2, of the Rhode Island 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 – *Certain External Investment Pools and Pool Participants* 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.

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.

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

Fair Value of Financial Instruments

GASB Statement No. 72—*Fair Value Measurement and Application*—establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available, of how the market would price the asset or liability. The fair value hierarchy is categorized into three levels based on 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 substantially the 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 own assumption about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

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 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.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the State's cash equivalents and investments (expressed in thousands) at June 30, 2020:

Pooled cash equivalents (at amortized cost)	
Financial Company Commercial Paper	$ 168,117
Asset Backed Commercial Paper	33,971
U.S. Government Agency Repurchase Agreement	14,495
U.S. Government Agency Debt	2,000
U.S.Treasury Debt	280,530
Certificates of Deposit	20,014
Non-Negotiable Time Deposit	27,000
Other Instruments	2,000
Total Investments	548,127
Less: payable for investments purchased	(4,998)
Add: assets in excess of other liabilities	38
Total investment pool	543,167
Less: funds held by fiduciary funds and discretely presented component units	
Amounts held by fiduciary trust funds:	
Pension trust	3,227
OPEB trust	1,970
Amounts held by discretely presented component units:	
URI	39,303
RIC	11,245
RIIRBA	769
RIHEBC	7,630
RIPTA	4,706
Amounts held for external parties	79,297
Primary government pooled cash equivalents	$ 395,020
Add: other primary government cash equivalents and investments	
Money Market Mutual Funds	508,717
Total primary government cash equivalents and investments	$ 903,737
Cash equivalents and investments	$ 903,737
Cash deposits and interest bearing deposits	743,530
Total cash, cash equivalents and investments	$ 1,647,267
Statement of Net Position	
Cash and cash equivalents	$ 1,594,537
Restricted cash and cash equivalents	52,730
Total cash, cash equivalents and investments	$ 1,647,267

Of the State’s restricted cash and cash equivalents totaling $52.7 million, $50.9 million is held by the Tobacco Settlement Financing Corporation and $1.8 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 and net asset value per unit (NAV) is calculated daily. The OSIP pooled trust categorizes the inputs to valuation techniques used to value its investments 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. Securities held within the OSIP pooled trust 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's 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 in interest rates will adversely affect the fair value of an investment. Based on SIC 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's 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, 2020, 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	>397
Financial Company Commercial Paper	$168,161	$ 168,117	$ 58,276	$ 96,847	$ 8,994	$ 4,000	$ —
Asset Backed Commercial Paper	33,975	33,971	14,999	18,972	—	—	—
U.S. Government Agency Repurchase Agreements	14,495	14,495	14,495	—	—	—	—
U.S. Government Agency Debt	2,000	2,000	2,000	—	—	—	—
U.S. Treasury Debt	280,548	280,530	64,692	138,267	76,571	—	1,000
Certificates of Deposit	20,016	20,014	12,003	8,011	—	—	—
Non-Negotiable Time Deposit	27,000	27,000	27,000	—	—	—	—
Other Instruments	2,000	2,000	2,000	—	—	—	—
	$548,195	$ 548,127	$195,465	$262,097	$ 85,565	$ 4,000	$ 1,000

At June 30, 2020 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	A-1+	A-1
Financial Company Commercial Paper	$ 168,161	$ 168,117	$ 33,490	$ 134,627
Asset Backed Commercial Paper	33,975	33,971	—	33,971
U.S. Government Agency Repurchase Agreements	14,495	14,495	14,495	—
U.S. Government Agency Debt	2,000	2,000	2,000	—
U.S. Treasury Debt	280,548	280,530	280,530	—
Certificates of Deposit	20,016	20,014	3,000	17,014
Non-Negotiable Time Deposit	27,000	27,000	20,000	7,000
Other Instruments	2,000	2,000	2,000	—
	$ 548,195	$ 548,127	$ 355,515	$ 192,612

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

The Ocean State Investment Pool has not been assigned credit quality ratings by rating agencies.

As of June 30, 2020, information about the State's exposure to interest rate risk and credit risk for non-pooled cash equivalents and investments (expressed in thousands) is as follows:

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

Issuer	Fair Value (in thousands)	Type of Investment	Moody's Rating	Average Maturities in Days
Money Market Mutual Funds				
Fidelity Investments Money Market Government Portfolio Institutional Class	$ 456,435	Money Market	Aaa-mf	45
Fidelity Institutional Money Market Government Portfolio Class I and III	871	Money Market	AAA-mf	43
BlackRock Federal Fund Institutional Shares	288	Money Market	Aaa-mf	40
GS Financial Square Treasury Instruments Fund	51,123	Money Market	Aaa-mf	43
	$ 508,717			

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 the specifically permitted investments, including any limitations on credit quality and concentrations of credit risk.

The State's funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2020 and the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	$ 12,196	$ 12,196	$ —	—
U.S. Government Agencies	14,656	4,999	9,657	Aaa
Money Market Funds	102,552	102,552	—	Aaa-mf
Commercial Paper	26,231	26,231	—	P-1
Negotiable Certificates of Deposit	2,246	2,246	—	P-1
Fixed Income	14,733	1,521	13,212	See Table
Investment Contracts	2,682	—	2,682	N/A
	175,296	$ 149,745	$ 25,551	
Cash/Cash Reserve	200,079			
Funds on Deposit with fiscal agent	$ 375,375			

Cash includes $200.1 million in uninsured and uncollateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	**Aaa**	**Aa1**	**Aa3**	**A1**	**A2**	**A3**	**Total**
Fixed Income	$ 5,311	$ 721	$ 359	$ 2,541	$ 3,981	$ 1,820	$ 14,733

The following (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2020:

	Fair Value June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments at Fair Value			
Debt Securities			
U.S. Treasuries	$ 12,196	$ 12,196	$ —
U.S. Government Agencies	14,656	—	14,656
Commercial Paper	26,231	—	26,231
Negotiable Certificates of Deposit	2,246	—	2,246
Fixed Income	14,733	—	14,733
Total investments by fair value level	$ 70,062	$ 12,196	$ 57,866
Investments Measured at Net Asset Value (NAV)			
Money Market Mutual Funds	102,552		
Investments not Subject to Leveling Requirements			
Guaranteed Investment Contracts	2,682		
Total Funds on Deposit with Fiscal Agent	$ 175,296		

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 $299 million held by the Federal Unemployment Insurance Trust Fund within the Business-Type Activities-Employment Security Fund.

B. Concentration of Credit Risk

The State Investment Commission has adopted limitations as to the maximum percentages of the State's total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities.

The combined portfolio concentrations for cash equivalents, investments and funds in trust by issuer (expressed in thousands) that are greater than 5% are as follows:

Type	Issuer	Amount	Percentage
Money Market Funds	Dreyfus Government Cash Management Fund	$ 65,473	10.52 %
Money Market Funds	GS Financial Square Treasury Instruments Fund	$ 51,123	8.21 %

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 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 and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services.

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

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

The 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 in 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, real estate, hedge funds, infrastructure investments, Crisis Protection Class - Trend Following, and emerging markets debt) are valued based on the reported Net Asset Value (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 nonpublicly 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, infrastructure, crisis protection class - trend following investments, and emerging markets debt represented 6.8%, 10.8%, 5.7%, 2.5%, and 1.9% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2020.

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 Office of the General Treasurer expenses 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, and crisis protection class), 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, 2020, the carrying amount of pension trust cash deposits was approximately $7.6 million and the bank balance was approximately $7.8 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's deposits were required to be collateralized at June 30, 2020 (excluding the collateralized interest-bearing deposits). However, the State Investment Commission 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 FHLB letters of credit are used as collateral, in which case those are required at 100%.

Investments

(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 State Investment Commission (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 June 27, 2018 and updated on January 22, 2020 and 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 invest 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, 2020:

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

Consistent with a target asset allocation model adopted by the State Investment Commission (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, which 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's 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, 2020:

Investment Type	Fair Value (in thousands)
Cash and Cash Equivalents:	
US Cash	$ 15,130
Commercial Paper	6,236
Non-US Cash	2,997
Repurchase Agreements	18,200
Money Market Mutual Funds	87,118
US Government Securities	658,467
US Government Agency Securities	198,517
Collateralized Mortgage Obligations	25,376
Corporate Bonds	508,295
Term Loans	137,075
Emerging Markets Debt - Collective Unit Trust	171,894
Commingled Funds - International Equity	1,125,753
Domestic Equity Securities	2,274,278
International Equity Securities	423,598
Equity Options - Private LLC Investment	165,228
Private Equity	919,052
Real Estate	488,461
Hedge Funds	578,826
Crisis Protection Class - Trend Following - Limited partnerships	423,297
Infrastructure	287,938
Derivatives:	
Futures	230
Credit Default Swaps	1
Investments at Fair Value	**$ 8,515,967**
Investment receivable	420,078
Investment payable	(418,332)
Total Pooled Investment Trust	**$ 8,517,713**

(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, 2020	Quoted Prices in Active Market for Identical Assets (level 1)	Significant Other Observable Inputs (level 2)	Significant Unobservable Inputs (level 3)
Equity Investments				
Global Equity	$ 2,697,876	$ 2,697,876	$ —	$ —
Infrastructure-publicly traded	76,365	76,365	—	—
	$ 2,774,241	$ 2,774,241	$ —	$ —
Fixed Income				
US Government Securities	$ 658,467	$ 658,467	$ —	$ —
US Government Agency Securities	198,517	—	198,517	—
Corporate Bonds	508,295	—	508,295	—
Collateralized Mortgage Obligations	25,376	—	25,376	—
Term loans	137,075	—	—	137,075
	$ 1,527,730	$ 658,467	$ 732,188	$ 137,075
Derivative Investments				
Equity and Fixed Income Index Futures	$ 230	$ 230	$ —	$ —
Other Derivatives	1	—	1	—
	$ 231	$ 230	$ 1	$ —
Commercial Paper	$ 6,236	$ —	$ 6,236	$ —
Total Investment at Fair Value Level	$ 4,308,438	$ 3,432,938	$ 738,425	$ 137,075
Investments Measured at Net Asset Value (NAV)				
Money Market Mutual Funds	$ 87,118			
Commingled Funds - International Equity	1,125,753			
Hedge Funds	578,826			
Private Equity	919,052			
Real Estate	488,461			
Private Infrastructure	211,573			
Emerging Markets Debt Collective Unit Trust	171,894			
Equity Options - Private LLC Investment'	165,228			
Crisis Protection Class - Trend Following	423,297			
	$ 4,171,202			
Cash and Cash Equivalents				
US Cash	$ 15,130			
Non US Cash	2,997			
Repurchase Agreements	18,200			
	$ 36,327			
Net Investment Receivable	1,746			
Total Pooled Investment Trust	$ 8,517,713			

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 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. Term loans classified in Level 3 are valued using consensus pricing.

Derivative instruments classified in Level 2 of the fair value hierarchy 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).

	Fair Value	Unfunded Commitments	Redemption (if currently eligible)	Redemption Notice Period
Money Market Mutual Funds (1)	$ 87,118	$ —	daily	none
Commingled Funds - International Equity (2)	1,125,753	—	daily	see note below
Hedge Funds (3)	578,826	—	see note below	see note below
Private Equity (4)	919,052	1,116,648	see note below	see note below
Real Estate (5)	488,461	153,070	see note below	see note below
Private Infrastructure Investments (6)	211,573	99,590	see note below	see note below
Crisis Protection Class - Trend Following (7)	423,297	—	see note below	see note below
Emerging Markets Debt - Collective Unit Trust (8)	171,894	—	see note below	see note below
Equity Options - Private LLC investment (9)	165,228	—	see note below	see note below
	$ 4,171,202	$ 1,369,308		

Money market mutual 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 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 withdrawal limitations for the money market mutual funds.

(1) 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.

(2) Hedge funds – this portfolio is comprised of 7 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, 2020. Of the underlying holdings within the hedge funds approximately 68% 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's investments in hedge fund assets are available for redemption on a monthly, quarterly, semi-annual or annual basis, and are subject to notice periods which vary by fund and range from 30 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

(3) Private equity – these 104 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, 2020.

Private equity – 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.

During fiscal 2020, the System, through its investment in a limited partnership, received a distribution of common stock as part of an initial public offering (IPO). The shares were subject to a shareholder lock-up provision allowing one-third of the shares to be sold 181, 271 and 366 days after the IPO. At June 30, 2020, one-third of the total shares received remained subject to the lock-up provision. All shares held at June 30, 2020 are included within the domestic equity securities classification.

(4) Real Estate – these 18 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, 2020.

With the exception of four core open-end funds which allow for quarterly redemptions, 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.

(5) Infrastructure – These nine 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, 2020.

With the exception of one open-end core fund which allows for quarterly liquidity, 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.

(6) 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, 2020. 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.

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

The fair value of the collective unit trust has been determined using the NAV per share of the investments as reported by the manager of the collective trust at June 30, 2020.

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

(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 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, 2020. The underlying investments at June 30, 2020, 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, 2020, 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, 2020	3.82%	3.64%	4.67%	3.85%	3.84%	2.29%	3.89%

(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 optionally, 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:

- Barclays US Treasury Inflation Notes - 1-10 Year Index
- Liquid Credit Custom BM: 50% BofA US High Yield Index + 50% Credit Suisse Leveraged Loan Index
- Long Duration BM: Barclays Long Duration US Treasury Index
- ICE BofA ML US Treasury Notes 0-1 Year
- Emerging Market Debt Custom BM: 50% JPM EMBI Global Diversified Index + 50% JPM GBI-EM Global Diversified Index
- Bloomberg Barclays US Corporate Bond Index
- Bloomberg Barclays Securitized MBS/ABS/CMBS Index

At June 30, 2020, no fixed income manager was outside of their policy guidelines.

The following table shows the System's fixed income investments by type, fair value and the effective duration at June 30, 2020:

Investment Type	Fair Value (in thousands)	Effective Duration
US Government Agency Securities	$ 198,517	2.59
US Government Securities	658,467	12.89
Collateralized Mortgage Obligations	25,376	5.12
Corporate Bonds	508,295	5.48
Term Loans	137,075	0.97
Emerging Market Debt	171,894	6.67
Total Fixed Income	$ 1,699,624	7.76

The System had investments at June 30, 2020 totaling $87 million in money market mutual funds including $102 thousand in the Ocean State Investment Pool Trust (OSIP), an investment pool established by the State General Treasurer.

OSIP has met the criteria outlined in GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants* to permit election to report its investments at amortized cost which approximates fair value. OSIP transacts with its participants at a stable net asset value (NAV) per share. Investments reported at the NAV are not subject to the leveling categorization as described above. There are no participant withdrawal limitations. The OSIP is not rated and the weighted average maturity of investments held in the pool, by policy, is not to exceed 60 days. OSIP issues a publicly available financial report that can be obtained by writing to the Office of the General Treasurer, Finance Department, 50 Service Avenue - 2nd Floor, Warwick, RI 02886.

The System's remaining money market mutual fund investments consisted of a short-term money market mutual fund that is not rated and held investments with a weighted average maturity of 47 days at June 30, 2020. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

The System's investment in commercial paper totaling $6,235,868 at June 30, 2020 had maturities ranging from 8 to 65 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's 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's 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 on underlying mortgages. Therefore, they are sensitive to pre-payments 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 manager's mandate. If a security is not rated by any Rating Agency, the internal rating assigned by the investment manager or an affiliate (Internal Rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System's overall asset allocation targets and related objectives.

The 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, 2020 is as follows (in thousands):

Rating	Collateralized Mortgage Obligations	US Government Agency Obligations	Corporate Bonds	Term Loans
Aaa	$ 17,678	$ 194,982	$ 21,524	$ —
Aa	5,652	—	29,646	—
A	505	179	106,459	—
Baa	—	—	178,323	5,673
Ba	—	—	76,064	31,720
B	—	—	49,699	55,640
Caa	—	—	8,692	695
C	—	—	12	—
Not Rated	1,541	3,356	37,876	43,347
Fair Value	$ 25,376	$ 198,517	$ 508,295	$ 137,075

Ratings provided by Moody's Investors Service

An emerging market debt portfolio totaling $171,893,551 at June 30, 2020 and held within a collective unit trust had an overall average credit quality rating of Baa (Moody's).

Investments in commercial paper totaling $6,235,868 at June 30, 2020 were rated P1 (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 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, 2020, all securities were registered in the name of the System (or in the nominee name of its custodial agent) and were held in the possession of the System's custodial bank, Bank of New York Mellon.

(h). Foreign Currency Risk

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

The System's exposure to foreign currency risk at June 30, 2020, is detailed in the following table. In addition to the foreign currency exposure highlighted in the following table, certain hedge fund investments may have foreign currency exposure.

Foreign Currency Risk (in thousands)

Currency	Commingled Funds	Equities	Emerging Market Debt	Private Equity	Cash, Cash Equivalents and Derivatives	Futures	Term Loans	Corporate Bonds	Total
Australian Dollar	$ 41,960	$ 23,533	$ (432)	$ —	$ 196	$ (4)	$ —	$ —	$ 65,253
Brazilian Real	21,285	—	8,189	—	—	—	—	—	29,474
Canadian Dollar	51,413	60,302	(431)	1,181	633	(19)	—	—	113,079
Chilean Peso	2,434	—	2,064	—	—	—	—	—	4,498
Chinese Yuan	13,274	—	3,724	—	—	—	—	—	16,998
Colombian Peso	776	—	5,603	—	—	—	—	—	6,379
Czech Republic Koruna	513	—	4,763	—	—	—	—	—	5,276
Danish Krone	14,491	13,940	—	—	22	—	—	—	28,453
Egyptian Pound	517	—	—	—	—	—	—	—	517
Euro Currency	195,318	102,836	(878)	58,928	(53)	(8)	1,071	1,157	358,371
Great Britain Pound	86,609	41,962	—	—	616	12	—	—	129,199
Hong Kong Dollar	116,284	3,082	—	—	(3)	7	—	—	119,370
Hungarian Forint	1,012	—	3,284	—	—	—	—	—	4,296
Indian Rupee	33,268	—	1,687	—	—	—	—	—	34,955
Indonesia Rupiah	6,186	—	9,004	—	—	—	—	—	15,190
Israeli Shekel	1,894	—	—	—	—	—	—	—	1,894
Japanese Yen	157,717	82,794	—	—	1,027	159	—	—	241,697
Kazakhstani Tenge	—	—	1	—	—	—	—	—	1
Malaysian Ringgit	7,248	—	—	—	—	—	—	—	7,248
Mexican Peso	7,003	—	9,847	—	—	—	—	—	16,850
New Taiwan Dollar	50,667	—	—	—	—	—	—	—	50,667
New Zealand Dollar	2,078	3,323	(433)	—	—	—	—	—	4,968
Norwegian Krone	3,281	1,136	—	—	—	—	—	—	4,417
Pakistani Rupee	84	—	—	—	—	—	—	—	84
Peruvian Nouveau Sol	—	—	2,578	—	—	—	—	—	2,578
Philippine Peso	3,496	—	—	—	—	—	—	—	3,496
Polish Zloty	2,992	—	8,631	—	—	—	—	—	11,623
Qatari Real	3,444	—	—	—	—	—	—	—	3,444
Romanian leu	—	—	1,292	—	—	—	—	—	1,292
Russian Ruble	10,137	—	8,240	—	—	—	—	—	18,377
Saudi Riyal	11,046	—	—	—	—	—	—	—	11,046
Singapore Dollar	7,020	14,615	1,280	—	339	—	—	—	23,254
Swedish Krona	18,949	24,304	—	—	165	(17)	—	—	43,401
Swiss Franc	62,483	51,771	—	—	56	—	—	—	114,310
South African Rand	15,139	—	6,057	—	—	—	—	—	21,196
South Korean Won	48,402	—	—	—	—	—	—	—	48,402
Thailand Baht	9,265	—	9,475	—	—	—	—	—	18,740
Turkish Lira	1,891	—	838	—	—	—	—	—	2,729
Ukrainian Hryvnia	—	—	361	—	—	—	—	—	361
United Arab Emirates Dirham	2,187	—	—	—	—	—	—	—	2,187
Uruguayan Peso	—	—	906	—	—	—	—	—	906
Total	$ 1,011,763	$ 423,598	$ 85,650	$ 60,109	$ 2,998	$ 130	$ 1,071	$ 1,157	$ 1,586,476
United States Dollar	113,989		86,246						
Grand Total	$ 1,125,752		$ 171,896						

(i). Derivatives and Other Similar Investments

Certain of the System's investment managers are allowed to invest in derivative type transactions consistent with the terms and limitations governing their investment objective and related contract specifications. Derivatives and other similar investments are financial contracts whose value depends on one or more underlying assets, reference rates, or financial indices.
The System's derivative investments include forward foreign currency transactions, futures contracts, options, rights, and warrants. The System enters into these transactions to enhance performance, rebalance the portfolio consistent with overall asset allocation targets, gain or reduce exposure to a specific market, or mitigate specific risks.

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

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

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

Through commingled funds, the System also indirectly holds derivative type instruments, primarily equity 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 the Russell 2000® 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 the *Interest Rate Risk* table.

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 at June 30, 2020 (in thousands).

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2020	Notional Amount
Fixed income futures - long	$ (646)	$ 215	$ 135,377
Fixed income futures -short	(160)	(160)	(26,772)
Equity index futures - long	101	628	36,397
Equity index futures - short	(456)	(454)	(71,742)
Credit default swaps	(189)	1	
Total return swaps	(56)		
Total	$ (1,406)	$ 230	
Foreign currency forward contracts:			
Pending payable (liability)		$ 189	
Pending receivable (asset)		(7)	
Total		$ 182	

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, 2020 was $182,526. 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 of these counterparties were Aa3 (Moody's) or better, two counterparties were not rated by Moody's but were rated A+ or better by Fitch.

Other Investments - Defined Contribution Plan

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

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

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

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the System will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At June 30, 2020, all non-annuity assets, including mutual funds, that are traded and held in retirement plans by TIAA were held at TIAA, FSB (formerly TIAA-CREF Trust Company, FSB) as custodian/trustee.

The majority of the defined contribution plan investment options are funds that invest in diversified portfolios of securities including equity and fixed-income investments.

Fixed income funds (approximately 2% of total defined contribution plan investments) are subject to interest rate, inflation and credit risks. Target-date retirement funds share the risks associated with the types of securities held by each of the underlying funds in which they invest including equity and fixed income funds. Funds may have exposure to foreign currency risk through investment in non-US denominated securities.

D. OPEB Trusts

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

Summary of Significant Accounting Policies

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

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

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 consist of an institutional domestic equity index fund. The fair value of the commingled fund is based on the reported net asset value (NAV) based upon the fair value of the underlying securities or assets held in the fund.

Investment Expenses - Investment management expenses are presented separately as a component of net investment income and include investment consultants, custodial fees and direct investment expenses allocated by managers. In some instances, investment related costs are not readily separable from investment income and consequently investment income is recorded net of related expenses.

Cash Deposits and Cash Equivalents

At June 30, 2020, the carrying amount of the OPEB System's cash deposits was approximately $3.8 million and the bank balance was $3.4 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. In addition, the State Investment Commission has adopted a collateralization requirement for institutions holding the State's deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100% - 102% of the uninsured deposit amounts. The percentage of collateral required is determined by the underlying classification of the collateral. At June 30, 2020, the OPEB System's cash deposits were either federally insured or collateralized.

The System also had cash equivalents totaling $2.0 million invested in the Ocean State Investment Pool at June 30, 2020. See Note 2A for details.

Investments

The State Investment Commission oversees all investments made by the State of Rhode Island, including those made for the OPEB System. The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11 (b) (3) 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 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 market value. The custodian bank holds assets of the OPEB System in a Pooled Account and each plan holds units in the account. The number of units held by each plan is a function of each plan's respective contributions to, or withdrawals from, the account. Investment expense is allocated to each plan based on the plan's units in the pooled trust at the end of each month.

Consistent with a target asset allocation model adopted by the State Investment Commission, the OPEB System maintains a diversified portfolio by sector, credit rating and issuer using the prudent person standard, which 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. The SIC's adopted asset allocation policy targets of Domestic Equity and Fixed Income of 65% and 35%, respectively, for fiscal 2020.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2020 (expressed in thousands):

Investments at Fair Value	June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
US Government Securities	$ 52,448	$ 52,448	$ —	$ —
US Government Agency Securities	29,700	—	29,700	—
Non-US Government Securities	482	—	482	—
Corporate Bonds	56,004	—	56,004	—
Collateralized Mortgage Obligations	3,129	—	3,129	—
Total investments by fair value level	$ 141,763	$ 52,448	$ 89,315	$ —
Investments measured at the net asset value (NAV)				
Commingled Funds	$ 259,083			
Money Market Mutual Funds	8,307			
	$ 267,390			
Net investment payable	(5,303)			
Total Pooled Investment Trust	$ 403,850			

Commingled funds – consist of one domestic equity index fund which is intended to replicate the performance of a specific index; e.g., S&P 500. The fair values of the investments 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. There are no withdrawal limitations for the domestic equity index fund.

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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

The following table shows the OPEB System’s fixed income investments by type, fair value and the effective duration at June 30, 2020 (expressed in thousands):

Investment Type:	Fair Value	Effective Duration
US Government Securities	$ 52,448	6.38
US Government Agency Securities	29,700	2.17
Non-US Government Securities	482	8.31
Corporate Bonds	56,004	7.86
Collateralized Mortgage Obligations	3,129	5.24
Total Fixed Income	$ 141,763	5.73

The OPEB System's investment in the Fidelity Investments Money Market Government Portfolio, a money market mutual fund, had an average maturity of 45 days at June 30, 2020 and was rated AAAmf by Moody's Investors Service.

Credit Risk

The OPEB System generally manages exposure to credit risk by adhering to an overall target weighted average credit quality for the portfolio. The OPEB System's exposure to credit risk on corporate bonds as of June 30, 2020 is as follows (expressed in thousands):

Quality Rating (1)	US Government Agency Securities	Non-US Government Securities	Corporate Bonds	Collateralized Mortgage Obligations
Aaa	$ 29,700	$ —	$ 3,584	$ 3,129
Aa	—	—	2,585	—
A	—	—	21,390	—
Baa	—	482	24,530	—
Ba	—	—	1,828	—
Not rated	—	—	2,087	—
Fair Value	$ 29,700	$ 482	$ 56,004	$ 3,129

(1) Moody's Investors Service Ratings

Concentration of Credit Risk

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

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, 2020, all securities were registered in the name of the OPEB System (or in the nominee name of its custodial agent) and were held in the possession of its custodial bank, Bank of New York Mellon.

Derivatives and Other Similar Investments

Through its commingled fund, the OPEB System indirectly holds derivative type instruments, primarily equity index futures.

E. Private Purpose Trusts

The Tuition Savings Program had investments of approximately $5.2 billion in a number of mutual funds and other investment vehicles as of June 30, 2020. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling $1.1 billion which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately $3.2 million in the Fidelity Balanced Fund as of June 30, 2020. These investments are categorized in Level 1 of the fair value hierarchy.

F. Agency Funds

As of June 30, 2020, all of the bank balances of Agency 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, 2020 (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	$ 879,783	$ 520,725	$ 2,481	$ 1,402,989	$ (224,540)	$ 1,178,449	$ 340,170
Less current portion	860,408	511,913	1,148	1,373,469	(224,175)	1,149,294	322,989
Noncurrent portion	$ 19,375	$ 8,812	$ 1,333	$ 29,520	$ (365)	$ 29,155	$ 17,181

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
Business-type activities	$ 57,706	$ 31,607	$ —	$ 89,313	$ (26,183)	$ 63,130	$ 17,855
Less current portion	57,706	31,607	—	89,313	(26,183)	63,130	17,855
Noncurrent portion	$ —	$ —	$ —	$ —	$ —	$ —	$ —

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2020 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	$ —	$ 12,763	Operating expenses
Intermodal Surface Transportation	—	1,043	Transportation funding
Non-Major Funds			
RI Temporary Disability Insurance	—	943	Operating expenses
Permanent School	60	—	Operating expenses
Bond Capital	—	190	Project funding
RI Capital Plan	—	128	Project funding
Total Non-Major Funds	60	1,261	
Total Governmental Funds	60	15,067	
Proprietary Funds			
Enterprise Funds			
RI Lottery	66	2,863	Net income owed to General Fund
RI Convention Center	713	—	Project funding
Employment Security Trust	2,338	—	Benefit payments
Total Enterprise Funds	3,117	2,863	
Internal Service Funds	15,309	556	Settlement of services rendered
Total Primary Government	$ 18,486	$ 18,486	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2020 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	$ 392,804	$ 2,187	$ (3,628)	$ 391,363
Works of Art	4,385	—	—	4,385
Intangibles	179,816	2,220	—	182,036
Construction in progress*	498,484	496,411	(334,397)	660,498
Total capital assets not being depreciated or amortized	1,075,489	500,818	(338,025)	1,238,282
Capital assets being depreciated or amortized:				
Land improvements	8,381	(50)	—	8,331
Buildings	865,400	32,335	(6,657)	891,078
Building Improvements	458,383	51,749	—	510,132
Furniture and equipment	353,106	26,875	(18,193)	361,788
Intangibles**	341,951	—	(213)	341,738
Infrastructure*	4,693,179	255,285	—	4,948,464
Total capital assets being depreciated or amortized	6,720,400	366,194	(25,063)	7,061,531
Less accumulated depreciation or amortization for:				
Land improvements	4,048	252	—	4,300
Buildings	344,447	17,161	(5,637)	355,971
Building Improvements	220,994	17,012	—	238,006
Furniture and equipment	275,870	24,863	(18,117)	282,616
Intangibles**	87,463	32,791	(213)	120,041
Infrastructure*	2,357,312	153,102	—	2,510,414
Total accumulated depreciation or amortization	3,290,134	245,181	(23,967)	3,511,348
Total capital assets being depreciated or amortized, net	3,430,266	121,013	(1,096)	3,550,183
Governmental activities capital assets, net ***	$ 4,505,755	$ 621,831	$ (339,121)	$ 4,788,465

*Beginning balances have been restated, see Note 10 for additional details.

**Including information system development costs.

***Net governmental activities capital assets includes Internal Service Fund net capital assets totaling $3.0 million at June 30, 2020.

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

General government	$ 20,507
Health and human services	32,018
Education	6,172
Public safety	22,588
Natural resources	6,050
Transportation	157,846
Total depreciation or amortization expense - governmental activities	$ 245,181

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 46,808	$ —	$ —	$ 46,808
Construction in progress	31,633	24,915	(51,617)	4,931
Total capital assets not being depreciated	78,441	24,915	(51,617)	51,739
Capital assets being depreciated:				
Buildings	234,377	43,143	(1,067)	276,453
Machinery and equipment	41,382	8,726	(1,500)	48,608
Intangibles	175	—	—	175
Total capital assets being depreciated	275,934	51,869	(2,567)	325,236
Less accumulated depreciation for:				
Buildings	166,555	8,878	(512)	174,921
Machinery and equipment	29,534	4,099	(1,500)	32,133
Intangibles	165	10	—	175
Total accumulated depreciation	196,254	12,987	(2,012)	207,229
Total capital assets being depreciated, net	79,680	38,882	(555)	118,007
Business-type activities capital assets, net	$ 158,121	$ 63,797	$ (52,172)	$ 169,746

Discretely Presented Component Units	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	$ 126,241	$ 293	$ —	$ 126,534
Construction in progress	342,369	156,851	(340,450)	158,770
Other	250	—	—	250
Total capital assets not being depreciated or amortized	468,860	157,144	(340,450)	285,554
Capital assets being depreciated or amortized:				
Buildings	2,473,557	327,588	(6)	2,801,139
Land Improvements	299,713	13,308	—	313,021
Leasehold Improvements	408	2	—	410
Machinery and equipment	499,449	37,810	(8,310)	528,949
Infrastructure	310,402	22,511	—	332,913
Total capital assets being depreciated or amortized	3,583,529	401,219	(8,316)	3,976,432
Less accumulated depreciation or amortization for:				
Buildings	1,092,106	80,073	(4)	1,172,175
Land Improvements	175,553	14,569	—	190,122
Leasehold Improvements	39	5	—	44
Machinery and equipment	359,615	32,717	(8,154)	384,178
Infrastructure	114,854	10,925	—	125,779
Total accumulated depreciation or amortization	1,742,167	138,289	(8,158)	1,872,298
Total capital assets being depreciated or amortized, net	1,841,362	262,930	(158)	2,104,134
Total capital assets, net	$ 2,310,222	$ 420,074	$ (340,608)	$ 2,389,688

Note 6. Notes Payable and Line of Credit Arrangements

Primary Government

Notes Payable – Direct Borrowings – Line of Credit Agreements: During fiscal 2020, the State entered into two $150 million line of credit agreements with financial institutions for a total $300 million. Draws on the lines of credit to facilitate liquidity during fiscal 2020 totaled $35 million. At June 30, 2020, a total of $10 million remained outstanding while a total of $290 million remained available under the line of credit agreements. The interest rate at June 30, 2020 was 0.64% and 1.18% respectively. The initial commitment period under one line of credit agreement was through July 30, 2020 (subsequently extended to June 30, 2021). The commitment period for the remaining agreement is through April 2021. The agreements provide for a monthly commitment fee payable by the State equal to 0.25% of the available credit authority.

Drawings on the line of credit agreements constitute direct borrowing notes payable to the financial institutions and are unsecured. Repayment of the tax-exempt notes is subject to appropriation by the General Assembly and neither the faith or credit nor the taxing power of the State is pledged to making such payments.

Interest on the notes is payable monthly. The rate is adjusted daily based upon a percentage of the London Interbank Offered Rate and additional margin based on the lowest debt rating assigned to other appropriation debt of the State. Default provisions trigger an increase in the interest rate payable on the notes and the notes become payable on the commitment end date provided in the agreements.

Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2020 are as follows:

Component Units:		
Direct Borrowings		
Rhode Island College note payable to the federal government with interest at 5.5% payable in semi-annual installments of principal and interest through 2024	$	621
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 10 years		2,143
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0.00% to 6.25% interest, payable through 2048		114,899
		117,663
Less: current portion		80,834
Non-current portion	$	36,829
Other		
R.I. Housing and Mortgage Finance Corporation federal bank note, 2.239% to 4.640% interest, payable from 2056 through 2059.	$	148,032

Direct borrowing – Line of credit arrangements

R.I. Housing and Mortgage Finance Corporation (RIHMFC) - As of June 30, 2020, RIHMFC may borrow up to a maximum of $135 million under various revolving loan agreements expiring between August 2020 and January 2021. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit, in the outstanding amount $8,000,000, has a variable interest rate, which was 1.062% at June 30, 2020. The outstanding remaining lines of credit of $80,009,000 have fixed rates which range from 1.664% - 3.489% at June 30, 2020.

Note 7. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020 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						
Bonds Payable						
General Obligation bonds (see section B)	$ 1,221,175	$ 221,150	$ (179,045)	$ 1,263,280	$ 94,475	$ 1,168,805
RICC Grant Anticipation Revenue bonds	442,230	165,555	(35,525)	572,260	37,305	534,955
RICC Rhode Island Motor Fuel Tax Revenue bonds	31,415	—	(3,790)	27,625	3,980	23,645
Tobacco Settlement asset-backed bonds	622,263	—	(17,965)	604,298	11,505	592,793
Accreted interest on TSFC bonds	109,881	13,174	—	123,055	—	123,055
RICC Historic Tax Credit bonds	120,830	—	(15,960)	104,870	16,385	88,485
Net unamortized premium/discount	198,941	69,413	(32,341)	236,013	—	236,013
Bonds payable, net	2,746,735	469,292	(284,626)	2,931,401	163,650	2,767,751
Obligation under capital leases (see section D)	187,931	—	(30,061)	157,870	29,824	128,046
Net unamortized premium/discount	16,175	—	(3,683)	12,492	—	12,492
Obligation under capital leases, net	204,106	—	(33,744)	170,362	29,824	140,538
Net pension liability (see note 18) **	2,272,383	13,705	—	2,286,088	—	2,286,088
Net pension liability-special funding (see note 18)**	1,357,444	9,094	—	1,366,538	—	1,366,538
Net OPEB liability (see note 19 C) **	496,691	—	(74,934)	421,757	—	421,757
Job Creation Guaranty Program obligation (see sec. G)	12,747	—	—	12,747	12,747	—
Compensated absences (see section I)**	78,594	85,671	(73,074)	91,191	75,576	15,615
Pollution remediation (see section H)	5,872	8,888	(2,240)	12,520	1,052	11,468
Other (see section L) *	61,770	22,078	(19,626)	64,222	8,093	56,129
Total Governmental Long-term Liabilities	$ 7,236,342	$ 608,728	$ (488,244)	$ 7,356,826	$ 290,942	$ 7,065,884
Business-type Activities						
Revenue bonds (see section B)	$ 220,810	$ —	$ (14,570)	$ 206,240	$ 16,695	$ 189,545
Net unamortized premium/discount	1,942	—	(808)	1,134	—	1,134
Revenue bonds, net	222,752	—	(15,378)	207,374	16,695	190,679
Net pension liability **	17,142	3,708	—	20,850	—	20,850
Net OPEB liability **	3,876	114	—	3,990	—	3,990
Unearned revenue	8,542	6,875	(3,630)	11,787	3,934	7,853
Compensated absences (see section I)**	771	495	(497)	769	338	431
Total Business-type Long-term Liabilities	$ 253,083	$ 11,192	$ (19,505)	$ 244,770	$ 20,967	$ 223,803
Component Units						
Bonds payable (see section B)	$ 2,624,436	$ 547,042	$ (432,570)	$ 2,738,908	$ 139,441	$ 2,599,467
Bonds payable - direct placements	130,691	24,164	(19,974)	134,881	12,649	122,232
Net unamortized premium/discount	128,986	14,734	(23,422)	120,298	11,209	109,089
Refunding credits		(8,409)	437	(7,972)	(847)	(7,125)
Bonds payable, net	2,884,113	577,531	(475,529)	2,986,115	162,452	2,823,663
Loans payable (see section C)	15,421	584	(2,117)	13,888	2,059	11,829
Obligations under capital leases	2,660	—	(726)	1,934	456	1,478
Net pension liability**	300,637	8,786	(7,029)	302,394	—	302,394
Net OPEB liability**	189,661	1,388	(25,784)	165,265	—	165,265
Compensated absences (see section I)**	32,932	3,047	(1,924)	34,055	10,592	23,463
Due to primary government (see section K)	57,077	223	(9,192)	48,108	6,833	41,275
Unearned revenue	38,016	2,468	(28,042)	12,442	8,994	3,448
Due to component units	4,907	385	(3,594)	1,698	461	1,237
Other Long-term liabilities						
Arbitrage rebate (see section J)	1,724	9	(142)	1,591	433	1,158
Pollution remediation (see section H)	16,016	—	(2,823)	13,193	815	12,378
Other liabilities (see section L)	376,569	21,143	(5,721)	391,991	2,791	389,200
Total Component Units Long-term Liabilities	$ 3,919,733	$ 615,564	$ (562,623)	$ 3,972,674	$ 195,886	$ 3,776,788

**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, 2020, 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
2021	$ 163,650	$ 110,808	$ 16,695	$ 9,229	$ 139,441	$ 95,691	$ 12,649	$ 3,655
2022	172,350	103,088	17,465	8,453	145,325	91,095	12,926	3,375
2023	172,865	95,196	16,160	7,627	144,449	86,513	13,228	3,085
2024	177,550	87,286	18,950	6,954	128,061	81,497	16,599	2,750
2025	164,005	79,270	19,625	6,270	122,258	76,600	12,874	2,377
2026 - 2030	742,715	285,390	60,310	21,241	596,926	306,931	38,193	7,902
2031- 2035	442,805	142,900	39,060	10,600	511,484	207,142	19,964	2,727
2036 - 2040	205,090	73,109	12,295	2,837	452,014	134,199	8,448	414
2041 - 2045	104,285	50,007	5,680	368	250,835	72,447	—	—
2046 - 2050	121,130	30,283	—	—	195,636	35,360	—	—
2051 - 2055	105,888	1,411,722 *	—	—	38,835	7,252	—	—
2056 - 2060	—	—	—	—	13,644	2,388	—	—
	$2,572,333	$2,469,059	$206,240	$ 73,579	$2,738,908	$1,197,115	$ 134,881	$ 26,285

* 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 December 2019 the State issued $153 million of general obligation bonds with interest rates of 2.00% - 5.00%, maturing from 2021 through 2040. The premium paid on these bonds was $18.4 million. In accordance with certain bond statutes, net premiums of $17.8 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects.

The State also issued $68.2 million of general obligation refunding bonds with interest rates of 3.00% - 5.00%, maturing from 2021 through 2030. The premium paid on these bonds was $14.1 million. These bonds, combined with the premium, were deposited in an irrevocable trust to advance refund $80 million of series 2010C bonds with interest rates from 4.663% to 6.098%. The refunding resulted in a reduction of debt service of $7.2 million and an economic gain (difference between the present value of the debt service payments on the old and new debt) of $6.8 million. The advanced refunding resulted in a deferred loss (difference between the reacquisition price and the net carry amount of the old debt) of approximately $1.6 million that was recorded as a deferred outflow of resources.

At June 30, 2020, general obligation bonds authorized by the voters and unissued amounted to approximately $311.9 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.

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

In May 2020, the Rhode Island Commerce Corporation, on behalf of the RI Department of Transportation, issued $165.6 million of Grant Anticipation Bonds. The premium paid on these bonds was $37.0 million. The bonds mature in 2025 to 2035 and have yields ranging from 1.56% to 2.52%. The bonds were issued to provide funding for reconstruction and/or replace certain State's bridges, highways and roads, and will be repaid with federal funds. The obligation of the State to make payments to the trustee of federal aid revenues with future pledged motor fuel taxes is subject to annual appropriation by the General Assembly.

Pledged revenues were sufficient to fund fiscal 2020 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 2031 and 2035, respectively.

Historic Tax Credit Bonds - In fiscal years 2009, 2015 and 2019 the R.I. Commerce Corporation (RICC), on behalf of the State, issued $150 million, $75 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. There is remaining authorization to issue up to $54.3 million of Historic Tax Credit Bonds.

Tobacco Settlement Asset-Back Bonds and Accreted Interest - the Tobacco Settlement Finance Corporation (Corporation) has issued various series of Tobacco Settlement Asset-Backed Bonds, the proceeds of which were used to purchase the State’s future rights in the Tobacco Settlement Revenues (TSRs) under the Master Settlement Agreement and the Consent Decree and Final Judgment (the MSA).

The Corporation issued $197,005,742 of Tobacco Settlement Asset-Backed Bonds (2007 Series). The bond proceeds were used to purchase the State’s future rights to residual Tobacco Settlement Revenues which were not previously purchased under a 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 6.000% to 6.750%. 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.

The Corporation issued $620,935,000 of Tobacco Settlement Asset-Backed Bonds (Series 2015 A and B) that bear interest at annual rates ranging from 0.590% to 5.000% and mature in varying amounts through June 1, 2050. The bonds are subject to a number of 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.

The proceeds of the issuance of the Series 2015 bonds (along with the release of debt service funds related to the bonds retired, and the proceeds from the early termination of investment contracts) were used to fully redeem the outstanding balance of the Corporation’s 2002 Series bonds, and to repurchase and retire certain principal and accreted interest on the Corporation’s 2007 Series bonds.

The Series 2015 bond indenture contains “Turbo Maturity” provisions, whereby the Corporation is required to apply the funds collected that are in excess of the then current funding requirements of the indenture to the early redemption of certain of the Series 2015 B bonds (based upon a minimum turbo redemption schedule established for the bonds). The amount available for turbo redemptions on the Series 2015 B bonds are credited against the term maturities in ascending chronological order based on a schedule contained in the indenture. Excess turbo funds available, if any, will be used to retire Series 2007 bonds.

Reserve accounts in the amount of $26,700,250 and $12,175,975 were established for the Series 2015 A and Series 2015 B bonds, respectively. The Corporation is required to maintain these reserve accounts to the extent of available funds. Amounts on deposit with the trustee in the respective reserve account are available to pay (i) the principal of sinking fund installments of, and interest on, the Series 2015A and 2015 B bonds to the extent revenues are insufficient for such purpose and (ii) upon the occurrence of an event of default, extraordinary prepayments. Unless an event of default has occurred, amounts withdrawn from the reserve account will be replenished from revenues.

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 an indebtedness of or a general, legal or “moral” obligation of the State or any political subdivision of the State.

The Corporation has debt service requirements totaling $2.5 billion at June 30, 2020. The related bonds were structured based upon assumptions in tobacco settlement revenue (TSR) collections prepared by an independent consultant at the time the bonds were issued. The repayment of the bonds is dependent upon the receipt of TSRs from the Master Settlement Agreement, which are based on domestic cigarette sales. Any amounts received in excess of the scheduled principal and interest are applied to turbo maturities (principal and interest paid on the bonds in excess of scheduled principal and interest requirements). Any payment of turbo maturities in future years impacts, potentially significantly, the overall debt service requirements to maturity schedule. The domestic cigarette consumption estimates, and projections are highly sensitive to a variety of assumptions. Since the Corporation's last sale of bonds in fiscal 2015, amounts received by the Corporation pursuant to the Master Settlement Agreement have been less than the amounts projected in the consumption estimates used to structure the debt service requirements. TSRs received by the Corporation in future years that are less than the amounts projected to be received at the time of the sale of bonds could delay the payment of scheduled debt service on the bonds until sufficient TSRs are available to the Corporation.

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 million. At June 30, 2020, outstanding bond indebtedness totaled $206.2 million.

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, 2020, RICCA was unable to fund the Operating Reserve requirement of the restrictive covenants for the R.I. Convention Center and the DDC 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 DDC. Detailed information regarding these agreements is in RICCA's financial statements for the fiscal year ended June 30, 2020.

Concurrent with the issuance of the RICCA's 2009 Series A Bonds, a Debt Service Reserve Fund Facility (the Facility) was issued by Assured Guaranty Municipal Corp., formerly Financial Security Assurance, Inc. (FSA) to meet the Debt Service Reserve Fund requirement. The Facility provides maximum coverage of approximately $16.2 million. Coverage under the Facility expires at the earlier of May 15, 2027 or the date upon which the 2013 Series A, 2015 Series A and 2017 Series A are no longer outstanding. In June 2020, AGM was rated by Moody's as A2. In June 2020, AGM was rated by S&P as AA.

RICCA maintains an agreement with AMBAC Indemnity Corporation (AMBAC) under which AMBAC provides RICCA with surety bond coverage to meet Debt Service Reserve Fund requirements for the R.I. Convention Center. The surety bond provides a maximum coverage of $15.2 million. Coverage under the surety bond expires 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, 2020, AMBAC's credit rating did not meet the aforementioned requirement, however, RICCA acquired from Assured Guaranty Corporation a surety bond that meets the Debt Service Reserve Fund requirement for the R.I. Convention Center.

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, 2020 revenue bonds outstanding were approximately as follows: URI - $268.5 million, RIC - $13.1 million, and CCRI - $1.2 million.

R.I. Airport Corporation

Revenue bonds are issued by RICC on behalf of RIAC. The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds, except for the 2006 First Lien Special Facility Bonds, are secured by the net revenues derived from the operation of the airports. The 2006 First Lien Special Facility Bonds are secured solely by the net revenues derived from the InterLink facility.

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 $201.4 million in airport revenue bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture, including pledged passenger facility charges, were approximately $41.2 million for the year ended June 30, 2020. Principal and interest payments for the year ended June 30, 2020 were approximately $23.1 million.

In June 2006, the R.I. Airport Corporation (RIAC), R.I. Commerce Corporation (RICC), and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to $42 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 2013. RIAC began making monthly payments of interest in fiscal 2012, with interest at a rate of 5.26%. Payments are made on behalf of RICC (the borrower per the Agreement), and debt service payments commenced in fiscal 2012 with a final maturity in fiscal 2042. Such repayments are payable solely from the net revenues derived from the InterLink. As of June 30, 2020, RIAC had approximately $40.2 million in borrowings under this agreement.

I-195 Redevelopment District Commission

In April 2013, RICC issued Economic Development Revenue Bonds 2013 Series A, and Economic Development Bonds 2013 Series B (federally taxable) in the aggregate principal amounts of $37.4 million, for which the I-195 RDC is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (0.16625% at June 30, 2020) plus applicable margin, or 7.75%. Applicable margin is the rate that corresponds to the lesser of the two long-term bond ratings of the State from Moody's Investors Service (Moody's) and Standard & Poor's (S&P) in the following table:

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

At June 30, 2020, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2020, the 2013 Series A Bonds bore interest at 3.38775%.

Proceeds from the 2013 Series A and B bonds were transferred by the I-195 RDC to the State.

Simultaneously with the issuance of the 2013 Series A and B Bonds, the I-195 RDC, RICC, and a Bank entered into a bond purchase agreement under the terms of which the 2013 Series A and B Bonds were purchased by the Bank. The Bank holds a mandatory tender option to sell the bonds to RICC on either April 1, 2023 or April 1, 2028.

Concurrent with the issuance of the 2013 Series A and B Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the 2013 Series A and B Rate Cap Agreements). Under the terms of the 2013 Series A Rate Cap Agreement, the State paid the Bank $658,500. In exchange, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR, to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series A Bonds, through April 1, 2023. The interest rate under the 2013 Series A Rate Cap Agreement is capped at 6.75%. Under the terms of the 2013 Series B Rate Cap Agreement, the Bank agreed to pay the State interest on a monthly basis at 30-Day LIBOR (2.38775% at June 30, 2020), to the extent 30-Day LIBOR exceeds the interest rate cap, on the notional amount, which mirrors the scheduled principal balance of the 2013 Series B Bonds, through April 1, 2019. The State made no payment to the Bank under the terms of that agreement. The interest rate under the 2013 Series B Rate Cap Agreement is capped at 6.85%. At June 30, 2020, the fair value of the 2013 Series A and B Rate Cap Agreements was $8,676 and is estimated as the amount the Bank would receive to terminate the Rate Cap Agreements at the reporting dates, taking into account current interest rates and the current credit worthiness of the counterparties.

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

The I-195 RDC has pledged and granted to RICC a security interest, which has been assigned to the bond trustee, in all pledged receipts and all deposits in the bond, project, expense and credit facility funds established with the bond trustee.

To the extent that the I-195 RDC has insufficient funds to meet its payment obligations under the bonds, it shall seek appropriations from the State; however, there are no assurances that the State will appropriate amounts to fund the I-195 RDC's payment obligations.

Other Component Units

Nonmajor component units have various bonds outstanding. These revenue bonds were generally issued to fulfill the component unit's corporate purpose. Additional information on each nonmajor 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 $493,000 and $13.2 million, respectively.

D. Obligations Under Capital Leases

Primary Government

The State has entered into capital lease agreements, primarily 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 obligation under capital leases at June 30, 2020, consists of the present value of future minimum lease payments less any funds available in debt service reserve funds. Obligation of the State to make payments under lease agreements is subject to and dependent upon annual appropriations being made by the General Assembly.

The following is a summary of material future minimum lease payments (expressed in thousands) required under capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2020:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2021	$ 33,843	$ 2,937	$ 36,780
2022	28,366	943	29,309
2023	28,453	812	29,265
2024	24,431	315	24,746
2025	19,889	—	19,889
2026 - 2030	35,038	—	35,038
2031 - 2035	12,893	—	12,893
Total future minimum lease payments	182,913	5,007	187,920
Amount representing interest	(30,003)	(47)	(30,050)
Present value of future minimum lease payments	$ 152,910	$ 4,960	$ 157,870

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 lease under the obligation and recognizes the related receivable from the component unit for their portion of debt service in the government-wide financial statements.

Assets purchased with capital leases as of June 30, 2020 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 215,583	$ 66,488	$ 149,095
Building Improvement	86,737	36,313	50,424
Computer Systems	70,186	26,713	43,473
Infrastructure	26,754	8,829	17,925
Equipment	1,327	332	995
	$ 400,587	$ 138,675	$ 261,912

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, 2020, the following bonds outstanding (expressed in thousands) are considered defeased:

	Amount
Primary government:	
General Obligation Bonds	$ 79,475
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	45,450
R.I Infrastructure Bank	161,785
R.I. Airport Corporation	14,090
R.I. Turnpike and Bridge Authority	48,805

F. Conduit Debt

The R.I. Health and Educational Building Corporation has issued various series of revenue bonds, notes, and leases to finance capital expenditures for Rhode Island educational institutions, hospitals, and healthcare providers. The bonds, notes and leases are special obligations of the Corporation, payable from revenues derived solely from the institution for which the project was financed. The bonds, notes, and leases do not constitute a debt or pledge of the faith and credit of the corporation or the State, and accordingly are not reflected in the financial statements. The amount of conduit debt outstanding on June 30, 2020 was $3.1 billion.

The R.I. Industrial Facilities Corporation and the R.I. Commerce Corporation 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, 2020 was $34.0 million and $1.0 billion for these component units. Certain issues of conduit debt are moral obligations of the State, and the current amounts outstanding are disclosed in Note 17.

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, 2020, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of approximately $62.9 million.

G. Job Creation Guaranty Program – Moral Obligations

The Job Creation Guaranty Program (JCGP) was established by the General Assembly in 2010 for the purpose of promoting economic development in the State and authorized the issuance of a maximum of $125 million of obligations by the RI Commerce Corporation (RICC), formerly known as the RI Economic Development Corporation.

In November 2010, RICC issued $75 million of taxable revenue bonds under the JCGP. The bond proceeds were loaned to 38 Studios, LLC (38 Studios) and provided funding for the relocation of the company's corporate headquarters to the State and establishment and operation of a video gaming software development studio in Providence. Proceeds also were used to fund a Capital Reserve Fund and Capitalized Interest Fund. Amounts in the Capital Reserve Fund were to be used in the event that 38 Studios failed to make any required loan payments. In accordance with the enabling legislation and the agreement between RICC, the trustee and 38 Studios, should amounts in the Capital Reserve Fund fall below minimum requirements, RICC has agreed to present the Governor with a certificate stating the amounts required to restore any shortfall and the Governor is required to include such amounts in his or her budget request for appropriation by the General Assembly. The General Assembly may, but is not required to, appropriate such amounts.

38 Studios filed for Chapter 7 bankruptcy protection on June 7, 2012. On August 8, 2012, a federal judge allowed assets to be liquidated through the state court in Rhode Island. In November 2012, RICC sued various individuals and entities involved with the loan to 38 Studios including principals of 38 Studios, former employees of RICC and various advisors to RICC alleging fraud, negligence, breach of fiduciary duty and other charges. Various settlements were reached with the defendants resulting in net recoveries after payments of fees, costs and expenses totaling $36.6 million were paid to the trustee for the benefit of the bondholders.

The General Assembly has appropriated deficiencies in the Capital Reserve Fund in prior fiscal years. Due to amounts received from the settlements described above, amounts available in the Capital Reserve Fund were sufficient to fund required debt service in fiscal 2020.

The State has recorded a liability of $12.7 million relating to its moral obligation to the 38 Studios bondholders under the JCGP at June 30, 2020. This amount represents that final debt service payment which has been appropriated and paid subsequent to June 30, 2020. The General Assembly repealed the authority for RICC to guarantee further loans under the JCGP during the 2013 legislative session.

H. 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, and these are in stages 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, 2020, no reasonable estimates of those recoveries can be made. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

I. 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.

J. Arbitrage Rebate

A liability accrues for income on the investment of debt proceeds determined to be arbitrage earnings in accordance with federal regulations. These amounts are generally payable to the federal government five years after the issuance date of the bonds.

K. 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.

L. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

- Retainage related to infrastructure construction projects – these amounts are considered long-term liabilities since the related construction projects are not expected to be completed in the subsequent fiscal period.

- Asset Retirement Obligations – these amounts are considered long-term liabilities since the nuclear reactor that the liability relates to has an estimated useful life in excess of one year.

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

- Compensated absences – Assessed Fringe Benefits Fund, an internal service fund and the respective fund to which the underlying employee's wages and benefits are charged.

- Asset Retirement Obligations – General and RI Capital Plan.

- Pollution remediation – General, RI Capital Plan, and Intermodal Surface Transportation Funds.

- Other long-term liabilities – General and Intermodal Surface Transportation Funds.

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

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

Deferred outflows of resources represent a consumption of net position by the State that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net position 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, 2020 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	$ 23,776	$ 5,365	$ 29,141	$ 14,079
Deferred pension costs - ERS	543,893	5,893	549,786	36,929
Deferred pension costs - single employer plans and other	46,726	—	46,726	21,499
Deferred OPEB costs - multiple employer plans	66,027	1,425	67,452	20,567
Deferred OPEB costs - single employer plans	8,860	—	8,860	—
Asset Retirement Obligations	33,110	—	33,110	—
Derivatives	—	—	—	1,211
Total deferred outflows of resources	$ 722,392	$ 12,683	$ 735,075	$ 94,285
Deferred inflows of resources:				
Deferred gain on refunding of debt	$ 27,276	$ —	$ 27,276	$ 2,342
Deferred pension credit - ERS	63,829	302	64,131	17,912
Deferred pension credit - single employer plans and other	10,988	—	10,988	2,376
Deferred OPEB credit - multiple employer plans	65,340	666	66,006	33,099
Deferred OPEB credit - single employer plans	10,054	—	10,054	—
Total deferred inflows of resources	$ 177,487	$ 968	$ 178,455	$ 55,729

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2020 are as follows (expressed in thousands):

	General Fund	IST Fund	Total Governmental Funds
Deferred inflows of resources:			
Taxes	$ 19,375	$ —	$ 19,375
Other General Revenue	7,990	—	7,990
Federal Revenue	333	7,784	8,117
Total deferred inflows of resources	$ 27,698	$ 7,784	$ 35,482

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			
	General Fund	IST Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
General Fund	$ 7,918	$ —	$ —	$ 7,918
Permanent Fund Principal	—	—	174	174
Restricted for:				
Purposes specified by enabling legislation	141,229	—	—	141,229
RI Capital Plan	—	—	62,168	62,168
Debt Service	—	23,587	70,664	94,251
Capital Projects	—	—	193,188	193,188
Temporary Disability Insurance	—	—	135,973	135,973
Historic Tax Credit Redemption	—	—	59,630	59,630
Transportation-Infrastructure	—	294,832	—	294,832
Mission 360 Loan Program	—	1,870	—	1,870
Education	—	—	592	592
Other	—	—	584	584
Committed to:				
Transportation-Maintenance	—	50,717	—	50,717
Other	6,791	—	399	7,190
Assigned to:				
Subsequent Years Expenditures	1,514	—	—	1,514
Statutory Reappropriations	5,337	—	—	5,337
Unassigned:				
Budget Reserve and Cash Stabilization	90,711	—	—	90,711
Other	148,270	(588)	—	147,682
Totals	$ 401,770	$ 370,418	$ 523,372	$ 1,295,560

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 2020, 3.0% of total general revenues and opening surplus are transferred to the Reserve. Amounts in the Reserve 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 General Assembly appropriated the transfer of $120 million from the Budget Reserve and Cash Stabilization Account as part of the fiscal 2020 supplemental appropriations act to provide resources in anticipation of revenue reductions and additional expenditures in response to the COVID-19 pandemic. 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. The fiscal 2021 Appropriations Act mandates the repayment of $90 million to the Budget Reserve and Cash Stabilization Account in fiscal 2021 with full restoration of the balance expected by the end of fiscal 2022.

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.

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 $979.5 billion of restricted net position, of which $339.4 million is restricted by enabling legislation. Net position restricted by enabling legislation primarily constitutes unexpended bond proceed for future capital projects and assistance to others, debt service reserve proceeds, and employment security program funding.

See Note 1, Section S of these Notes for more information regarding the five categories of fund balance.

Note 10. Restatements – Net Position

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

	Governmental Activities	Discretely Presented Component Units
Net Position previously reported at June 30, 2019	$ (756,850)	$ 2,913,708
Restatement due to:		
1) Correction for capital expenditures which were expensed in previous years	37,317	—
2) Correction of payroll expenses recorded in prior years	—	(66)
Net Position at June 30, 2019 as restated	$ (719,533)	$ 2,913,642

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	$ 1,398,121	$ 1,400,322
General Business Taxes:		
Business Corporations	148,450	150,401
Public Utilities Gross Earnings	108,635	108,635
Financial Institutions	34,612	34,612
Insurance Companies	126,164	126,164
Bank Deposits	3,325	3,325
Health Care Provider Assessment	42,600	42,600
Sub-total - General Business Taxes	463,786	465,737
Sales and Use Taxes:		
Sales and Use	1,167,373	1,170,102
Motor Vehicle	937	937
Cigarettes	137,604	137,604
Alcoholic Beverages	20,235	20,236
Sub-total - Sales and Use Taxes	1,326,149	1,328,879
Other Taxes:		
Inheritance and Gift	55,291	55,291
Racing and Athletics	821	821
Realty Transfer	13,925	13,925
Sub-total - Other Taxes	70,037	70,037
Total - General Fund	3,258,093	3,264,975
Intermodal Surface Transportation Fund		
Gasoline	146,736	146,735
RI Highway Maintenance	71,197	71,197
Other Governmental Funds	210,423	210,422
Total Taxes	$ 3,686,449	$ 3,693,329

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 in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The State of Rhode Island has eleven programs in place to abate taxes. Some of those are new, and as of June 30, 2020, have no related foregone tax revenue. Of the eleven programs, seven are managed by the State and four are managed by the Rhode Island Commerce Corporation.

For certain newly created economic development programs with tax abatement provisions, the General Assembly appropriated funds which were paid to the Rhode Island Commerce Corporation (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 $59.6 million is available in the Historic Tax Credit Fund at June 30, 2020.

The following is a summary of taxes abated during fiscal 2020 by tax type (expressed in thousands):

Tax Abatement Program	Personal Income	Business Corporation	Insurance Companies	Financial Institutions	Hotel Tax	Sales Tax	Non-Profit Redemption*	Total
Job Development Act	$ —	$ 1,548	$ —	$ 17,956	$ —	$ —	$ —	$ 19,504
Motion Picture Production Tax Credits	474	1,322	—	—	—	—	—	1,796
Historic Preservation Tax Credits	7,388	156	4,306	10,000	—	—	3,258	25,108
Job Training Tax Credits	—	229	24	—	—	—	—	253
Tax Credit for Contributions to Qualified Scholarship Organizations	1,257	—	—	—	—	—	—	1,257
Qualified Jobs Incentive Tax Credit	96	—	—	—	—	—	—	96
Tax Increment Financing	—	—	—	—	88	536	—	624
Wavemaker Fellowship**	61	—	—	—	—	—	—	61
Apprenticeship Program	—	5	—	—	—	—	—	5
Rebuild Rhode Island	458	—	3,136	—	—	—	—	3,594
Total	$ 9,734	$ 3,260	$ 7,466	$ 27,956	$ 88	$ 536	$ 3,258	$ 52,298

* Non-profit entities may request payment for the value of historic preservation tax credits awarded in lieu of a credit to tax liabilities.

** Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2020 direct payments made to fellows totaled approximately $1.3 million.

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

- The Wavemaker Fellowship programs include a provision that the entity or individual, as applicable, may redeem the tax credit for 100% of its value upon fulfilling its responsibilities under the agreement. During the fiscal year ended June 30, 2020, direct payments made to Wavemaker fellows totaled approximately $1.3 million.

- 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.

- Non-profit entities may redeem historic tax credits awarded by payment for the value of the credit in lieu of a credit to tax liabilities.

The following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2020.

Program Name:	**Job Development Act**	**Enterprise Zone**
Program purpose:	To foster job creation for companies that create new employment in RI over a three-year period.	To stimulate jobs growth and encourage business development in targeted distressed areas of the State.
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)	Distressed Areas Economic Revitalization Act - Enterprise Zones (RIGL 42-64.3)
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.	A business has to: (1) be physically located within a State-approved Enterprise Zone (EZ), (2) be registered with the State as an EZ member business, (3) grow its existing workforce by at least 5%, consisting of only RI residents, (4) grow total corporation wages paid over that of the prior year, (5) obtain specific letters of good standing from the State, and (6) receive certification prior to July 1, 2015.
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 .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.	Not more than one type of tax liability can be used to claim the credit. 50% of the wages paid a new hire up to a maximum of $2,500 per new employee; 75% of the wages paid a new hire up to a maximum of $5,000 per new employee if that employee lived within a State-designated EZ. Unused EZ Tax credits can be carried forward for up to 3 years.
Recapture provisions:	N/A	N/A

Program Name:	Qualified Jobs Incentive Tax Credit	Rebuild Rhode Island Tax Credit
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.

Program Name:	**Tax Increment Financing**	**Wavemaker Fellowship**
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:	(1) Project must be located in a qualifying TIF Area; (2) project must have a financing gap; (3) project must be either a new facility and not a replacement or relocation of an existing facility already located 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) must be approved by the RICC Board of Directors; (5) must 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.

Program Name:	**Motion Picture Production Tax Credits**	**Historic Preservation Tax Credits**
Program purpose:	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.	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, Financial Institution, Insurance Company, or Personal Income	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO.
Authority under which abatements are entered into:	RIGL 44-31.2	RIGL 44-33.6
Criteria to be eligible to receive abatements and commitment of the taxpayer:	Primary production locations are to be within the State of Rhode Island, and the total production budget must be at least $100,000. 30% of State certified production costs incurred that are directly attributable to activity within the State.	A certified historic structure is to be substantially rehabilitated.
How taxes are reduced:	As a credit to the amount of taxes owed.	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:	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.	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:	N/A	N/A

Program Name:	**Job Training Tax Credits**	**Employer's Apprenticeship Tax Credits**
Program purpose:	To encourage employers to invest in retraining or upgrading the skills of their employees.	To encourage the creation of machine tool, metal trade, and plastic process technician apprenticeships.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Insurance Company	Business Corporation
Authority under which abatements are entered into:	RIGL 42-64.6	RIGL 44-11-41
Criteria to be eligible to receive abatements and commitment of the taxpayer:	An employer must meet criteria provided by the Human Resources Investment Council (HRIC). Said employer cannot be a physician or anyone whose principal business is providing legal, accounting, engineering, architectural, or other similar professional services.	The apprentice must be enrolled in a registered qualified program through the RI Department of Labor and Training's State Apprenticeship Council. The number of apprenticeships for which credit is calculated must exceed the average number of qualifying apprenticeships begun in the preceding five years.
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 HRIC notifies the applicant whether or not the application is approved. The tax credit is calculated by the employer and claimed on the appropriate tax return, up to 50% of actual training expenses for new and current employees. Tax credit is for up to $5,000 per employee over a three-year period.	Based on 50% of actual wages paid to a qualifying apprentice or $4,800, whichever is less.
Recapture provisions:	Credit claimed for an employee is recaptured if the employee involuntarily, other than as a result of death or disability, no longer qualifies as a qualifying employee of the employer at any time during the 18-month period following the employee's completion of the program.	N/A

Program Name:	**Tax Credit for Contributions to Qualified Scholarship Organizations**
Program purpose:	To enhance the educational opportunities available to all students in Rhode Island.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits, Insurance Company, Personal Income Tax.
Authority under which abatements are entered into:	RIGL 44-62
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.
How taxes are reduced:	The Division of Taxation issues a certificate for the amount of credit to be granted.
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.
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.

Note 13. Pledged Revenue

The State's debt supported by pledged revenue is as follows (expressed in thousands):

Revenue Bonds-Tobacco Settlement Financing Corporation			
Revenue:			
Tobacco settlement revenue-cash basis (a)	$	41,489	
Investment income		714	
Total revenue		42,203	
General and administrative expenses		87	
Net revenue available for debt service	$	42,116	
Required debt service payments	$	35,701	
Covered ratio before turbo principal payments (b)			117.97 %
Turbo redemptions - principal (c)		6,945	
Total annual debt service	$	42,646	
Covered ratio after turbo principal payments (d)			98.76 %
Term of commitment - through June 2052			
Revenue Bonds-GARVEE (Federal Highway)			
Revenue - FHWA participation	$	57,493	
Less: operating expenses		—	
Net available revenue	$	57,493	
Debt service			
Principal	$	35,525	
Interest		22,012	
Total debt service	$	57,537	
Coverage (b)			99.92 %
Term of commitment - through June 2035			
Revenue Bonds-Motor Fuel (Gas Tax)			
Revenue - 2 cents per gallon of the gasoline tax	$	8,270	
Less: operating expenses		—	
Net available revenue	$	8,270	
Debt service			
Principal	$	3,790	
Interest		1,571	
Total debt service	$	5,361	
Coverage (b)			154.26 %
Term of commitment - through June 2027			

(a) Included for fiscal 2020 are certain one-time revenue items totaling $8.3 million. A total of $1.8 million related to disputed payment amount for 2017 which settled at 75%, $77 thousand as a true-up payment for 2018 and $6.4 million related to the disputed payment amount for 2019 which settled at 73%.

(b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.

(c) "Turbo" redemption provisions require the Corporation to apply collections that are in excess of current funding requirements to the early redemption of the bonds.

(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, 2020 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Funds		
General		
Major Funds		
Intermodal Surface Transportation	$ 49,495	Debt service and operating assistance
Nonmajor Funds		
RI Temporary Disability Insurance	1,060	Administrative cost
Historic Tax Credit	21,851	Tax credits claimed
Bond Capital	2,871	Interest earnings transfer
Clean Water	68	Transfer
RI Capital Plan	20	Capital expenditures
Proprietary Funds		
Lottery	283,871	Net income transfer
Employment Security	262	Administrative cost
Total General	359,498	
Intermodal Surface Transportation		
RI Capital Plan	32,462	Infrastructure funding
Nonmajor Funds		
RI Capital Plan		
General	119,570	Transfer statutory excess in budget reserve
RI Public Rail Corporation		
Intermodal Surface Transportation	1,829	Operating assistance
Total Nonmajor Funds	121,399	
Total Governmental Funds	513,359	
Proprietary Funds		
Convention Center		
General	24,338	Debt service
RI Capital Plan	8,329	Capital improvement
Total Proprietary Funds	32,667	
Total Transfers Primary Government	$ 546,026	

Note 15. Operating Lease Commitments

The primary government is committed under numerous operating leases covering real property. Operating lease expenditures totaled approximately $14.8 million for the fiscal year ended June 30, 2020. Most of the operating leases contain an option allowing the State, at the end of the initial lease term, to renew its lease at the then fair rental value. In most cases, it is expected that these leases will be renewed or replaced by other leases.

The following is a summary of material future minimum rental payments (expressed in thousands) required under operating leases that have initial or remaining lease terms in excess of one year as of June 30, 2020:

Fiscal Year Ending June 30	
2021	$ 16,518
2022	10,944
2023	10,235
2024	9,245
2025	8,800
2026 - 2030	18,981
2031- 2035	4,959
Total	$ 79,682

The minimum payments shown above have not been reduced by any sublease receipts.

Note 16. Commitments

Primary Government

The primary government is committed at June 30, 2020 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, 2020, the primary government had transportation infrastructure design, construction and other contract commitments of approximately $701 million, and contract commitments for the design, construction and renovation of buildings of approximately $23 million. At June 30, 2020 the primary government had software development and implementation contract commitments of approximately $19 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2020. The State is also committed under multiple contracts for ongoing services which are not included in these commitment amounts.

RI Public Rail Corporation Letter of Credit

The RI Public Rail Corporation (RIPRC), a special revenue fund, has obtained a letter of credit in the amount of $7.5 million in favor of AMTRAK to secure RIPRC's performance of its obligations arising under 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 MBTA, and securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, the MBTA, and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service and Pawtucket/Central Falls Commuter rail station with policy limits of $295 million, per federal law, subject to a self-insured retention of $7.5 million.

United States Department of Justice Consent Decree

The State of Rhode Island entered in consent decree in April 2014 with the United States Department of Justice relating to the statewide day 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 United States' 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's 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 will have complied with all provisions of the consent decree by the end of State Fiscal Year 2024, unless terminated, cancelled, or extended.

As the State continues to comply with the terms of the consent decree, recent court orders by the judge overseeing the consent decree will require a significant investment in upcoming years in 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 in wages to 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 contracted by the State. The amount of additional investment, while not currently determined, is expected to be significant and expended over fiscal years 2021 through 2024, subject to budgetary appropriations.

United States Environmental Protection Agency Consent Decree

RIDOT has entered into a Consent Decree with the EPA 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 was lodged with the U.S. District Court on October 15, 2015 and it was finalized on December 22, 2015. 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. In addition to the remedial measures that must be implemented by RIDOT, RIDOT has paid a civil penalty in the amount of $315 thousand and completed two supplemental environmental projects that require the transfer of certain parcels of land for conservation purposes which have a value of $77 thousand and $158 thousand respectively. The Consent Decree also incorporates stipulated penalties for RIDOT's failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree.

Department of Children, Youth and Families Foster Care Program Settlement Agreement

Children's Rights of New York (Children's Rights) brought suit against the State in 2007 alleging constitutional and statutory violations in its foster care programs. Children's Rights sought substantial changes to these programs, prolonged supervision by a private, outside monitor and attorney's fees. A judgment was entered in favor of the State in 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 will need to provide resources to DCYF to carry out the terms of the settlement agreement and meet its benchmarks. DCYF management believes they can comply with the requirements of the settlement with current staffing levels, but if it is determined that requirements of the settlement are not being met, DCYF will seek additional positions and associated funding.

While the parties have entered into the settlement agreement, pursuant to which the state has paid $3.4 million in attorney's fees to plaintiffs' counsel and is providing services, the state may face continuing exposure for damages and additional attorney's fees arising out of a challenge to the State's completion of agreed benchmarks and entitlement to exit the agreement on several parameters.

Performance-based Agreements

The R.I. Commerce Corporation (RICC), on behalf of the State, entered into several agreements with the developer of the Providence Place Mall. The agreements state the terms by which the State shall perform with regard to a shopping mall, parking garage and related offsite improvements. The authority to enter into these agreements was provided in legislation passed by the General Assembly and signed by the Governor. This legislation further provided for payments to the developer through fiscal 2021 of an amount equal to the lesser of (a) two-thirds of the amount of sales tax generated from retail transactions occurring at or within the mall or (b) $3.7 million in the first five years and $3.6 million in years 6 through 20. In the year ended June 30, 2020, reserves were used to fund the required amounts, thus no payments were made to the developer.

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 participating employers have certified that the employment level has been exceeded, thereby triggering credits toward the debt. As a result, the State paid $1.4 million of the debt on the related economic development revenue bonds in fiscal 2020. The State has commitments relating to this debt through fiscal 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. In fiscal 2020 an additional $2.2 was recorded. 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%.

The estimated remaining useful life of the nuclear reactor is 38 years as of June 30, 2020. During fiscal 2020 amortization expense of $871 thousand related to the deferred outflow of assets was charged to general government functions on the Statement of Activities. The total deferred outflows remaining to be amortized at June 30, 2020 was $33 million.

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.

State Takeover of Providence Public School District

The State, acting through the Board of Education and the Rhode Island Department of Education (“RIDE”), oversees the performance of schools and school districts that receive education aid funding. 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. Pursuant to RIGL Section 16-7.1-5 (the “Crowley Act”), the State is required to intervene when a school or school district continually falls short of performance standards. State intervention initially consists of support and technical assistance.

In connection with its oversight role, RIDE identified the Providence Public School District (the “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 the PPSD, attempted to improve the PPSD through operational, policy and financial support, all of which were unsuccessful.

Pursuant to a decision and order of the Commissioner of RIDE dated October 15, 2019, the State assumed governance and management responsibility for the PPSD effective November 1, 2019. The State has appointed a “turnaround superintendent” to manage PPSD operations and develop and implement a long-term improvement plan for at least the next five years.

In connection with its takeover of the PPSD, the State may be responsible for budget deficits and other costs relative to the PPSD, subject to the State appropriations and budget process. The extent of such costs is unknown at this time.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider – International Game Technology (IGT)

The Lottery entered into a 20-year master contract with its gaming systems provider granting them the right to be the exclusive provider of information technology hardware, software, and related services for all lottery games. This contract is effective from July 1, 2003 through June 30, 2023, and amends all previous agreements between the parties.

As consideration for this exclusive right, the gaming systems provider paid the Lottery $12.5 million. In the event that the contract term is not fulfilled, the Lottery will be obligated to refund a pro-rata share of this amount to the gaming systems provider ($1.9 million at June 30, 2020).

The contract mandates commission percentages ranging between 1.00% and 5.00% of lottery ticket sales and 1.00% and 2.50% of video lottery net terminal income, depending on the amount of sales in each category.

Video Lottery Terminal Provider - International Game Technology (IGT)

IGT is also a provider of video lottery terminals and receives compensation equal to 7% of net terminal income. The Master Contract (as amended) also includes provisions related to premium IGT video lottery terminals and responsibility for related license fees (IGT) as well as concurrence on agreement on the promotional points program with the casinos and the Lottery.

Sportsbook - International Game Technology (IGT)

The Lottery also executed a Sports Betting Agreement with IGT to provide, along with its subcontractor, American Wagering, Inc., D/B/A William Hill US (William Hill), a proprietary sports betting solution for all sports betting at the Twin River Casino Hotel and the Tiverton Casino Hotel facilities. The initial term of the software license is five years from launch date (November 26, 2018), and upon mutual agreement of the parties, there are two successive five-year renewal options. In exchange, IGT has allocated its revenue share in accordance with RI General Laws 42-61.2-7. In the event of a loss of sports wagering revenue in a quarterly period, IGT will cover the State’s share of said loss interest free until a subsequent invoicing period is sufficient to cover said prior period loss.

During July 2019, the Lottery executed the first amendment to the Sports Betting Agreement authorizing IGT to supply the equipment, software, and services for online sports wagering using mobile devices. This is in accordance with authorized sports wagering legislation enacted in June 2019. Effective April 30, 2020 the Division is responsible for payment of all transaction processing fees.

The Sports Betting Agreement was further amended in January 2020 to authorize IGT additional responsibilities for the provision of certain fraud and security services, as well as, cash fund management services in connection with the online sports wagering agreement executed in July 2019. In consideration of these additional services, the Division invoices Twin River Casino Hotel and remits payment to IGT a fixed monthly fee of $20,000 since the launch of online sports wagering, with the initial month pro-rated.

Licensed Gaming Facilities (Twin River Casinos)

The Lottery's licensed gaming facilities are owned and operated by Twin River Worldwide Holdings, Inc. and operate as Twin River – Lincoln (Twin River Casino Hotel) and Twin River – Tiverton (Tiverton Casino Hotel)

Both licensed facilities operate under a common Master Contract with options to extend the agreement for two additional five (5) year terms commencing on July 18, 2020 and July 17, 2025 and continuing until July 17, 2030. Certain extensions are contingent on the owners' compliance with full-time employment mandates. The contract entitles the owners to compensation ranging from 26% to 28.85% of video lottery net terminal income at the facility.

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal 2020, each facility's allowable promotional points are 20% of prior year net terminal income plus $750,000. In fiscal 2020, Twin River – Lincoln and Twin River – Tiverton were authorized and issued approximately $52.0 million and $13.2 million, respectively, in promotional points to facility patrons.

The Lottery is required by contract to reimburse Twin River - Lincoln for allowable marketing expenses incurred between $4 million and $10 million, and between $14 million and $17 million, at the same percentage as the Lottery's share of net terminal income for the fiscal year (60.78% for 2020). The Lottery accrued to reimburse Twin River - Lincoln for $3.6 million in marketing expenses for fiscal 2020.

The Lottery is also required by contract to reimburse Twin River - Tiverton for allowable marketing expenses incurred between $560 thousand and $1.4 million at the same percentage as the Lottery's share of net terminal income for the fiscal year (60.94% for 2020). The Lottery accrued to reimburse Twin River - Tiverton for $512 thousand in marketing expenses for fiscal 2020.

Table games are operated at the Twin River Casino Hotel and Tiverton Casino Hotel. Commissions for both casino facilities and the respective host community were 83.5% and 1%.

The Lottery also entered into a Sports Wagering Hosting Agreement with Twin River to host in-person and on-premises sports betting. The agreement entitles the owners to compensation of 17% 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.

On September 4, 2019, subsequent to legislation in March 2019 authorizing online sports wagering, the Lottery entered in the first amendment to the sports wagering hosting agreement to enable Twin River to host, manage and enable players to participate in online sports wagering including validation and registration of players.

During the term of the first amendment, Twin River remits to the Division $20,000 per month for fraud, security, and cash fund management services (performed by IGT). Twin River has the option, upon approval by the Division, to assume any or all of these services. As of August 12, 2020, the fraud and security services were assumed by Twin River. The monthly fees collected by the Lottery and remitted to IGT have been reduced to $12,000 per month in the aggregate to reflect Twin River's assumption of these responsibilities.

Discretely Presented Component Units

R.I. 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 RIRRC has been segregated into six distinct phases. Phases I, II, III and IV were closed by RIRRC in prior years. In 2005, the Corporation began landfilling in Phase V, which is near capacity and has temporarily stopped accepting waste. In December 2015, RIRRC began accepting waste in Phase VI.

A liability for closure and post-closure care of $102.5 million as of June 30, 2020 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2020
Phase I	$ 657,410
Phase II and III	16,734,356
Phase IV	18,454,341
Phase V	43,664,008
Phase VI	22,405,373
Other	619,260
	$ 102,534,748

As of June 30, 2020, 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	$ 3,550,634	92.48 %	11 months
Phase VI	$ 72,690,768	23.56 %	17.8 years

As of June 30, 2020 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a $5.6 million increase of the corresponding liability from $110.1 million at June 30, 2019 to $115.7 million at June 30, 2020.

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 the restricted component of net position at June 30, 2020 is $72.7 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, 2020 is as follows:

Balance, June 30, 2019	Additions	Reductions	Balance, June 30, 2020	Current Portion
$ 16,015,966	$ —	$ 2,822,589	$ 13,193,377	$ 815,211

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 million for remedial purposes. The balance of the trust fund totaled $48.4 million as of June 30, 2020.

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 $13.2 million as of June 30, 2020.

R.I. Turnpike and Bridge Authority

The R.I. Turnpike and Bridge Authority has entered into contracts totaling $37.6 million for bridge and highway repairs and electrical and communication upgrades on the Mount Hope, Claiborne Pell, Jamestown and Sakonnet River Bridges which are expected to take over a year to complete. As of June 30, 2020, remaining commitments on these contracts total $15.3 million. The Authority also provides administrative and operational functions for the RhodeWorks truck tolling initiative.

R.I. Public Transit Authority

The R.I. Public Transit Authority is committed under various contracts in the amount of $16.6 million at June 30, 2020.

Quonset Development Corporation

Quonset Development Corporation has entered into a $33.6 million contract to rehabilitate a pier at the Port of Davisville. As of June 30, 2020, the remaining commitment totaled $27.1 million.

I-195 Redevelopment District Commission

To provide incentives for the development of an approximately 200,000 square foot commercial building and to support the ongoing operations of key tenants, Cambridge Innovation Center (CIC) and Venture Café, the I-195 District Commission has entered into following agreements with Wexford Science and Technology and CIC:

	Total Amount Awarded Through June 30, 2020	Paid Through June 30, 2020	Remaining Commitment
Base Building 195 Incentive	$ 1,565,000	$ 1,565,000	$ —
CIC Tenant Improvements Grant	12,775,000	12,250,284	524,716
CIC Operation Grant	1,200,000	800,000	400,000
District Hall Development & Management	1,800,000	540,000	1,260,000
District Hall Operation Grant	560,000	560,000	—
District Hall FF&E Grant	200,000	200,000	—
Venture Café Grant	700,000	700,000	—
	$ 18,800,000	$ 16,615,284	$ 2,184,716

Other Component Units

Other component units have various commitments arising from the normal course of their operations. These commitments are not significant, overall, to the State's financial statements.

Note 17. Contingencies

COVID-19 Global Pandemic

On March 11, 2020 the World Health Organization declared a pandemic following the outbreak of COVID-19. On March 9, 2020 the Governor of the State of Rhode Island declared a state of emergency due to the dangers to health and life posed by COVID-19. The COVID-19 pandemic has had a significant adverse impact on the State's operations. Significant costs have been incurred in responding to the pandemic and the accompanying economic fallout. In addition, the pandemic has had a negative impact on state revenues in general and especially revenues related to the Rhode Island Lottery. Business closings or limitations on the hours of operations, most notably at the State's two casinos and in the hospitality industry continue to have a negative impact on the State economy during this ongoing public health emergency.

Primary Government

On March 27, 2020 the federal Coronavirus Aid, Relief and Economic Security Act (CARES Act) which provides direct financial aid to American families, payroll and operating expense support for small businesses, loan assistance for distressed industries and support to capital markets was signed into law. The CARES Act also established the Coronavirus Relief Fund (CRF) to be used to make payments to States and certain other governments for specified uses. The statute limits the use of these funds to COVID-19 expense reimbursements rather than to offset anticipated revenue losses. Such expense reimbursements include COVID-19 related medical, public health, economic support, and other emergency response costs.

The State of Rhode Island received $1.25 billion from the CRF during the year ended June 30, 2020. The State expended approximately $255 million of those funds during fiscal 2020. The remaining funds totaling $995 million are reflected as unearned revenue and included in other liabilities in the accompanying Statement of Net Position at June 30, 2020. The majority of remaining funding has been committed for COVID-19 related expenditures and may be expended or committed through December 31, 2021.

The State has utilized a significant portion of its CRF to administer assistance programs for a variety of individuals and businesses subject to certain eligibility criteria. The assistance has been in the form of grants or forgivable loans subject to meeting established requirements. Any funding subsequently determined to be ineligible based on program requirements will be recovered and reprogrammed for eligible COVID-19 expenditures.

In addition to CARES Act funding, the federal government is also providing significant funding for COVID-19 expenses through Federal Emergency Management Agency (FEMA) disaster related assistance. COVID-19 related expenses incurred by the State in fiscal 2020 likely to be reimbursed by FEMA in fiscal 2021 exceeded $100 million. These expenditures included costs to establish COVID-19 field hospitals and the procurement of personal protective equipment. Significant federal assistance has also been received to support benefits to unemployed individuals including supplemental benefits and benefits to self-employed individuals.

Costs will continue to be incurred in response to the public health emergency throughout fiscal 2021 and potentially longer. Both the extent of expenditures required to continue to address the costs of the pandemic and additional assistance from the federal government to assist with these costs continues to evolve. In addition, it is expected that significant costs will be incurred by the State in administering vaccine distribution programs.

Component Units

- There has been significant disruption to the hospitality industry, including the closing of the operations of the Rhode Island Convention Center Authority (RICCA) in mid-March 2020. RICCA operations include the management of the R.I. Convention Center, the Dunkin' Donuts Center and the Veterans Memorial Auditorium Arts and Cultural Center. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration. The State has utilized the RICCA for a wide array of COVID-19 response activities, including emergency field hospital operations, public testing sites and information broadcasts, which has assisted RICCA in managing revenue losses associated with the disruption of normal operations.

- Rhode Island Resource Recovery Corporation experienced a 20% decrease in solid waste tonnage, primarily from commercial customers, for the period March 2020 through June 2020.

- The pandemic and resulting restrictions have caused significant disruption in aviation activity and passenger traffic at the Rhode Island Airport Corporation.

- Precautionary measures to slow the spread of COVID-19 were ordered that have affected the Rhode Island Public Transit Authority's operations resulting in decreased ridership and fares, decreased State gas tax revenues and increased operating costs for cleaning and additional buses.

- The University of Rhode Island, Rhode Island College and Community College of Rhode Island transitioned to distance learning during the Spring 2020 semester. Also, as a result of the COVID-19 crisis, enrollment and the number of students living in the dormitories for the 2020 semester decreased. In addition, a class action lawsuit was filed against the University of Rhode Island in June 2020 claiming the plaintiffs suffered academic harm after the spring semester transitioned to distance learning.

Some component unit entities have also received direct federal assistance from the CARES Act to manage the impacts to those industries relating to the pandemic. While the disruption of normal operations to the above component units is expected to be temporary, there is considerable uncertainty around the duration and extent to which these entities will be impacted by the global pandemic and the need for additional State or federal assistance as the public health emergency persists.

Primary Government - Other

The State, its departments, agencies, officers and employees are defendants in numerous lawsuits and other proceedings. For those cases in which it is probable that a material loss has or will occur and the amount of the potential judgment can be reasonably estimated or a settlement or judgment has been reached but not paid, the State has recognized a liability within its financial statements. Significant contingencies are discussed below.

American Trucking Associations, Inc. et a. v. Alviti

The American Trucking Associations and four trucking companies have sued the State in federal district court alleging that the statute authorizing only tractor-trailer tolling violates the Dormant Commerce Clause of the United States Constitution. On March 19, 2019, the federal court granted the State's motion to dismiss for lack of subject-matter jurisdiction, stating that the state court and not federal court was the proper location for this lawsuit. Plaintiffs appealed this decision to the First Circuit Court of Appeals which reversed the decision and remanded the case to the U.S. District Court. On remand, the Court denied the Plaintiffs' motion for a preliminary injunction, concluding that the Plaintiffs had not demonstrated a likelihood of success on the merits. The cumulative amount of toll collections, which began in June 2018, totaled $22.5 million through June 30, 2020. During this period the number of toll gantries operating ranged from two to ten. Once all toll gantries are operational, expected revenue (and thus potential restitution) is estimated to be $45 million per year. Plaintiffs are seeking injunctive relief against the collection of future tolls.

K.L. Class v. R.I. Council on Elementary and Secondary Education, et. al.,

A student, through their parents and on behalf of a class of similarly situated individuals, filed suit in federal court arguing that Local Education Agencies in the State must provide free appropriate public education to students with a disability who have not earned a regular high school diploma until the age of 22. Such services have historically been provided until the age of 21. On appeal of a district court decision in favor of the State, the First Circuit Court of Appeals reversed the district court , held in favor of Plaintiffs and remanded the case to the trial court to determine remedies.

Taxpayer v. Tax Administrator

This case is pending in Rhode Island District Court as a tax appeal. The plaintiff seeks reimbursement for the past five years of contested tax payments in the collective amount of approximately $41 million including interest and challenges the method of depreciation, which would result in recalculation of the State's assessments regarding its equipment and assets. Management intends to contest the case vigorously and believes they will be successful. The State has filed a motion for summary judgment which is pending.

Three municipalities (Providence, Pawtucket and Cranston) moved to intervene and the taxpayer objected thereto. On January 14, 2020 the Court denied Cranston and Pawtucket's motion to intervene but granted Providence's motion. On February 5, 2020 Cranston and Pawtucket filed a petition of certiorari with the Rhode Island Supreme Court. The Rhode Island Supreme Court granted certiorari on June 25, 2020 and remanded the case to the Rhode Island District Court for further briefing. Four additional municipalities (East Providence, Central Falls, Johnston and Westerly) moved to join the lawsuit, but the Rhode Island District Court denied their motion on July 9, 2020.

Over 99% of the collected tax payments are forwarded to municipalities. Therefore, an adverse verdict would impact each city and town regarding future tax payments which would be reduced to cover any amount awarded to the Plaintiff.

A.C. et al. v. Gina Raimondo, et al.

The State has been sued by the Rhode Island Center for Justice alleging that the State has “downgraded the teaching of social studies and civics” and thereby violated students’ rights under the Equal Protection, Privileges and Immunities and Due Process Clauses of the Fourteenth Amendment, the Sixth and Seventh Amendments, as well as the Guarantee Clause of Art. 4, § 4 of the United States Constitution. The case was dismissed by the U.S. District Court and plaintiffs have filed an appeal with the First Circuit Court of Appeals.

Chariho Regional School District, et al. v. RIDE, et al.

This matter includes the Council on Elementary and Secondary Education and the R.I. Department of Administration as defendants. Chariho alleges RIDE breached an agreement concerning the transfer of ownership of the Chariho Career and Technical Center by allowing other communities in the county to operate career and technical programs. Defendants' joint motion to dismiss was granted March 20, 2017. On May 26, 2017, plaintiffs filed an appeal to the R.I. Supreme Court. The Supreme Court remanded the case back to Superior Court for trial on May 30, 2019. A hearing on a motion to dismiss by one of the defendants was held in November, 2019. The Court denied that motion. The case is currently in the discovery phase.

Rhode Island Council 94 v. State of Rhode Island

Council 94 claims that the COVID-19 State of Emergency Declaration and subsequent executive orders triggered the premium pay provisions of its collective bargaining agreement and has filed an arbitration demand in which it asks the arbitrator to order the State to pay all of its members who have physically reported to work at the rate of time and one-half for the duration of the emergency. Potential damages are open ended as the State of Emergency is still in effect.

Liberty v. Rhode Island Department of Corrections (RIDOC)

This case is a putative class action brought by Disability Rights of Rhode Island and the ACLU National Prison Project in the name of six named individuals who were/are inmates at the RIDOC. The Complaint alleges that the RIDOC violates the ADA and the constitutional rights of inmates who have severe and persistent mental illness when the inmate is placed in administrative or disciplinary confinement. The relief sought includes injunctive relief regarding DOC’s policies, practices and programs as well as seeking to have an expert appointed to assess DOC’s confinement and make recommendations. The case is in discovery. The State will contest any claim for class certification as well as defending the lawsuit on the merits.

Tobacco Master Settlement Agreement - Tobacco Settlement Financing Corporation

In 1998, Rhode Island, along with 45 other states, the District of Columbia and 5 territories, entered into the Master Settlement Agreement (MSA) with major tobacco manufacturers (the Participating Tobacco Manufacturers, or “PMs”) to provide restitution for damages arising from the use of tobacco products. The terms of the MSA include annual payments to all States and territories in perpetuity. The State assigned all revenues from the MSA to the Tobacco Settlement Financing Corporation (TSFC) which in turn used those committed revenues to secure its bonds. The bonds are payable both as to principal and interest solely out of the assets of TSFC and do not constitute an indebtedness of or a general, legal or “moral” obligation of the State or any political subdivision of the State.

The annual payments are subject to numerous adjustments including the non-participating manufacturer (NPM) adjustment which reduces the amount of the annual payment and is applicable to each State found by an arbitration panel not to have diligently enforced the qualifying statute. States found not diligent share the cost of the annual NPM adjustment which is applied against the next annual MSA payment. It is unknown how much of Rhode Island’s MSA revenues would be at risk in a given year due to this adjustment, however, no State can lose more than its entire annual payment.

As of September 2020 NPM adjustments have been settled through 2022. Future NPM adjustment claims remain possible for calendar year 2023 and all future years. This could result in the TSFC receiving less revenue than assumed in out-year projections, potentially impacting its ability to service its debt obligations. Should the PMs be determined with finality to be entitled to a full NPM adjustment in a future year, this could have a material adverse effect on the amounts of tobacco settlement revenues available to the TSFC to make turbo redemptions and other debt service payments on its debt obligations.

Also, any failure on the part of the PMs to perform their obligations under the MSA and/or related agreements could also 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 Tobacco Settlement Financing Corporation financial statements for the year ended June 30, 2020.

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 Lottery's gaming operations currently compete with casinos in nearby Connecticut and Massachusetts. The Lottery and the State continually monitor the risk to gaming operations resulting from competition in nearby states.

The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in the Rhode Island Superior Court on or about September 28, 2011, challenging, *inter alia*, the constitutionality of the Rhode Island Casino Gaming Act ("Act") on the grounds that it would not be "state-operated" and the Act "delegates unconstitutional authority to a private corporation." On or about June 29, 2012, the Rhode Island Superior Court found that the Narragansett Indian Tribe had not sustained their burden of proof beyond a reasonable doubt that the Act is facially unconstitutional. The Narragansett Indian Tribe filed a notice of appeal of that decision with the Rhode Island Supreme Court. On or about March 4, 2015, the Rhode Island Supreme Court issued a decision upholding the Superior Court's decision. The remaining issue in the case relating to whether the State "operates" the Twin River - Lincoln and Twin River - Tiverton facilities remains pending in the Superior Court. If the tribe were to prevail, there could be a significant impact on the State's gaming revenue.

A plaintiff has filed suit against the Division of Lottery and Department of Administration challenging the constitutionality of sports betting in Rhode Island. The complaint asserts that the conduct of State operated sports betting in Tiverton and Lincoln violates the express constitutional requirement of voter approval and must be declared unconstitutional and enjoined until and unless the voters of Rhode Island approve sports gambling at duly authorized statewide and local elections. The complaint was dismissed once by the Rhode Island Superior Court due to a lack of standing by the Plaintiff, but subsequently the Court permitted the Plaintiff to refile an amended complaint. The parties then filed summary judgement motions. On June 1, 2020, the Rhode Island Superior Court issued a decision where it found that the legislation enabling sports betting did not impermissibly expand the location of gambling and that the acts are constitutional. The case has been appealed to the Rhode Island Supreme Court. State revenues collected from Twin River Casino and Tiverton Casino would be affected if a court were to enjoin or otherwise restrict sports wagering.

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 disallowances and/or sanctions upon review by the respective federal agencies. The fiscal 2020 Single Audit is in progress. It is anticipated that there will be additional questioned costs identified in that audit.

Adjustments have been made to the financial statements when costs have been specifically disallowed by the federal government or sanctions have been imposed upon the State and the issue is not being appealed or the right of appeal has been exhausted.

Eleanor Slater Hospital Medicaid Claiming – The State operated Eleanor Slater Hospital suspended billings to Medicaid for eligible patients due to certain concerns relating to the allowability of certain services billed to Medicaid and compliance with federal rate development requirements. After review of its current claiming practices and rate development procedures, the Executive Office of Health and Human Services (EOHHS) (State Medicaid Agency) has submitted a State Plan Amendment to the Centers for Medicare and Medicaid Services (CMS), that, if approved, will allow Eleanor Slater Hospital to recommence billing to Medicaid for certain Medicaid eligible patients. A contingency may exist for Medicaid claims made by the hospital in prior fiscal years.

Unemployment Insurance Benefit Fraud – Due to the impact of the global pandemic, a significant increase in the number of applicants and the amount of benefits paid to unemployed individuals occurred during fiscal 2020 (and continuing into fiscal 2021). Rhode Island, as well as a number of other states, has experienced, concurrently, a significant increase in fraudulent claims for unemployment benefits. The State has implemented multiple objectives to attempt to prevent and detect fraudulent claims; however, the State Department of Labor and Training has estimated that approximately $10 million of fraudulent claims were paid during fiscal 2020. A receivable for recovery of these amounts has been reflected on the financial statements (Employment Security Fund). Recoveries or collections of these fraudulent benefits, if any, will be refunded to the federal government. While the known amount of benefits considered fraudulent has been quantified for fiscal 2020, the actual extent to which benefits have been obtained fraudulently may be significantly greater.

Challenges to Pension Reforms

The 2009, 2010 and 2011 legislative pension reforms resulted in numerous lawsuits against the State brought by current and retired employees, as well as their unions. Of these lawsuits, two remain pending as described below.

In September 2014, a case challenging pension reforms was commenced by the Rhode Island State Troopers Association in Superior Court. The State and ERSRI filed motions to dismiss which were heard on December 13, 2019. A decision on the motions is pending. The State intends to vigorously defend this lawsuit.

In March 2020, a case challenging the Rhode Island Retirement Security Act and/or a settlement agreement related to legal challenges to pension reforms approved by the Court in July 2015 was commenced by numerous plaintiffs who were part of the class action in the Rhode Island Federal District Court against the State and ERSRI as co-defendants. The co-defendants have filed a motion to dismiss, which remains pending.

Moral Obligation Bonds

Some component units issue bonds with bond indentures requiring capital reserve funds. Monies in a capital reserve fund are to be utilized by the trustee in the event scheduled payments of principal and interest by the component unit are insufficient to pay the bondholders. These bonds are considered "moral obligations" of the State when the General Laws require the executive director of the issuing agency to submit to the Governor the amount needed to restore each capital reserve fund to its minimum funding requirement and the Governor is required to include the amount in the annual budget.

R.I. Housing and Mortgage Finance Corporation (RIHMFC)

The R.I. Housing and Mortgage Finance Corporation (RIHMFC) had $27.4 million outstanding in bonds, which are secured in part by capital reserve funds which have aggregated to $4.4 million on June 30, 2020. Under the moral obligation provisions detailed in the preceding paragraph, upon request by the Governor, the General Assembly may, but is not obligated to, provide appropriations for any deficiency in such reserve funds. RIHMFC has never been required to request such appropriations. Such reserve funds relate solely to select multi-family issues of RIHMFC.

R.I. Commerce Corporation (RICC)

At June 30, 2020 in addition to the State's moral obligation under the Job Creation Guaranty Program (JCGP) for the bonds discussed in Note 7 G, certain bonds secured by RICC's capital reserve fund carry a moral obligation of the State. If at any time, certain reserve funds of RICC pledged fall below their funding requirements, a request will be made to the General Assembly to appropriate the amount of the deficiency.

Component Units - Other

R.I. Industrial-Recreational Building Authority (RIIRBA)

The R.I. 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, 2020, 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, 2020 are $8.6 million.

RIIRBA insures a bond issued by RIIFC on behalf of a private sector entity. During the year ended June 30, 2012 the private sector entity defaulted on its payments to the bond holder and RIIRBA assumed responsibility for making the debt payments. In July 2018, a mediation settlement in connection with a pending case in the Providence Superior Court was entered into and approved with a formal vote by the board of the Authority. This settlement resulted in a payment of $1.5 million to the Rhode Island Industrial Recreational Authority replenishing existing available financial resources. Bond payments will continue to be made by first exhausting RIIRBA's available financial resources and if losses related to the default exceed available resources, the Authority will then request appropriations of the Rhode Island General Assembly for any loss in excess of the insured amount. The insured commitment, which is included in total liabilities on the accompanying Statement of Net Position, amounts to $2.9 million at June 30, 2020.

No request has been made to the General Assembly at June 30, 2020 for appropriations to satisfy any liability under the insurance guarantee.

R.I. Housing and Mortgage Finance Corporation (RIHMFC)

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, 2020 is $94.2 million.

R.I. Turnpike and Bridge Authority (RITBA)

A contractor (the Prime Contractor) hired by RITBA submitted a pass-through claim to RITBA on behalf of a subcontractor engaged by the Prime Contractor in which the subcontractor is claiming additional compensation of approximately $8.1 million for cleaning and painting the Newport Pell Bridge as a result of the Prime Contractor's performance. RITBA vigorously disputes the matter and denies any liability to the Prime Contractor and the subcontractor. At this early stage, RITBA and its legal counsel have determined that it is not possible to fully evaluate the matter, including the likelihood of an unfavorable outcome.

University of Rhode Island

On September 23, 2019, a family filed suit against the University of Rhode Island and the Council for Postsecondary Education, in the death of a family member, who drowned at the Tootell Aquatic Center at the University. Discovery is ongoing. The impact of this matter, if any, cannot presently be determined.

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 2020 pension expense (credit)	Net pension liability at June 30, 2019 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	$227,348	$2,031,989
			Business-type activities	$3,011	$20,850
			Special funding – teachers - state share (see Note Section 18-E)	$151,600	$1,366,538
B	**State Police Retirement Benefits Trust (SPRBT)**	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1,1987	$8,454	$30,028
C	**Judicial Retirement Benefits Trust (JRBT)**	Single-employer defined benefit plan — advance funded through a trust	Judges appointed after December 31, 1989	$2,236	$3,480
D	**RI Judicial Retirement Fund Trust (RIJRFT)**	Single-employer defined benefit plan – advance funded through a trust	Covers 7 judges appointed prior to January 1, 1990	$1,726	$19,508
E	**State Police Retirement Fund Trust (SPRFT)**	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	$10,886	$161,378
F	**Judicial Non-Contributory Retirement Plan (JNCRP)**	Single employer defined benefit – non trusteed – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	$3,185	$39,705
	Totals			$408,446	$3,673,476
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	$5,400	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, 2018 actuarial valuations (with the exception of JNCRP which has a June 30, 2019 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	11,260	3,481	8,104	2,874	25,719
JRBT	23	1	15	38	77
RIJRFT	2	—	5	—	7
SPRBT	73	46	49	177	345
SPRFT	266	—	—	—	266
JNCRP	48	—	—	—	48

B. Defined Benefit Plan Descriptions – Advance Funded Plans

EMPLOYEES' RETIREMENT SYSTEM (ERS) - The ERS was established and placed under the management of the Retirement Board for the purpose of providing retirement allowances for employees of the State of Rhode Island under the provisions of chapters 8 to 10, inclusive, of Title 36, and public school teachers under the provisions of chapters 15 to 17, inclusive, of Title 16 of the Rhode Island General Laws.

Plan members - The plan covers most State employees other than certain personnel at the State colleges and university (principally faculty and administrative personnel). The plan also covers teachers, including superintendents, principals, school nurses, and certain other school officials in the public schools in the cities and towns. Membership in the plan is mandatory for all covered state employees and teachers. Elected officials may become members on an optional basis and legislators may participate if elected to office prior to January 1, 1995.

Certain employees of the Rhode Island Airport Corporation (hired before July 1, 1993), the Rhode Island Commerce Corporation (active contributing members and employees of the Department of Economic Development before October 31, 1995 who elected to continue membership) and the Narragansett Bay Water Quality District Commission (members of a collective bargaining unit) are also covered and have the same benefits as State employees.

Plan vesting provisions – *after five years of service.*

Retirement eligibility and plan benefits – are summarized in the following table:

Schedule	Schedule Criteria	Retirement eligibility	Benefit accrual rates	Maximum benefit
(A)	Completed 10 years of service on or before July, 1, 2005 and eligible to retire as of September 30, 2009	Age 60 with 10 years of service or after 28 years of service at any age	Effective until June 30, 2012: 1.7% for each of first ten years 1.9% for each of next ten years 3.0% for each of next fourteen years 2% for the 35th 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 38th 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, 64 with 31 years of service, 63 with 32 years of service or 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

State correctional officers may retire at age 50 with 20 years of service. However, if not eligible to retire as of September 30, 2009, the minimum retirement age was modified to 55 with 25 years of service credit for correctional officers and registered nurses at the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

The plan provides for survivor's benefits for service-connected death and certain lump sum death benefits.

Joint and survivor options are available to members. For members with 10 years of service as of July 1, 2005, the Service Retirement Allowance (SRA) Plus option provides for the payment of a larger benefit before the attainment of age sixty-two (62) and a reduced amount thereafter. The reduced amount is equal to the benefit before age sixty-two (62), including cost-of-living increases, minus the member's estimated social security benefits payable at age sixty-two (62).

Vested members that have 10 or more years of contributing service credit on June 30, 2012, may choose to retire at a retirement eligibility date that was calculated as of September 30, 2009, if the member continues to work and make retirement contributions until that date. If the member chooses this option, their retirement benefits will be calculated using the benefit that they have accrued as of June 30, 2012 - members will accumulate no additional defined benefits after this date, but the benefit will be paid without any actuarial reduction.

State employees and public school teachers may retire with a reduced pension benefit if they have 20 years of service credit and they are within five years of their retirement date as prescribed in the Rhode Island Retirement Security Act (RIRSA). The actuarially reduced benefit will be calculated based on how close the member is to their RIRSA eligibility date.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the 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 $27,184 (indexed as of January 1, 2020) 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 $27,184 is replaced with $32,621 (indexed as of January 1, 2020) 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 $27,184).

Disability retirement provisions - The plan also provides nonservice-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 $27,184 (indexed as of January 1, 2020) 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 $27,184 is replaced with $32,621 (indexed as of January 1, 2020) 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 $27,184).

STATE OF RHODE ISLAND JUDICIAL RETIREMENT FUND TRUST (RIJRFT) - Effective July 1, 2012, and pursuant to Rhode Island General Law section 8-3-16, the retirement board established a trust to collect proceeds for the purpose of paying retirement benefits to participating judges or their beneficiaries.

Plan members – The plan covers seven (7) judges appointed prior to January 1, 1990. These members are active judges (as of June 30, 2012) appointed prior to January 1, 1990 that do not participate in the Judicial Retirement Benefit Trust. Prior to creating the trust, benefits for these members were intended to be funded on a pay-as-you-go basis. To the extent assets in the trust are insufficient to fund member benefits, the State would also fund retirement benefits on a pay-as-you-go basis as it does for fifty-one (51) retired judges and surviving beneficiaries who were not members of either judicial plan. The employee contribution rate is 12% of salary (except for members of the Supreme Court who contribute 8.75%).

Retirement eligibility and plan benefits – The plan generally provides retirement benefits for members who have served as a justice of the Supreme Court, the Superior Court, the Family Court or the District Court, for 20 years (or a combination of service in various courts) and has reached the age of 65 years, or has served 15 years, and reached the age of 70 years. These members may retire from regular service and receive a benefit equal to the annual salary the member was receiving at the time of their retirement. Members of the Traffic Tribunal who served as a justice for 20 years, or has served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. However, any Traffic Tribunal judge who has served 20 years and has reached age 65 years, or has served for 15 years and has reached age 70 years may retire from active service and receive a benefit equal to the annual salary the justice was receiving at the time of their retirement.

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. When the collective funding level of a plan exceeds 80%, eligible retirees may receive a COLA annually effective on their date of retirement plus one month.

The COLA calculation is represented by the following formula: 50% of the COLA is calculated by taking the previous 5-year average investment return, less 5% (5-year return - 5.0%, with a max of 4%) and 50% calculated using the increase in the CPI-U from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

The benefit adjustments are provided to all retirees entitled to receive a benefit adjustment as of June 30, 2012 under the law then in effect, and for all other retirees, the benefit adjustments shall commence upon the third anniversary of the date of retirement or the date on which the retiree reaches his or her Social Security retirement age, whichever is later. For members (and their beneficiaries) retiring after June 30, 2015, the annual benefit adjustment provided in any calendar year is equal to the lesser of either the member's retirement allowance or the first $27,184 (indexed as of January 1, 2020) 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 $27,184 is replaced with $32,621 (indexed as of January 1, 2020) 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 $27,184).

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 $27,184 (indexed as of January 1, 2020) 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 $27,184 is replaced with $32,621 (indexed as of January 1, 2020) 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 $27,184).

Disability retirement provisions - The plan provides nonservice-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 $27,184 (indexed as of January 1, 2020) 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 $27,184 is replaced with $32,621 (indexed as of January 1, 2020) 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 $27,184).

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

The Fiduciary Net Position presented for defined benefit plans which are advance funded and accounted for in a trust has been determined on a basis consistent with that used by the respective plans in preparing their financial statements. ERS issues a publicly available financial report that includes financial statements and required supplementary information for the plans. The report may be obtained at http://www.ersri.org. The plans' basis of accounting and accounting policies, including those related to benefit payments and valuation of plan investments is summarized below.

Basis of Accounting

The financial statements of the ERS are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when incurred. Plan member contributions are recognized in the period in which the wages, subject to required contributions, are earned for the performance of duties for covered employment. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Disclosures regarding methods used to value investments and investment expenses are included in Note 2C, Pension Trusts.

D. Defined Benefit Plan – Non-Contributory (pay-as-you-go) Pension Plan

In addition to the defined benefit plans administered by the ERS, the State also administers one other non-trusteed 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. The 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 non-trusteed 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 survivors, upon the death of the participant, to continue to receive a portion of the participant's benefit.

E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute 40% of the cost of providing retirement benefits for teachers covered by the Employees' Retirement System. Under GASB Statement No. 68, for teachers, the State is considered to be a non-employer contributing entity under a special funding situation. The total net pension liability for teachers covered by the Employees' Retirement System measured as of June 30, 2019 is approximately $3.2 billion and the State' share of the net pension liability is approximately $1.4 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, 2020 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 42.83%, a decrease of 0.10% since the prior reporting period.

Benefit provisions, contribution requirements, and other information related to the measurement and proportionate share of the net pension liability under a special funding situation for teachers are described in other sections of this Note relating to the ERS plan.

F. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws. With the exception of the RIJRFT employers are required by statute to make annual actuarially determined contributions to the respective defined benefit plans.

Actuarially determined contributions are calculated as of June 30, two years prior to the commencement of the fiscal year in which the contributions are reported. The actuarially determined contribution rates (or amounts if not expressed as a rate) for fiscal 2020 were determined based on valuations performed as of June 30, 2017 for all plans, with the exception of RIJRFT which was determined based on a valuation performed as of June 30, 2019.

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 actuarially determined contributions. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization over 17 years from June 30, 2013.

The Rhode Island State Police Retirement Fund Trust is a closed group of individuals and the annual contributions into the Trust have been calculated on a level-dollar amortization over 18 years from June 30, 2016.

The non-contributory judges (JNCRP) plan is financed on a pay-as-you-go basis.

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, 2020 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP**
Contribution rate:						
State	26.39%	21.30%	$1,215	18.48%	$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	10.49%	—	—	—	—	—
Contributions made for state employees	$181,181	$2,189	$399	$4,878	$16,387	$4,656
Contribution made for teachers	$108,636	—	—	—	—	—

*Actuarially determined contribution not expressed as a rate

**JNCRP is a pay-as-you-go plan.

ERS Plan Supplemental Contributions - The General Laws (Section 36-10-2(a) 1 and 2) also require, in addition to the contributions provided for by the funding policy, for each fiscal year in which the actuarially determined state contribution rate for state employees and teachers is lower than that for the prior fiscal year, the governor shall include an appropriation to that system equivalent to 20% of the rate reduction to be applied to the actuarial accrued liability. The amounts to be appropriated shall be included in the annual appropriation bill and shall be paid by the general treasurer into the retirement system. The retirement system's 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 2020, no supplemental contribution was required in accordance with this provision of the General Laws.

The Retirement Security Act provides for additional contributions to the System based on 5.5% of the value of contracts where the services performed by the contractor were previously performed by state employees. A supplemental contribution of $360 thousand 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 actuarially 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 2019. The State's proportion for the ERS Plan for State employees was 89.66%, an increase of 0.20% 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, 2019 (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		$ 2,266,422
Less portion attributable to other entities:		
Enterprise Fund - Rhode Island Lottery		$ (20,850)
Discretely Presented Component Units		
University of Rhode Island	$ 118,983	
Rhode Island College	41,591	
Community College of RI	31,791	
RI Division of Higher Education Assistance	385	
RI Commerce Corporation	302	
RI Airport Corporation	1,799	
		(194,851)
Related organization - Narragansett Bay Commission		(18,732)
ERS - Net Pension Liability - Governmental Activities		$ 2,031,989
Net Pension Liability - Single Employer Defined Benefit Pension Plans		
JRBT		3,480
RIJRFT		19,508
SPRBT		30,028
SPRFT		161,378
JNCRP		39,705
Total Net Pension Liability		$ 2,286,088

Further details regarding the State's total pension liability and net pension liability for the single employer trusteed defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2019 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	$ 81,094	$ 20,474	$ 177,433	$ 177,977
Plan fiduciary net position	77,614	966	147,405	16,599
Net pension liability	$ 3,480	$ 19,508	$ 30,028	$ 161,378
Plan fiduciary net position as a percentage of total pension liability	95.7 %	4.7 %	83.1 %	9.3 %

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2018 and rolled forward to the June 30, 2019 measurement date, with the exception of JNCRP. The total pension liability for JNCRP is based on a valuation performed as of June 30, 2019. 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	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	6/30/2018 rolled forward to 6/30/2019	06/30/19
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
Assumptions							
Investment Rate of Return	7.00%	7.00%	7.00%	3.13%	7.00%	7.00%	3.13%
Projected Salary increases	3.25% to 6.25%	3.0% to 13.0%	3.00%	3.00%	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 RP-2014 mortality tables-for the improvement scale, update to the ultimate rates of the MP projection scale.						
COLA	Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The second such COLA will be applicable in Calendar Year 2021. As of June 30, 2019, it is assumed that the COLAs will be suspended for 8 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% 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 3.5%.						

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2019 measurement date were consistent with the 2017 Actuarial Experience Investigation Study for the six year period ended June 30, 2016.

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 3.13% 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.

The long-term expected rate of return best-estimate on pension plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of pension plan investment expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 34 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, 2019 expected arithmetic returns over the long term (20 years) by asset class are summarized in the following table:

Asset Class	Long-term Asset allocation	Long-term Expected Arithmetic Real Rate of Return
GROWTH		
Global Equity		
U.S. Equity	22.10 %	6.16 %
International Developed Equity	13.20 %	6.83 %
Emerging Markets Equity	4.70 %	8.90 %
Private Growth		
Private Equity	11.25 %	9.81 %
Non-Core Real Estate	2.25 %	5.51 %
Opportunistic Private Credit	1.50 %	9.81 %
INCOME		
High Yield Infrastructure	1.00 %	3.98 %
REITS	1.00 %	5.51 %
Liquid Credit	2.80 %	3.98 %
Private Credit	3.20 %	3.98 %
STABILITY		
Crisis Protection Class		
Treasury Duration	4.00 %	0.77 %
Systematic Trend	4.00 %	4.20 %
Inflation Protection		
Core Real Estate	3.60 %	5.51 %
Private Infrastructure	2.40 %	5.85 %
TIPs	1.00 %	1.37 %
Natural Resources	1.00 %	3.76 %
Volatility Protection		
IG Fixed Income	11.50 %	2.15 %
Absolute Return	6.50 %	4.20 %
Cash	3.00 %	0.77 %
	100.00 %	

b. Discount rate

The discount rate used to measure the total pension liability of the plans was 7.0% for all plans but the 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, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

For the RIJRFT and JNCRP plans, the State has not opted to make actuarially determined employer contributions and based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members. Consequently, for those plans, the municipal bond index rate, based on fixed-income mutual bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index", (3.13% at June 30, 2019) 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 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 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 3.13% at June 30, 2019 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 (7.0%)	1.00% Increase (8.00%)
ERS - State employees	$ 2,494,083	$ 2,031,989	$ 1,653,711
ERS - Teachers (State share)	$ 1,688,809	$ 1,366,538	$ 1,102,727
JRBT	$ 11,966	$ 3,480	$ (3,465)
SPRBT	$ 50,206	$ 30,028	$ 15,005
SPRFT	$ 180,926	$ 161,378	$ 145,373

	1.00% Decrease (2.13%)	Municipal Bond Index Rate (3.13%)	1.00% Increase (4.13%)
RIJRFT	$ 21,790	$ 19,508	$ 17,809
JNCRP	$ 42,518	$ 39,705	$ 37,223

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	$ 25,592	$ 20,850	$ 16,969

H. Changes in the Net Pension Liability

Information on the State's net pension liability for single employer plans is as follows (expressed in thousands):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP*
Total Pension Liability					
Service cost	$ 3,184	$ 277	$ 5,342	$ —	$ —
Interest	5,526	685	11,590	12,193	1,413
Benefit changes	—	—	—	—	—
Differences between expected and actual experience	(3,165)	—	624	—	521
Changes of assumptions	—	917	—	—	1,250
Benefit payments	(3,609)	(399)	(6,047)	(16,799)	(5,029)
Net change in Total Pension Liability	1,936	1,480	11,509	(4,606)	(1,845)
Total Pension Liability - beginning	79,158	18,994	165,924	182,583	41,550
Total Pension Liability - ending	$ 81,094	$ 20,474	$ 177,433	$ 177,977	$ 39,705
Plan Fiduciary Net Position					
Employer contributions	$ 1,922	$ 399	$ 3,567	$ 16,387	$ 5,029
Employee contributions	1,109	122	2,130	—	—
Net investment income	4,821	38	9,161	770	—
Benefit payments	(3,609)	(399)	(6,047)	(16,799)	(5,029)
Administrative expenses	(74)	(1)	(140)	(17)	—
Other	—	—	1	—	—
Net change in Fiduciary Net Position	$ 4,169	$ 159	$ 8,672	$ 341	$ —
Plan Fiduciary Net Position - beginning	73,445	807	138,733	16,258	—
Plan Fiduciary Net Position - ending	$ 77,614	$ 966	$ 147,405	$ 16,599	$ —
Net Pension Liability	$ 3,480	$ 19,508	$ 30,028	$ 161,378	$ 39,705

*This is a non-trusteed plan which historically has been funded on a pay-as-you-go basis; therefore no assets have been accumulated and total pension liability and net pension liability are the same.

I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources

Employees' Retirement System of Rhode Island

For the fiscal year ended June 30, 2020 the State recognized net pension expense of $256.8 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 $151.6 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, 2020 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
Deferred Outflows of Resources			
State contributions subsequent to the measurement date	$ 179,281	$ 108,636	$ 287,917
Differences between expected and actual experience	21,400	16,641	38,041
Changes of assumptions	88,872	79,964	168,836
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,079	40,020	49,099
Totals	$ 298,632	$ 245,261	$ 543,893
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	$ 3,771	$ 2,150	$ 5,921
Differences between expected and actual experience	10,592	22,821	33,413
Changes of assumptions	—	10,785	10,785
Changes in proportion and differences between employer contributions and proportionate share of contributions	101	13,609	13,710
Totals	$ 14,464	$ 49,365	$ 63,829

The $179.3 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, 2021. In addition, the $108.6 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, 2021. 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:		
2021	$ 54,392	$ 27,659
2022	30,169	3,966
2023	13,435	21,622
2024	6,485	28,086
2025	406	6,539
Thereafter	—	(612)
	$ 104,887	$ 87,260

Business-type Activities:

Deferred Outflows of Resources		
Contributions subsequent to the measurement date	$	1,900
Differences between expected and actual experience		220
Changes of assumptions		912
Changes in proportion and differences between employer contributions and proportionate share of contributions		2,861
Totals	$	5,893
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	$	38
Differences between expected and actual experience		109
Changes in proportion and differences between employer contributions and proportionate share of contributions		155
Totals	$	302

The $1.9 million reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. 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:		
2021	$	1,187
2022		910
2023		805
2024		712
2025		76
Thereafter		—
	$	3,690

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2020 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	$ 2,236
RIJRFT	1,726
SPRBT	8,454
SPRFT	10,886
JNCRP	3,185
Total	$ 26,487

At June 30, 2020 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
Deferred Outflows of Resources						
Employer contributions subsequent to the measurement date	$ 2,189	$ 399	$ 4,878	$ 16,387	$ 4,656	$ 28,509
Differences between expected and actual experience	—	—	9,557	—	—	9,557
Change of Assumptions	2,156	—	6,504	—	—	8,660
Totals	$ 4,345	$ 399	$ 20,939	$ 16,387	$ 4,656	$ 46,726
Deferred Inflows of Resources						
Net difference between projected and actual earnings on pension plan investments	$ 263	$ 19	$ 598	$ 268	$ —	1,148
Differences between expected and actual experience	5,288	—	4,398	—	—	9,686
Change of assumptions	—	—	154	—	—	154
Totals	$ 5,551	$ 19	$ 5,150	$ 268	$ —	$ 10,988

The amount of $28.5 million reported as deferred outflows of resources, related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date, will be recognized as a reduction in the net pension liability in the year ended June 30, 2021. 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
2021	$ (803)	$ (3)	$ 2,075	$ (200)	$ —	$ 1,069
2022	(1,170)	(10)	353	(200)	—	(1,027)
2023	(1,035)	(5)	1,349	61	—	370
2024	(387)	(1)	1,601	71	—	1,284
2025	—	—	1,516	—	—	1,516
Thereafter	—	—	4,017	—	—	4,017
	$ (3,395)	$ (19)	$ 10,911	$ (268)	$ —	$ 7,229

J. 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, 2020, 867 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 in 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 2020. 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.

K. 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. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The State Investment Commission 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 $5.4 million for the fiscal year ended June 30, 2020, equal to 100% of the required contributions for the fiscal year.

Investment options - See Note 2C, Other Investments - Defined Contribution Plan.

Plan vesting and contribution forfeiture provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The total amount contributed by the employer, including associated investment gains and losses, vests with the employee and is non-forfeitable upon completion of three (3) years of contributory service. Non-vested employer contributions are forfeited upon termination of employment. Such forfeitures can be used by employers to offset future remittances to the plan.

Retirement benefits – Benefits may be paid to a member after severance from employment, death, plan termination, or upon a deemed severance from employment for participants performing qualified military service. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains a certain age or terminates employment, if later.

The System issues a publicly available financial report that includes financial statements and required supplementary information for plans administered by the system. The report may be obtained at http://www.ersri.org.

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 State's Department of Administration (DOA), which also serves as the FARP plan sponsor. The FARP took effect on December 15, 2013. TIAA serves as record keeper for the FARP, and FARP assets are held by J.P. Morgan as investment custodian.

Plan members – Eligible members of the FARP are any part-time, seasonal, or temporary employees of the State of Rhode Island, hired after July 1, 2013, who are ineligible for participation in the Employees' Retirement System of Rhode Island (ERSRI). With the exception of the One-Time Opt-Out Provision described below, participation in the FARP is mandatory for these employees. Part-time, seasonal, or temporary employees hired prior to July 1, 2013, who do not participate in the ERSRI may opt to continue contributing to Social Security for the duration of their continuous employment.

One-time opt-out provision – The FARP contains a provision which allows a FARP-eligible employee, hired after July 1, 2013, to opt-out or elect to not participate in the FARP. An employee who opts to not participate will continue to make FICA contributions and the State will continue to make FICA contributions on behalf of the employee. An employee who opts to not participate in the FARP may subsequently, without penalty, choose to participate in the FARP; this election is irrevocable as long as the employee is a FARP-eligible employee.

Plan vesting provisions – The total amount contributed by the member, including associated investment gains and losses, shall immediately vest in the member's account and is non-forfeitable. The State does not make matching contributions to the FARP.

Member accounts – Each member's account is credited with the member's contribution and an allocation of the plan's earnings. Allocations are based on a relationship of the member's account balance in each investment fund to the total of all account balances in that fund. The retirement benefit to which a member is entitled is the benefit that can be provided from the member's account.

Contributions – FARP benefits are funded by contributions from the participants as specified in RI General Law section 36-7-33.1. FARP participants make mandatory payroll deduction contributions to the FARP equal to 7.5% of the employee's gross wages for each pay period.

Investment options – Member and employer contributions must be invested in one of the Vanguard Target Retirement Trusts, which are age-appropriate.

Retirement benefits – Benefits may be paid to a member after termination from employment, death, total disability, or upon attaining age 59½. In the case of termination, a 10% IRS penalty upon withdrawal will apply if the member is younger than 55 years of age. At a minimum, retirement benefits must begin no later than April 1 of the calendar year following the year in which the member attains a certain age or terminates employment, if later.

M. Other Pension Plans – Component Units

Certain employees of the University of Rhode Island, Rhode Island College and the Community College of Rhode Island (principally faculty and administrative personnel) are covered by individual annuity contracts under a defined contribution retirement plan. Eligible employees who have reached the age of 30, and who have two years of service are required to participate in either the Teachers Insurance and Annuity Association, the Metropolitan Life Insurance Company, or Variable Annuity Life Insurance Company retirement plan. Eligible employees must contribute at least 5% of their gross biweekly earnings. The University and Colleges contribute 9% of the employees' gross biweekly earnings. Total expenses by the institutions for such annuity contracts amounted to approximately $20.9 million during the year ended June 30, 2020.

The Rhode Island Public Transit Authority has two single-employer defined benefit pension plans that cover eligible employees which are described below. Other information about the plans can be found in the audited financial statements of RIPTA which are available at www.ripta.com.

- The first plan, RIPTA Employees' Pension Plan, covers employees of the Authority who work more than 1,000 hours per year. There are no age or minimum service requirements and employees are eligible to participate immediately upon employment. Any changes to the plan are subject to the collective bargaining process. Plan benefits and other provisions are established by the plan document. The Plan is administered by the Authority's Joint Pension Board. The plan provides retirement, disability and death benefits. Benefits vest upon completion of ten years of service. Authority employees are eligible to retire upon attainment of normal retirement age (62, or if later, upon completion of 5 years of service). Retired employees are entitled to a monthly benefit for life as stipulated in the plan provisions. Employees are required to contribute between 3% and 4% of their base salary to the plan each year until the earlier of the participant's normal retirement date or termination of service. The remaining contributions to the plan are made by the Authority. At the June 30, 2019 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of $71.7 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2020. For the fiscal year ended June 30, 2020 pension expense of $13.0 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 $1.46 per hour up to a maximum of 40 hours per week to the Plan for calendar year 2020. The Authority is not required to contribute to the Plan.

Certain other component units have defined contribution pension and savings 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 2020 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2019 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	$ 12,485	$ 391,135
			Business-type activities	$ 244	$ 3,990
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	$ (428)	$ (2,417)
C	Judges	Single-employer plan - advance funded through a trust	Judges and magistrates	$ (296)	$ (3,166)
D	State Police	Single-employer plan - advance funded through a trust	State police officers	$ (1,182)	$ 30,542
E	Legislators	Single-employer plan - advance funded through a trust	Retired and former members of the General Assembly	$ (302)	$ (1,655)
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	$ —	$ 80
	Totals			$ 10,521	$ 418,509

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 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 the State Controller's Office, 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, 2018 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	6,730	11,169	17,899
Teachers	146	N/A	146
Judges	47	61	108
State Police	173	233	406
Legislators	18	111	129
Board of Education (BOE)	801	1,859	2,660

Terminated employees are not included in the valuation.

B. Benefit Plan Descriptions

Members of the System, which include State employees, legislators, judges, State police officers, certified public school teachers and employees of certain component units, if they meet certain eligibility requirements, are eligible to receive some form of retiree health care benefits. In addition, certain employees of the Board of Education receive benefits under 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 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 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 in 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 year of age at retirement may retire with a minimum of 28 years of service and must pay 0% - 10% of retiree health care costs, as determined by the number of years of each employee's service. Employees retiring on or before September 30, 2008 who are 60 years of age or over at retirement may retire with a minimum of 10 years of service and must pay 0% - 50% of retiree health care costs, as determined by the number of years of each employee's service.

Teachers

Teachers who elect to participate in the System and retired on or before September 30, 2008, receive the Tier I subsidy but no other State cost sharing. For all teachers retiring on or after October 1, 2008, the Tier I subsidy ends and there is no other cost sharing by the State. Retired teachers may purchase coverage through the System at the actual cost for retirees.

Judges

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date are able to continue on the active health care plan provided they enroll in Medicare Part B.

State Police

Retired state police officers (including spouses and dependents) receive the active health care plan benefits or Medicare supplement coverage with the same co-share amount in effect at the date of their retirement.

Legislators

Effective July 1, 2012 new retirees (and spouses and dependents) that are eligible for Medicare are required to enroll in Medicare and a Medicare Supplemental plan. Retirees who retired before that date can continue on the active health care plan provided they enroll in Medicare Part B.

Board of Education

The BOE Plan offers three types of retiree health care benefits: (1) a self-insured health care plan for retirees not covered by Medicare, (2) a self-insured Medicare supplement plan for Medicare eligible post-65 retirees and (3) a fully insured Medicare HMO plan for Medicare eligible post-65 retirees.

The Tier I non-Medicare eligible plan subsidy provides that the Board will pay the portion of the cost of post-retirement health care for the retiree between the active group rate and the early retiree rate. This subsidy is based on years of service and ends when the retiree enrolls in Medicare. This subsidy is available only to eligible employees retiring before July 1, 2008.

To be eligible for coverage, the retiree retiring before July 1, 2008 must have worked a minimum of 10 years for the Board and must be at least 60 years of age, unless they have 28 years or more of service. Depending on the years of service and the retiree’s age, the Board will pay from 50% to 100% of medical insurance premium while the retiree contributes from 50% to 0%.

Employees retiring after June 30, 2008, who are not yet 65 years of age, who have worked a minimum of 10 years for the Board and are at least 60 years of age or who have 28 years or more of service, may purchase health insurance coverage at the actual (100%) retiree premium rate for themselves and their spouses. The Board will continue to pay a portion of the post-65 Tier II benefits, 50% to 100% of medical insurance premium, depending on the years of service and the retiree’s age while the retiree will contribute from 50% to 0%.

Active employees covered by the BOE plan contribute 0.9% of their salary. The contribution of employees covered under the BOE plan can be changed by the Board of Education.

C. Contributions and Funding Policy

Contribution requirements for plan members and participating employers are established pursuant to the Rhode Island General Laws and may be amended by the General Assembly.

The State and other participating employers are required by law to fund the plans on an actuarially determined basis. For the fiscal year ended June 30, 2020, the State and other participating employers paid $64 million into the plans.

The fiscal 2020 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2017.

A summary of the contribution rates by both the participating employers and members and the State's annual plan contributions (expressed in thousands) for the fiscal year ended June 30, 2020 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	6.65 %	— *	— *	29.65 %	— *	4.08 %
Plan members	—	—	—	—	—	0.9 %
Contributions made	$ 45,801	$ —	$ —	$ 7,797	$ —	$ 14

* 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 in fiscal 2019. The State's proportion for the State Employees Plan for State employees was 89.6%.

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, 2019 (expressed in thousands):

Net OPEB Liability - Multiple Employer Cost-sharing OPEB Plans:		
Total Net OPEB Liability - State Employees Plan		$ 436,477
Less portion attributable to other entities:		
Enterprise Fund - Rhode Island Lottery		$ (3,990)
Discretely Presented Component Units		
University of Rhode Island	$ 23,021	
Rhode Island College	8,080	
Community College of RI	6,165	
RI Division of Higher Education Assistance	71	
RI Commerce Corporation	58	
RI Airport Corporation	348	
		(37,743)
Related organization - Narragansett Bay Commission		(3,609)
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities		$ 391,135
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities		80
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities		$ 391,215
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities		$ 3,990
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans		$ 395,205
Net OPEB Liability (Asset) - Single Employer Plans:		
Net OPEB Liability - Single Employer OPEB Plans		
State Police		30,542
Total Net OPEB Liability		$ 30,542
Net OPEB Liability - All Plans		$ 425,747
Net OPEB (Asset) - Single Employer OPEB Plans		
Teachers		$ (2,417)
Judges		(3,166)
Legislators		(1,655)
Total Net OPEB (Asset)		$ (7,238)

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	$ 421,757	$ 3,990	$ 425,747
Net OPEB (Asset)	$ (7,238)	$ —	$ (7,238)

Further details regarding the State's total OPEB liability and net OPEB liability (asset) for the single employer trusteed OPEB plans (expressed in thousands) which was measured as of June 30, 2019 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	$ 11,433	$ 1,283	$ 87,090	$ 1,612
Plan fiduciary net position	13,850	4,449	56,548	3,267
Net OPEB liability (asset)	$ (2,417)	$ (3,166)	$ 30,542	$ (1,655)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	121.1 %	346.8 %	64.9 %	202.6 %

a. Actuarial assumptions used in determining total OPEB liability

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2018 and rolled forward to the June 30, 2019 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	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
Valuation Health Care Cost Trend Rate	8.25% in 2019, grading to 3.5% in 2031					
Mortality Rates	Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female State Employees and Police: RP- 2014 Combined Healthy for females, projected with the MP 2016 ultimate rates.					
Excise Tax Under the Patient Protection and Affordable Care Act	The Patient Protection and Affordable Care Act (PPACA) 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. Subsequent to the June 30, 2019 measurement date, the PPACA provision relating to the excise tax on high cost health plans was repealed. The elimination of this provision will be reflected in the June 30, 2020 measurement data determination of the total OPEB liability.					
Note: Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.75% assumption.						

The actuarial assumptions used in the June 30, 2018 valuation and the calculation of the total OPEB liability (asset) at June 30, 2019 were consistent with an actuarial experience review performed as of June 30, 2017.

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 34 nationally recognized consulting firms. The June 30, 2019 expected arithmetic returns over the long-term (20 years) by asset class are summarized in the following table:

Asset Class	Long-Term Target Asset Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	65%	6.05%
Fixed Income	35%	1.48%

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, actuarially determined. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

c. Sensitivity of the net OPEB liability (asset) to changes in the discount rate

The following table presents the net OPEB liability (asset) of the employers calculated using the discount rate of 5.0%, as well what the employers' net OPEB liability (asset) would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate (expressed in thousands).

Governmental Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
State employees	$ 467,960	$ 391,135	$ 327,697
Teachers	$ (1,374)	$ (2,417)	$ (3,315)
Judges	$ (3,117)	$ (3,166)	$ (3,212)
State Police	$ 37,660	$ 30,542	$ 24,128
Legislators	$ (1,557)	$ (1,655)	$ (1,744)
BOE	$ 105	$ 80	$ 59

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	$ 4,774	$ 3,990	$ 3,343

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 9.0% 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).

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Governmental Activities:			
State employees	$ 309,440	$ 391,135	$ 494,031
Teachers	$ (3,486)	$ (2,417)	$ (1,193)
Judges	$ (3,178)	$ (3,166)	$ (3,149)
State Police	$ 21,259	$ 30,542	$ 41,422
Legislators	$ (1,774)	$ (1,655)	$ (1,520)
BOE	$ 54	$ 80	$ 113

Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	$ 3,157	$ 3,990	$ 5,040

E. Changes in the Net OPEB Liability (Asset)

Information on the State's net OPEB liability for single employer plans is as follows (expressed in thousands):

	Teachers	Judges	State Police	Legislators
Total OPEB Liability				
Service cost	$ —	$ 22	$ 4,108	$ 71
Interest	581	60	4,369	79
Change of benefit terms	(1,952)	(42)	(4,790)	(257)
and actual experience	1,954	102	630	284
Changes of assumptions	(45)	(11)	(1,161)	(61)
Benefit payments, net of retiree contributions	(1,438)	(54)	(2,801)	(98)
Net change in Total OPEB Liability	(900)	77	355	18
Total OPEB Liability - beginning	12,333	1,206	86,735	1,594
Total OPEB Liability - ending	$ 11,433	$ 1,283	$ 87,090	$ 1,612
Plan Fiduciary Net Position				
Employer contributions	$ 2,277	$ —	$ 8,257	$ 15
Net investment income	1,101	341	4,683	276
Benefit payments	(1,438)	(54)	(2,801)	(98)
Administrative expenses	(2)	—	(12)	—
Other	117	49	277	32
Net change in Fiduciary Net Position	$ 2,055	$ 336	$ 10,404	$ 225
Plan Fiduciary Net Position - beginning	11,795	4,113	46,144	3,042
Plan Fiduciary Net Position - ending	$ 13,850	$ 4,449	$ 56,548	$ 3,267
Net OPEB Liability (Asset)	$ (2,417)	$ (3,166)	$ 30,542	$ (1,655)

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, 2020 the State recognized OPEB expense of $12.7 million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2020 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
Deferred Outflows of Resources			
State contributions subsequent to the measurement date	$ 45,323	$ 14	$ 45,337
Differences between expected and actual experience	—	1	1
Changes of assumptions	19,155	7	19,162
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,507	20	1,527
Totals	$ 65,985	$ 42	$ 66,027
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 49,412	$ 23	$ 49,435
Net difference between projected and actual investment earnings	12,449	5	12,454
Changes of Assumptions	3,435	1	3,436
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	15	15
Totals	$ 65,296	$ 44	$ 65,340

The $45.3 million reported as deferred outflows of resources related to OPEB resulting from State contributions to the plans subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. 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):

	State Employees	BOE
Year ended June 30:		
2021	$ (8,956)	$ (4)
2022	(8,956)	(4)
2023	(7,530)	(4)
2024	(6,490)	(3)
2025	(5,235)	(2)
Thereafter	(7,467)	1
	$ (44,634)	$ (16)

Business-type Activities:

<u>Deferred Outflows of Resources</u>		
Contributions subsequent to the measurement date	$	478
Changes of assumptions		195
Changes in proportion and differences between employer contributions and proportionate share of contributions		752
Totals	$	1,425
<u>Deferred Inflows of Resources</u>		
Differences between expected and actual experience	$	504
Net difference between projected and actual investment earnings		127
Changes of assumptions		35
Totals	$	666

The $478 thousand reported as deferred outflows of resources related to OPEB resulting from contributions to the plan subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. 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:		
2021	$	25
2022		25
2023		40
2024		50
2025		63
Thereafter		78
	$	281

<u>Other Single Employer OPEB Plans</u>

For the fiscal year ended June 30, 2020 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	$	(428)
Judges		(296)
State Police		(1,182)
Legislators		(302)
Total	$	(2,208)

The June 30, 2019 measurement date information includes pension credits of $428 thousand, $296 thousand, $1,182 thousand and $302 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, 2020 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
Deferred Outflows of Resources					
Employer contributions subsequent to the measurement date	$ —	$ —	$ 7,797	$ —	$ 7,797
Differences between expected and actual experience	—	73	554	413	1,040
Change of Assumptions	—	23	—	—	23
Totals	$ —	$ 96	$ 8,351	$ 413	$ 8,860
Deferred Inflows of Resources					
Differences between expected and actual experience	$ —	$ 110	$ 783	$ —	$ 893
Change of assumptions	—	8	4,498	78	4,584
Net difference between projected and actual investment earnings	721	239	3,393	224	4,577
Totals	$ 721	$ 357	$ 8,674	$ 302	$ 10,054

The amount of $7.8 million reported as deferred outflows of resources, related to OPEB resulting from State contributions to the single employer plans after the measurement date, will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. 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:				
2021	$ (237)	$ (135)	$ (2,153)	$ (13)
2022	(237)	(66)	(2,153)	(13)
2023	(149)	(35)	(1,772)	18
2024	(98)	(25)	(1,490)	39
2025	—	—	(285)	48
Thereafter	—	—	(267)	32
	$ (721)	$ (261)	$ (8,120)	$ 111

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, 2020 the plan's total OPEB liability totaled $71.3 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2019 rolled forward to June 30, 2020. For the fiscal year ended June 30, 2020 OPEB expense of $2.7 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, 2020 each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	$	39,336
Rhode Island College		19,598
Community College of Rhode Island		15,395
Total	$	74,329

The net OPEB liabilities in the table above were measured as of June 30, 2019, 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, 2018 rolled forward to the June 30, 2019 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal 2019 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2020 each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	$	583
Rhode Island College		100
Community College of Rhode Island		54
Total	$	737

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 2020, and the two preceding fiscal years, no settlements exceeded insured coverage limits.

Employee and certain retiree healthcare - The State also has a contract with an insurance carrier/ administrator to provide health care benefits to active and certain retired employees. For coverage provided to active employees and retirees who are not eligible for Medicare, the State retains the full risk of loss. The State reimburses the administrator for the costs of all claims paid plus administrative fees.

The estimated liability for incurred but not reported (IBNR) claims at June 30, 2020 and June 30, 2019 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	Liability at July 1, 2019	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30, 2020
Health Insurance				
Internal Service Fund				
Unpaid claims	$ 18,542	$ 237,398	$ 239,500	$ 16,440

	Liability at July 1, 2018	Current Year Claims and IBNR Estimate	Claim Payments	Liability at June 30, 2019
Health Insurance				
Internal Service Fund				
Unpaid claims	$ 17,261	$ 241,130	$ 239,849	$ 18,542

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.

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	$ 60	$ 15,309	$ 15,369	$ (15,623)	$ (254)
Loans to other funds	96,938	2,236	99,174	(99,174)	—
Total assets	$ 96,998	$ 17,545	$ 114,543	$ (114,797)	$ (254)
Liabilities					
Due to other funds	$ 15,067	$ 556	$ 15,623	$ (15,623)	$ —
Loans from other funds	86,039	13,135	99,174	(99,174)	—
Total liabilities	$ 101,106	$ 13,691	$ 114,797	$ (114,797)	$ —
Program revenue					
General government	$ —	$ 415,916	$ 415,916	$ (415,916)	$ —
Public safety	—	13,035	13,035	(13,035)	—
Expenses					
General government	—	(415,203)	(415,203)	415,203	—
Public safety	—	(13,748)	(13,748)	13,748	—
Net revenue (expenses)	$ —	$ —	$ —	$ —	$ —
Transfers					
Transfers in	$ 513,359	$ —	$ 513,359	$ (261,893)	$ 251,466
Transfers out	(261,893)	—	(261,893)	261,893	—
Net transfers	$ 251,466	$ —	$ 251,466	$ —	$ 251,466

	Total Business-type Activities		Total	Eliminations	Internal Balances
Assets					
Due from other funds	$ 3,117	$ —	$ 3,117	$ (2,863)	$ 254
Total assets	$ 3,117	$ —	$ 3,117	$ (2,863)	$ 254
Liabilities					
Due to other funds	$ 2,863	$ —	$ 2,863	$ (2,863)	$ —
Total liabilities	$ 2,863	$ —	$ 2,863	$ (2,863)	$ —
Transfers					
Transfers in	$ 32,667	$ —	$ 32,667	$ (32,667)	$ —
Transfers out	(284,133)	—	(284,133)	32,667	(251,466)
Net transfers	$ (251,466)	$ —	$ (251,466)	$ —	$ (251,466)

B. Related Party Transactions

Rhode Island Turnpike and Bridge Authority (RITBA) - The State has transferred custody, control and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks $0.035 per gallon of the gas tax to the Authority to fund the additional maintenance costs associated with these bridges. In addition, the Authority provides administrative and operational functions for the RhodeWorks truck tolling initiative which commenced in fiscal 2018. The

Authority collected tolls on behalf of the State approximating $14.0 million during the fiscal year ended June 30, 2020.

The R.I. Industrial-Recreational Building Authority (RIIRBA) - 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) 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. The RIIRBA has a net deficit as of June 30, 2020 relating to the insured commitments payable for a bond issued by the RIIFC on behalf of a private-sector entity that is in default on its payments to the bondholder. As the insurer of the bond, the RIIRBA is responsible for making the debt payments. The RIIRBA has estimated the insured commitments payable to be $2.9 million as of June 30, 2020.

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's financial statements as a capital contribution at the historical cost of $343 per acre, for a total of $7,203. 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 $2.5 million in fiscal 2020. Also the State appropriated $1.1 million for operations in fiscal 2020. The State has appropriated $28 million to I-195 RDC to facilitate the sale of land and project development within the District.

Because Wexford is receiving incentives under the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the Commission is requiring Wexford to provide for return to the Commission from cash flows and/or upon a capital event based upon higher than expected returns from the 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 payment has been made to the Commission under such contractual provisions with respect to the project.

Rhode Island College (RIC) - The voters of Rhode Island authorized the issuance of $30 million in general obligation debt for the construction of a new residence hall at Rhode Island College (RIC). Of this amount, $20 million will be repaid to the State. The residence hall was finished and in service by September 2007, at which time RIC began collecting revenues to pay for its share of the debt service. Debt service obligation is to be split two-thirds to RIC and one-third to the State for all payments after September 2007. RIC will repay the State for the debt service paid on its behalf on a straight-line basis, amortized over the remaining life of the bonds, which carry rates ranging from 3% to 5% and a life of 19 years beginning in fiscal 2009.

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 the State to support the administration and operation of CollegeBound 529 and the establishment and marketing of 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, and 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is used to fund Rhode Island Promise scholarships. For the year ended June 30, 2020 the administrative costs fee totaled $244 thousand and the scholarship fund contribution totaled $733 thousand.

In addition to the 1.5 basis points used to fund scholarships discussed above, the investment manager of the fund is required to contribute 9.5 basis points (0.095%) to fund scholarships. Such contributions, which totaled $4.7 million for the year ended June 30, 2020, are paid directly by the investment manager and are not included in administrative fees and expenses in RIHEST's financial statements.

Rhode Island Health and Educational Building Corporation (RIHEBC) - During fiscal 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 and other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies. The State issued $70 million of General Obligation Bonds (of the total $250 million authorized by the voters) in December 2019 to fund the School Construction Bond Program administered by RIHEBC, to provide further assistance to cities and towns for school construction projects. RIHEBC reported bond proceed transfers from the State of $26.9 million and related project cost expenses of $22.3 million (approved by the State's School Building Authority) for fiscal 2020.

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 statutes, premium received from the issuance of bonds totaling $17.8 million was transferred to RIIB for this fund during fiscal 2020. 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 $25.7 million during fiscal 2020 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately $74.4 million reserved for economic development initiatives at June 30, 2020 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 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.

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

	Expense	Description
Governmental activities		
General		
University of Rhode Island	$ 79,156	Operating assistance
Rhode Island College	48,048	Operating assistance
Community College of Rhode Island	47,488	Operating assistance
Central Falls School District	47,914	Operating assistance
The Met	10,609	Operating assistance
R.I. Commerce Corporation	25,568	Operating assistance
R.I. Division of Higher Education Assistance	5,724	Operating assistance
R.I. Public Transit Authority	3,227	Operating assistance
R.I. Health and Educational Building Corporation	63,029	School Building Authority Capital Fund/School Housing Aid
IST		
R.I. Public Transit Authority	54,487	Operating assistance
R.I. Turnpike and Bridge Authority	16,187	Infrastructure improvements
Bond Capital		
University of Rhode Island	20,277	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	32,074	Infrastructure improvements, bond proceeds and bond premiums
R.I. Housing and Mortgage Finance Corporation	5,165	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	26,853	Infrastructure improvements and bond proceeds
R. I. Capital Plan		
University of Rhode Island	21,935	Construction, improvement or purchase of assets
Rhode Island College	8,588	Construction, improvement or purchase of assets
Community College of Rhode Island	6,443	Construction, improvement or purchase of assets
Total Governmental Activities	$ 522,772	

In addition, following is a summary of transfers made by the component units (expressed in thousands) to the primary government during the fiscal year ended June 30, 2020:

Component Unit	**Amount Transferred to Primary Government**
R.I. Infrastructure Bank	$21,790
R.I. Commerce Corporation	10,487
R.I. Housing and Mortgage Finance Corporation	1,500
Quonset Development Corporation	1,200
Total	$34,977

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2020:

- DCAMM ($2.69 million)
- Central Utilities ($65 thousand)
- Information Technology ($725 thousand)
- Records Center ($61 thousand)
- Capitol Police ($17 thousand)

The deficits will be eliminated through charges for services in fiscal 2021.

Note 23. Subsequent Events

Primary Government

COVID-19 Global Pandemic - Subsequent to June 30, 2020, economic challenges and uncertainties remain as a result of the continued impact of the pandemic and the unprecedented public health response required by the State. The extent of the impact of the COVID-19 pandemic on the State and its component units will ultimately depend on certain developments, including the pandemic duration, the effectiveness of the overall public health response including current efforts to administer vaccines, and the amount of federal assistance received to continue to mitigate the effects and fund the required public health response.

The State and its component units have received a significant amount of federal assistance to address the effects of the COVID-19 pandemic. Federal requirements on the use of those funds continue to evolve and be modified which results in fluidity in the amount of funds expended and considered available for spending in subsequent periods. In general, compliance provisions have been relaxed in more recent policy amendments.

Subsequent to June 30, 2020, the State received Federal Emergency Management Agency (FEMA) approval for the majority of eligible costs incurred in response to the COVID-19 Global Pandemic. These costs were reported as expenditures (funded by general revenues) in fiscal 2020 when incurred. Subsequent reimbursement from FEMA will be recorded as federal revenues in the year approved. In addition, a recent federal directive allows FEMA to pay 100% federal funding (previously, 75%) for the costs of activities that have previously been determined eligible, from the beginning of the pandemic in January 2020 to September 30, 2021.

With the continuation of the public health emergency (PHE) declaration, the federal Medical Assistance Program will continue to reimburse States at an enhanced rate (additional 6.2%) through the fiscal quarter in which the PHE declaration ends. The federal Department of Health and Human Services anticipates the declaration to be in place through December 31, 2021.

In December 2020, Congress passed the Bipartisan-Bicameral Omnibus COVID Relief Deal providing approximately $900 billion in additional COVID Relief. This relief bill provided additional stimulus to individuals, businesses, and hospitals in response to the economic distress caused by the coronavirus (COVID-19) pandemic. In addition to expanding funding for several CARES Act programs (e.g., Pandemic Unemployment Compensation, Paycheck Protection Program, Transportation Sector Aid, Education funding), this bill provided funding to assist with testing, tracing, vaccine development, and vaccine distribution.

The State began COVID-19 vaccine distribution in December 2020. Vaccine distribution efforts are expected to require a significant commitment of State resources through the remainder of fiscal 2021 and likely into fiscal 2022. Federal funding has been received to assist in the vaccination effort.

Voluntary Retirement Incentive Initiative - In January 2021, the State offered a Voluntary Retirement Incentive to approximately 900 state employees within the Executive and Legislative branches to achieve future cost savings. The incentive is only available to employees actively employed on January 4, 2021 who have a Full Benefit Retirement Date on or before December 31, 2020. The incentive consists of a one-time payment equal to twice the value of an eligible employee's annual longevity dollar amount, with a total cap of $40,000. Employees must provide notice of their election to retire under the terms of the incentive between March 15, 2021 – May 15, 2021. The final cost of the Voluntary Retirement Incentive Initiative cannot be currently determined.

Unemployment Insurance – The State's Department of Labor and Training has continued to receive a high volume of fraudulent benefit claims and estimates that an additional $13 million of fraudulent benefits have been paid subsequent to June 30, 2020.

Rhode Island Lottery – Lottery revenues (and transfers to the State's General Fund) continue to be negatively impacted after June 30, 2020 by capacity restrictions at the State's two licensed gaming facilities as well as the State's bars and restaurants which offer Keno wagering to the public. The Lottery experienced decreased revenues for video lottery, table games, and keno of approximately 49%, 43%, and 10%, respectively, at December 31, 2020 over the prior year six-month period ending December 31, 2019, which can be largely attributable to the public health emergency. Sportsbook revenue with the expansion of mobile wagering and the commencement of on-line player registration has resulted in a 17% increase in sportsbook wagering over the same period due to its on-line availability to the public.

RI Convention Center Authority (RICCA) – In December 2020, the State and RICCA entered into a memorandum of understanding for RICCA's assistance with the assembly and logistical management of COVID-19 test kits used in conjunction with statewide testing procedures. The total reimbursement authorized under the seven-month agreement ending June 30, 2021 totaled $4.1 million. In addition, the State extended its Special Use License Agreement (which initially commenced in April 2020) with RICCA until March 31, 2021 at a cost of $660,000 per month for its use as a COVID-19 field hospital facility.

Component Units

Universities and Colleges – As a result of the public health emergency, enrollment at URI, RIC, and CCRI decreased by 1.3%, 6%, and 8%, respectively in the fall 2020 semester compared to the prior fall semester, Additionally, the State's University and Colleges reported that a significant amount of their courses would be taught on-line and dormitory capacity would be decreased during the upcoming fall semester in response to public health guidelines.

Required Supplementary Information

State of Rhode Island

Fiscal Year Ended
June 30. 2020

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, 2020
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	$ 1,426,800	$ 1,358,900	$ 1,405,508	$ 46,608
General Business Taxes:				
Business Corporations	164,000	132,900	148,605	15,705
Public Utilities Gross Earnings	103,200	100,000	108,635	8,635
Financial Institutions	24,400	24,400	44,612	20,212
Insurance Companies	119,675	125,000	130,471	5,471
Bank Deposits	3,000	3,100	3,325	225
Health Care Provider Assessment	45,418	41,600	42,600	1,000
Sales and Use Taxes:				
Sales and Use	1,180,434	1,129,000	1,167,418	38,418
Motor Vehicle	3,000	1,000	937	(63)
Cigarettes	135,000	138,100	137,604	(496)
Alcohol	21,400	20,300	20,235	(65)
Other Taxes:				
Inheritance and Gift	38,000	58,100	55,291	(2,809)
Racing and Athletics	1,100	900	821	(79)
Realty Transfer Tax	13,500	14,200	13,925	(275)
Total Taxes (1)	3,278,927	3,147,500	3,279,987	132,487
Departmental Revenue	448,452	440,725	434,983	(5,742)
Total Taxes and Departmental Revenue	3,727,379	3,588,225	3,714,970	126,745
Other Sources:				
Lottery	412,800	268,600	283,871	15,271
Unclaimed Property	9,900	12,200	12,081	(119)
Other Miscellaneous	28,650	53,134	52,790	(344)
Total Other Sources	451,350	333,934	348,742	14,808
Total General Revenues	4,178,729	3,922,159	4,063,712	141,553
Federal Revenues	2,995,889	3,418,160	3,128,897	(289,263)
Restricted Revenues	307,741	361,856	349,724	(12,132)
Other Revenues	64,301	61,200	65,540	4,340
Total Revenues (2)	7,546,660	7,763,375	7,607,873	(155,502)
Expenditures (4):				
General government	785,296	823,130	873,238	(50,108)
Health and human services	4,208,852	4,327,164	4,142,066	185,098
Education	1,756,679	1,808,752	1,711,562	97,190
Public safety	596,154	739,403	641,272	98,131
Natural resources	98,545	101,480	83,703	17,777
Total Expenditures (2)	7,445,526	7,799,929	7,451,841	$ 348,088
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	119,571	
Transfer of scholarship revenue to RI Division of Higher Education (3)	—	—	5,724	
Total Expenditures and Transfers	$ 7,445,526	$ 7,799,929	7,577,136	
Change in Fund Balance			30,737	
Fund balance - beginning			371,033	
Fund balance - ending			$ 401,770	

(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, 2020

(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures by Source:				
General Revenues	$ 4,077,595	$ 3,958,713	$ 3,826,733	$ 131,980
General Revenues - pending FEMA reimbursement	—	—	109,828	(109,828)
Federal Funds	2,995,889	3,418,160	3,128,897	289,263
Restricted Receipts	307,741	361,856	326,839	35,017
Other Funds	64,301	61,200	59,544	1,656
	$ 7,445,526	$ 7,799,929	$ 7,451,841	$ 348,088

General Fund - Reconciliation of Budget Results to Changes in Fund Balance:

Budgeted Surplus:		
Total Revenue - Final Budget	$ 7,763,375	
Total Expenditures - Final Budget	7,799,929	
Final Budget - Projected Deficit		$ (36,554)
Final Budget and Actual - Results		
Total Revenues - Variance (Actual Revenue less than Budget)	$ (155,502)	
Total Expenditures - Variance (Actual Expenditures less than Budget)	348,088	
Surplus resulting from operations compared to final budget		$ 192,586
Total General Fund Surplus - Fiscal Year Ended June 30, 2020		$ 156,032
Transfer to RI Division of Higher Education Assistance		(5,724)
Transfer of Excess Budget Reserve to RICAP Fund		(119,571)
Net Change in General Fund - Fund Balance		$ 30,737
Fund Balance, Beginning		371,033
Fund Balance, Ending		$ 401,770

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 2020 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	$ 1,398,121	$ 7,387	$ 1,405,508
Business Corporations	148,450	155	148,605
Insurance Corporations	126,164	4,307	130,471
Financial Institutions	34,612	10,000	44,612

(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, 2020

(Expressed in Thousands)

(4) Functional Expenditure Reclassifications - Budgetary presentation compared to Financial Statement Presentation: During Fiscal 2020, certain COVID-19 related expenditures were programmed in the department or agency administering the activity. For financial reporting purposes, certain expenditures 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	$ 873,238	$ 4,142,066	$ 1,711,562	$ 641,272	$ 83,703	$ —	$ 125,295	$ 7,577,136
Reclassifications:								
General Government (DOA) reclassed to Health and Human Services - primarily Hospital Assistance Partnership Program	$ (121,244)	$ 121,244	$ —	$ —	$ —	$ —	$ —	$ —
Public Safety (EMA) reclassed to Health and Human Services - primarily acquisition of personal protective equipment	$ —	$ 62,051	$ —	$ (62,051)	$ —	$ —	$ —	$ —
Debt Service	$ (155,963)	$ —	$ (49,388)	$ (500)	$ —	$ 205,851	$ —	$ —
Other Transfers - RIDHEA	$ 5,724	$ —	$ —	$ —	$ —	$ —	$ (5,724)	$ —
Other Transfers - RICCA	$ (24,338)	$ —	$ —	$ —	$ —	$ —	$ 24,338	$ —
Financial Statement Presentation	$ 577,417	$ 4,325,361	$ 1,662,174	$ 578,721	$ 83,703	$ 205,851	$ 143,909	$ 7,577,136

(5) COVID-19 related expenditures funded by federal Coronavirus Relief Fund (CRF) - certain fiscal 2020 expenditures were funded through new federal funding available to the State to address the effects of the Covid-19 pandemic. The following summarizes the actual expenditures by functional category that were funded by the CRF. Actual expenditures in the budgetary comparison schedule are designated as federal funds; the original and final budget, in most instances, classified these amounts as general revenue funded.

General Government	Health and Human Services	Education	Public Safety	Natural Resources	Debt Service	Transfers	Total Expenditures
$ 107,224	$ 66,597	$ 523	$ 78,678	$ 1,682	$ —	$ —	$ 254,704

(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, 2020

(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 2021		Fund Balance Available for Appropriation in Fiscal 2021	
Nonspendable	$ 7,918	$ —		$ 7,918	
Restricted	141,229	141,229		—	
Committed	6,791	6,791		—	
Assigned	6,851	6,851	(a)	—	
Unassigned	238,981	90,711	(b)	148,270	
Total Fund Balance	$ 401,770	$ 245,582		$ 156,188	(c)

(a) Assigned fund balance not available for appropriation in fiscal 2021 includes general revenue appropriations carried forward by the Governor, Judiciary, and Legislature and intra-agency balances assigned for specific purposes.

(b) Budget Reserve and Cash Stabilization Account - for financial statement purposes, this account is classified as unassigned, yet, it is not considered available for recurring operational appropriations.

(c) Fund balance available for appropriation in fiscal 2021.

(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, 2020
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	$ 224,025	$ 224,025	$ 217,933	$ (6,092)
Licenses, fines, sales, and services	50,720	50,445	37,303	(13,142)
Departmental restricted revenue	3,008	2,656	4,370	1,714
Federal grants	325,075	338,215	321,416	(16,799)
Other revenues	2,645	6,264	3,966	(2,298)
Total revenues	605,473	621,605	584,988	(36,617)
Revenues and other Financing Sources (unbudgeted):				
Miscellaneous revenue			3,627	
Total revenues			588,615	
Other Financing Sources:				
Transfers from RI Capital Plan			32,462	
Proceeds from issuance of GARVEE Bonds			165,555	
Premium on issuance of GARVEE Bonds			36,955	
Total Other Financing Sources			234,972	
Total Revenues and Other Financing Sources			823,587	
Expenditures (budgeted):				
Central Management				
Federal Funds	5,955	9,544	7,103	2,441
Gasoline Tax	7,644	9,024	5,766	3,258
Total - Central Management	13,599	18,568	12,869	5,699
Management and Budget				
Gasoline Tax	2,353	4,993	824	4,169
Total - Management and Budget	2,353	4,993	824	4,169
Infrastructure-Engineering-GARVEE/Motor Fuel Tax Bonds				
Federal Funds	319,120	328,670	310,155	18,515
Federal Funds-Stimulus	—	—	—	—
Restricted Receipts	3,008	2,656	4,648	(1,992)
Gasoline Tax	76,985	68,400	70,159	(1,759)
Toll Revenue	25,000	8,532	(55)	8,587
Land Sale Revenue	2,595	6,214	3,816	2,398
Total - Infrastructure - Engineering	426,708	414,472	388,723	25,749
Infrastructure - Maintenance				
Gasoline Tax	42,306	30,090	21,817	8,273
Non-Land Surplus Property	50	50	—	50
Utility Access Permit Fees	500	—	—	—
Rhode Island Highway Maintenance Account	124,177	123,902	145,951	(22,049)
Total - Infrastructure - Maintenance	167,033	154,042	167,768	(13,726)
Total Expenditures (budgeted)	$ 609,693	$ 592,075	$ 570,184	$ 21,891
Expenditures and Other Financing Uses (unbudgeted):				
Infrastructure Expenditures - State Match funded by RI Capital Plan and Bond Capital Funds			32,816	
Infrastructure maintenance - Federal Funds			251	
Infrastructure maintenance -General Revenues			822	
Infrastructure expenditures - GARVEE			127,954	
I-195 Redevelopment District project			5,493	
Transfers to general fund - Gas Tax			39,431	
Total Expenditures and Other Financing Uses (unbudgeted)			206,767	
Total Expenditures and Other Financing Uses			776,951	
Net change in fund balance			46,636	
Fund balance, beginning			323,782	
Fund balance, ending			$ 370,418	

See Notes to Required Supplementary Information.

Budget and Actual

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain special revenue funds. The annual budget is prepared on a comprehensive basis and includes activity that, for financial reporting purposes, is recorded in multiple funds. Consequently, the budgetary comparison schedules for an individual fund include amounts in the "actual" column that have no corresponding original or final budget amount. These amounts are principally interfund transfers which are not included in the comprehensive budget to avoid duplication but are appropriately reflected in the individual fund financial statements.

The budget to actual comparison for the General Fund on the preceding pages is summarized and does not present budget and actual amounts detailed at the legal level of budgetary control. The legal level of budgetary control, i.e., the lowest level at which management (executive branch) may not reassign resources without special approval (legislative branch) is the line item within the appropriation act. Examples of line items under “Administration” are “Central Management” and “Purchasing.” Management cannot reallocate any appropriations without special approval from the legislative branch. A separate schedule presenting such amounts at the detailed legal level of budgetary control is labeled “Annual Budgetary Comparison Schedules” and is available on the State Controller’s website, http://controller.admin.ri.gov/index.php. General fund original and final budgeted revenues reflect annual amounts adopted during the State's revenue estimating conferences which meet biannually in November and May.

The comprehensive annual budget includes transportation function expenditures, the majority of which are reflected in the IST Fund for financial reporting purposes. The IST Fund major fund financial statements include transportation related activity of the various transportation funding sources including gas tax revenues, certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles, tolls, federal funds, GARVEE and Motor Fuel Bonds, and the proceeds of bonds issued by the I-195 Redevelopment District which were transferred to the IST fund to be utilized for infrastructure projects. The budget to actual comparison schedule for the IST fund on the preceding page is presented at the legal level of budgetary control consistent with the legally adopted budget. Not all the activity reported within the IST fund financial statements is budgeted. Unbudgeted activity has been separately identified in the budget to actual comparison schedule to facilitate reconciliation to the IST fund financial statements. By statute, the IST fund receives a percentage of certain motor vehicle related fees and surcharges collected by the Department of Motor Vehicles which are dedicated to the Rhode Island Highway Maintenance Account within the IST Fund. These revenues are not specifically budgeted through the revenue estimating process. Annual budgeted expenditures from the Highway Maintenance Account reflect amounts available in the account.

The original budget includes the amounts in the applicable appropriation act, general revenue appropriations carried forward by the Governor, and any unexpended balances designated by the General Assembly.

State of Rhode Island
Required Supplementary Information - Pension Information
Defined Benefit Multiple-Employer Cost-sharing Plan

The Employees' Retirement System (ERS) Plan is a multiple-employer cost-sharing defined benefit plan covering state employees and local teachers. Separate actuarial valuations are performed for state employees and teachers but not for individual employers within those groups. The net pension liability and other pension related amounts are apportioned based on proportionate employer contributions to the plan.

By statute, the State funds 40% of the actuarially determined employer contribution for teachers. This constitutes a special funding situation as described in GASB Statement No. 68. Consequently, the State has recognized its proportionate share of the net pension liability and other related pension amounts for this special funding situation in its financial statements.

The amounts included in these schedules for fiscal 2020 reflect a June 30, 2019 measurement date.

Additional information for the ERS plan is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

The following schedules are presented for the ERS cost-sharing plan with a special funding situation:

- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Governmental Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - State Employees-Business-Type Activities**
- **ERS - Schedule of State's Proportionate Share of the Net Pension Liability - Teachers**
- **ERS - Schedule of State Contributions - State Employees - Governmental Activities**
- **ERS - Schedule of State Contributions - State Employees - Business-Type Activities**
- **ERS - Schedule of State Contributions - Teachers**

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State's Proportionate Share
of the Net Pension Liability
Last Six Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Measurement Date	**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	89.7 %	89.5 %	89.2 %	88.9 %	89.0 %	89.0 %
State's proportionate share of the net pension liability	$ 2,031,989	$ 2,013,417	$ 2,010,955	$ 1,887,351	$ 1,767,095	$ 1,585,647
State's covered payroll	$ 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	315.3 %	320.8 %	324.0 %	308.3 %	297.3 %	272.6 %
Plan fiduciary net position as a percentage of the total pension liability	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of State's Proportionate Share
of the Net Pension Liability
Last Six Fiscal Years
(Expressed in Thousands)

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

Rhode Island Lottery

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Measurement Date	**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 %	0.8 %	0.7 %	0.8 %	0.8 %	0.7 %
Lottery's proportionate share of the net pension liability	$ 20,850	$ 17,142	$ 16,869	$ 16,260	$ 15,074	$ 13,315
Lottery's covered payroll	$ 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	315.3 %	322.8 %	325.3 %	315.4 %	297.3 %	272.2 %
Plan fiduciary net position as a percentage of the total pension liability	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of the State's Proportionate Share
of the Net Pension Liability
Last Six Fiscal Years
(Expressed in Thousands)

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

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	**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	42.8 %	42.7 %	43.1 %	40.7 %	40.6 %	40.7 %
State's proportionate share of the net pension liability	$ 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	54.6 %	54.3 %	54.0 %	54.1 %	57.6 %	61.4 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Employees' Retirement System-State Employees-Governmental Activities

	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	$ 179,281	$ 169,365	$ 156,083	$ 157,299	$ 144,696	$ 138,689
Contributions in relation to the actuarially determined contribution	$ 179,281	$ 169,365	$ 156,083	$ 157,299	$ 144,696	$ 138,689
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	—
Covered payroll	$ 679,351	$ 644,463	$ 627,595	$ 620,754	$ 612,081	$ 594,466
Contributions as a percentage of covered payroll	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 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

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

Rhode Island Lottery

	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	$ 1,900	$ 1,738	$ 1,321	$ 1,314	$ 1,219	$ 1,183
Contributions in relation to the actuarially determined contribution	$ 1,900	$ 1,738	$ 1,321	$ 1,314	$ 1,219	$ 1,183
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 7,199	$ 6,613	$ 5,311	$ 5,186	$ 5,156	$ 5,071
Contributions as a percentage of covered payroll	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 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

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

	2020	2019	2018	2017	2016	2015
Statutorily required contribution	$ 108,636	$ 102,239	$ 98,121	$ 96,542	$ 87,998	$ 84,944
Contributions in relation to the statutorily required contribution	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 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Single-Employer Defined Benefit Plans

Certain state employees are covered by the following single-employer plans, separate from the ERS plan, which covers most state employees.

- State Police Retirement Benefits Trust (SPRBT)
- Judicial Retirement Benefits Trust (JRBT)
- Rhode Island Judicial Retirement Fund Trust (RIJRFT)
- State Police Retirement Fund Trust (SPRFT)

These plans are administered within the Employees' Retirement System of Rhode Island. Separate actuarial valuations are performed for each plan. Additional information for the plans is available in the separately issued audited financial statements of the Employees' Retirement System of Rhode Island.

The amounts included in these schedules for fiscal 2020 reflect a June 30, 2019 measurement date.

The following schedules are presented for each single-employer plan:

- **Schedule of Changes in the Net Pension Liability and Related Ratios**
    - SPRBT
    - JRBT
    - RIJRFT
    - SPRFT

- **Schedule of State Contributions**
    - SPRBT
    - JRBT
    - RIJRFT
    - SPRFT

These schedules are intended to show information for 10 years - additional years will be displayed as information becomes available. Note 18 to the financial statements contains detailed information concerning pension plans.

See Notes to Required Supplementary Information.

State of Rhode Island

Required Supplementary Information - Pension Information

Schedule of Changes in Net Pension Liability and Related Ratios

Last Six Fiscal Years

(Expressed in Thousands)

State Police Retirement Benefits Trust

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Total Pension Liability						
Service cost	$ 5,342	$ 4,999	$ 4,498	$ 4,316	$ 4,198	$ 5,122
Interest	11,590	10,763	9,393	9,058	8,540	7,768
Benefit Changes	—	—	—	—	1,170	—
Differences between expected and actual experience	624	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	—	—	9,274	—	—	(364)
Benefit payments	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Net Change in Total Pension Liability	11,509	11,650	28,717	4,650	7,889	10,759
Total Pension Liability-Beginning	165,924	154,274	125,557	120,907	113,018	102,259
Total Pension Liability-Ending	$ 177,433	$ 165,924	$ 154,274	$ 125,557	$ 120,907	$ 113,018
Plan Fiduciary Net Position						
Employer contributions	$ 3,567	$ 2,797	$ 2,980	$ 4,005	$ 3,432	$ 3,331
Employee contributions	2,130	1,994	2,060	2,035	1,732	2,034
Net investment income	9,161	10,298	13,694	58	2,656	14,124
Benefit payments	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Administrative expenses	(140)	(137)	(125)	(103)	(100)	(83)
Other	1	16	5	1	4	5
Net Change in Plan Fiduciary Net Position	$ 8,672	$ 8,944	$ 13,472	$ 1,411	$ 5,227	$ 17,644
Plan Fiduciary Net Position-Beginning	138,733	129,789	116,317	114,906	109,679	92,035
Plan Fiduciary Net Position-Ending	$ 147,405	$ 138,733	$ 129,789	$ 116,317	$ 114,906	$ 109,679
Net Pension Liability	$ 30,028	$ 27,191	$ 24,485	$ 9,240	$ 6,001	$ 3,339
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.1 %	83.6 %	84.1 %	92.6 %	95.0 %	97.0 %
Covered Payroll	$ 24,216	$ 22,590	$ 22,728	$ 20,985	$ 19,701	$ 23,051
Net Pension Liability as a Percentage of Covered Payroll	124.0 %	120.4 %	107.7 %	44.0 %	30.5 %	14.5 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

Judicial Retirement Benefits Trust

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Total Pension Liability						
Service cost	$ 3,184	$ 3,215	$ 3,001	$ 2,859	$ 3,024	$ 3,002
Interest	5,526	5,303	5,031	4,744	4,540	4,134
Benefit Changes	—	—	—	—	253	—
Differences between expected and actual experience	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	—	—	5,173	—	—	(672)
Benefit payments	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Net Change in Total Pension Liability	1,936	3,530	8,677	3,866	3,151	4,833
Total Pension Liability-Beginning	79,158	75,628	66,951	63,085	59,934	55,101
Total Pension Liability-Ending	$ 81,094	$ 79,158	$ 75,628	$ 66,951	$ 63,085	$ 59,934
Plan Fiduciary Net Position						
Employer contributions	$ 1,922	$ 2,058	$ 2,057	$ 2,410	$ 2,709	$ 2,543
Employee contributions	1,109	1,142	1,118	1,053	1,121	1,093
Net investment income	4,821	5,377	7,107	29	1,368	7,221
Benefit payments	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Administrative expenses	(74)	(71)	(65)	(53)	(51)	(43)
Other	—	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	$ 4,169	$ 5,550	$ 7,477	$ 908	$ 3,338	$ 9,183
Plan Fiduciary Net Position-Beginning	73,445	67,895	60,418	59,510	56,172	46,989
Plan Fiduciary Net Position-Ending	$ 77,614	$ 73,445	$ 67,895	$ 60,418	$ 59,510	$ 56,172
Net Pension Liability	$ 3,480	$ 5,713	$ 7,733	$ 6,533	$ 3,575	$ 3,762
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.7 %	92.8 %	89.8 %	90.2 %	94.3 %	93.7 %
Covered Payroll	$ 9,474	$ 9,653	$ 9,532	$ 8,981	$ 9,570	$ 9,314
Net Pension Liability as a Percentage of Covered Payroll	36.7 %	59.2 %	81.1 %	72.7 %	37.4 %	40.4 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Six Fiscal Years
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Total Pension Liability						
Service cost	$ 277	$ 294	$ 350	$ 466	$ 416	$ 498
Interest	685	726	586	719	673	710
Benefit Changes	—	—	—	—	—	—
Differences between expected and actual experience	—	(1,953)	—	(1,060)	(642)	1,617
Changes of assumptions	917	(116)	(666)	1,865	859	(1,160)
Benefit payments	(399)	(399)	(399)	(231)	—	—
Net Change in Total Pension Liability	1,480	(1,448)	(129)	1,759	1,306	1,665
Total Pension Liability-Beginning	18,994	20,442	20,571	18,812	17,506	15,841
Total Pension Liability-Ending	$ 20,474	$ 18,994	$ 20,442	$ 20,571	$ 18,812	$ 17,506
Plan Fiduciary Net Position						
Employer contributions	$ 399	$ 399	$ 332	$ 140	$ —	$ —
Employee contributions	122	117	117	135	159	153
Net investment income	38	44	64	4	9	12
Benefit payments	(399)	(399)	(399)	(231)	—	—
Administrative expenses	(1)	(1)	(1)	—	—	—
Other	—	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	$ 159	$ 160	$ 113	$ 48	$ 168	$ 165
Plan Fiduciary Net Position-Beginning	807	647	534	486	318	153
Plan Fiduciary Net Position-Ending	$ 966	$ 807	$ 647	$ 534	$ 486	$ 318
Net Pension Liability	$ 19,508	$ 18,187	$ 19,795	$ 20,037	$ 18,326	$ 17,188
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	4.7 %	4.2 %	3.2 %	2.5 %	2.6 %	1.8 %
Covered Payroll	$ 1,002	$ 1,020	$ 988	$ 963	$ 1,321	$ 1,276
Net Pension Liability as a Percentage of Covered Payroll	1946.9 %	1783.0 %	2003.3 %	2189.2 %	1387.4 %	1346.8 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

State of Rhode Island
Required Supplementary Information - Pension Information
Schedule of Changes in Net Pension Liability and Related Ratios
Last Three Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total Pension Liability			
Service cost	$ —	$ —	$ —
Interest	12,193	11,712	12,589
Benefit Changes	—	—	—
Differences between expected and actual experience	—	12,187	—
Changes of assumptions	—	—	4,214
Benefit payments	(16,799)	(17,273)	(17,392)
Net Change in Total Pension Liability	(4,606)	6,626	(589)
Total Pension Liability-Beginning	182,583	175,957	176,546
Total Pension Liability-Ending	$ 177,977	$ 182,583	$ 175,957
Plan Fiduciary Net Position			
Employer contributions	$ 16,387	$ 16,387	$ 31,566
Employee contributions	—	—	—
Net investment income	770	1,137	1,839
Benefit payments	(16,799)	(17,273)	(17,392)
Administrative expenses	(17)	(6)	—
Other	—	—	—
Net Change in Plan Fiduciary Net Position	$ 341	$ 245	$ 16,013
Plan Fiduciary Net Position-Beginning	16,258	16,013	—
Plan Fiduciary Net Position-Ending	$ 16,599	$ 16,258	$ 16,013
Net Pension Liability	$ 161,378	$ 166,325	$ 159,944
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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 in fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only three years of activity to report as the Trust began operations in fiscal 2018.

See Notes to Required Supplementary Information.

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

State Police Retirement Benefits Trust

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 4,878	$ 3,567	$ 2,802	$ 2,980	$ 4,005	$ 3,432
Contributions in relation to the actuarially determined contribution	4,878	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 26,394	$ 24,199	$ 22,930	$ 22,191	$ 23,258	$ 19,907
Contributions as a percentage of covered payroll	18.48 %	14.74 %	12.22 %	13.43 %	17.22 %	17.24 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Judicial Retirement Benefits Trust

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 2,189	$ 1,922	$ 2,064	$ 2,057	$ 2,410	$ 2,709
Contributions in relation to the actuarially determined contribution	2,189	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	$ —	$ —	$ —	$ —	$ —	$ —
Covered payroll	$ 10,278	$ 9,477	$ 9,768	$ 9,532	$ 8,993	$ 9,566
Contributions as a percentage of covered payroll	21.30 %	20.28 %	21.13 %	21.58 %	26.80 %	28.32 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

Rhode Island Judicial Retirement Fund Trust

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 1,215	$ 1,224	$ 1,322	$ 1,241	$ 1,200	$ 1,623
Contributions in relation to the actuarially determined contribution	399	399	399	332	140	—
Contribution deficiency (excess)	$ 816	$ 825	$ 923	$ 909	$ 1,060	$ 1,623
Covered payroll	$ 1,046	$ 1,002	$ 1,020	$ 988	$ 964	$ 1,321
Contributions as a percentage of covered payroll	38.15 %	39.82 %	39.12 %	33.60 %	14.52 %	— %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be required prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

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

State Police Retirement Fund Trust

	2020	2019	2018
Actuarially determined contribution	$ 16,387	$ 16,387	$ 16,387
Contributions in relation to the actuarially determined contribution	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 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only three years of activity to report as the Trust began operations in fiscal 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 actuarially 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 2020 reflects a June 30, 2019 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 Six Fiscal Years
(Expressed in Thousands)

Judicial Non-Contributory Retirement Plan

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**	**June 30, 2016**	**June 30, 2015**	**June 30, 2014**
Total Pension Liability						
Service cost	$ —	$ —	$ —	$ —	$ —	$ —
Interest	1,413	1,497	1,380	1,860	2,172	2,334
Benefit changes	—	—	—	—	—	—
Differences between expected and actual experience	521	916	182	—	328	—
Changes of assumptions	1,250	(166)	(2,291)	3,510	1,885	—
Benefit payments	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)
Net Change in Total Pension Liability	(1,845)	(3,239)	(6,492)	(737)	(1,635)	(3,839)
Total Pension Liability-Beginning	41,550	44,789	51,281	52,018	53,653	57,492
Total Pension Liability-Ending	$ 39,705	$ 41,550	$ 44,789	$ 51,281	$ 52,018	$ 53,653

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

Required Supplementary Information - Pensions

Significant Methods and Assumptions used in calculating the actuarially determined contributions

Generally, actuarially determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. The actuarially determined contribution rates for fiscal 2020 were determined based on valuations performed as of June 30, 2017, with the exception of the RIJRFT contribution which was determined based on a valuation performed as of June 30, 2019. 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	19 years	21 years	21 years	20 years	20 years	16 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%				3.13%	7.00%
Projected Salary Increases	3.25% to 6.25%	3.0% to 13.0%	3.75% to 11.75%	3.00%	3.00%	N/A
Mortality	Male Employees: RP-2014 Combined Healthy for Males with Blue Collar adjustments, projected with Scale Ultimate MP16. Female Employees: RP-2014 Combined Healthy for Females, projected with Scale Ultimate MP16.					
	Male Teachers: RP-2014 Combined Healthy for Males with White Collar adjustments, projected with Scale Ultimate MP16. Female Teachers: RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Scale Ultimate MP16.					
Inflation	**2.5%**					

Cost of Living Adjustments

Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017 and the second such COLA will be applicable in Calendar Year 2021. As of June 30, 2017, it is assumed that the COLAs will be suspended for 10 years due to the current funding level of the plans. The actual amount of the COLA is determined based on 50% 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, 2019 measurement date -The RIJRFT and JNCRP plans used the municipal bond index rate of 3.13% as of June 30, 2019. This rate was 3.62% at June 30, 2018. Also, there was a decrease in certain salary increase assumptions used as of June 30, 2019 as compared to June 30, 2018.

June 30, 2018 measurement date -There were no changes in actuarial methods or assumptions reflected in the calculation of the net pension liability (asset) of the plans as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date except for the changes in assumptions for the RIJRFT and JNCRP plans due to use of the municipal bond index rate of 3.62% as of June 30, 2018. This rate was 3.56% at June 30, 2017.

June 30, 2017 measurement date - As part of the 2017 Actuarial Experience Investigation Study for the six-year period ending June 30, 2016 as approved by the System Board on May 15, 2017, certain assumptions were modified and reflected in the determination of the net pension liability (asset) at the June 30, 2017 measurement date. The following summarizes the more significant changes in assumptions:

- Decreased the general inflation assumption from 2.75% to 2.50%;
- Decreased the nominal investment return assumption from 7.50% to 7.00%;
- Decreased the general wage growth assumption from 3.25% to 3.00%;
- Decreased salary increase assumptions; and
- Updated the post-retirement mortality tables to variants of the RP-2014 table. For the improvement scale, update to the ultimate rates of the MP-2016 projection scale.

For RIJRFT, the municipal bond index rate, based on fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" (3.56% at June 30, 2017) was applied to all periods of projected benefit payments to determine the total pension liability.

The June 30, 2017 measurement date information includes a pension credit of $96.5 million for the SPRFT plan which results from a change in assumption attributable to the establishment of an advance funded trust (effective July 1, 2016) that replaced the previous plan which was funded on a pay-as-you-go basis. As allowed by GASB standards, the discount rate for advance funded plans used in actuarial calculations of net pension liability is typically higher than the discount rate used for pay-as-you- go plans. Higher discount rates result in lower pension expense. The discount rate for the SPRFT plan increased from 2.85% to 7.00% with the establishment of the advance funded trust, which resulted in a large pension credit. GASB standards require the immediate recognition of this change in the discount rate assumption since the SPRFT plan is a closed plan that is comprised entirely of retired employees.

A pension credit of $664 thousand for the JNCRP plan results from an increase in the discount rate from 2.85% to 3.56%. GASB standards require the immediate recognition of this change in the discount rate assumption since the JNCRP plan is a closed plan that is comprised entirely of retired employees. Accordingly, the effect of this change in assumption was recorded in fiscal 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 2020 reflect a June 30, 2019 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 Three Fiscal Years
(Expressed in Thousands)

State Employees-Governmental Activities

Year Ended	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
State's proportion of the net OPEB liability	89.6 %	89.4 %	89.2 %
State's proportionate share of the net OPEB liability	$ 391,135	$ 455,475	$ 463,597
State's covered payroll	$ 657,222	$ 633,562	$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.5 %	71.9 %	73.3 %
Plan fiduciary net position as a percentage of the total OPEB liability	33.6 %	26.3 %	22.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years
(Expressed in Thousands)

State Employees-Business-Type Activities

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Rhode Island Lottery			
Lottery's proportion of the net OPEB liability	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability	$ 3,990	$ 3,876	$ 3,864
Lottery's covered payroll	$ 6,705	$ 5,308	$ 5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	33.6 %	26.3 %	22.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years
(Expressed in Thousands)

State's Share of Board of Education Plan

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
State's proportion of the net OPEB liability	0.2 %	0.2 %	0.2 %
State's proportionate share of the net OPEB liability	$ 80	$ 87	$ 111
State's covered payroll	$ 276	$ 411	$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	29.0 %	21.2 %	42.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	51.6 %	38.6 %	32.1 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Governmental Activities

	2020	2019	2018
Actuarially determined contribution	$ 45,323	$ 39,302	$ 37,887
Contributions in relation to the actuarially determined contribution	45,323	39,302	37,887
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll	$ 681,554	$ 657,222	$ 633,562
Contributions as a percentage of covered payroll	6.65 %	5.98 %	5.98 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Business-Type Activities

Rhode Island Lottery

	2020	2019	2018
Actuarially determined contribution	$ 478	$ 401	$ 317
Contributions in relation to the actuarially determined contribution	478	401	317
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll	$ 7,182	$ 6,705	$ 5,308
Contributions as a percentage of covered payroll	6.65 %	5.98 %	5.98 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

State's Share of Board of Education Plan

	2020	2019	2018
Actuarially determined contribution	$ 14	$ 12	$ 18
Contributions in relation to the actuarially determined contribution	14	12	18
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll	$ 335	$ 276	$ 411
Contributions as a percentage of covered payroll	4.08 %	4.36 %	4.36 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 2020 reflect a June 30, 2019 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 Three Fiscal Years
(Expressed in Thousands)

Teachers Plan

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability			
Service cost	$ —	$ —	$ —
Interest	581	612	562
Benefit Changes	(1,952)	—	—
Differences between expected and actual experience	1,954	91	1,625
Changes of assumptions	(45)	—	217
Benefit payments	(1,438)	(1,202)	(1,610)
Net Change in Total OPEB Liability	(900)	(499)	794
Total OPEB Liability-Beginning	12,333	12,832	12,038
Total OPEB Liability-Ending	$ 11,433	$ 12,333	$ 12,832
Plan Fiduciary Net Position			
Employer contributions	$ 2,277	$ 2,321	$ 2,321
Net investment income	1,101	780	864
Benefit payments	(1,438)	(1,202)	(1,610)
Administrative expenses	(2)	(17)	7
Other	117	136	103
Net Change in Plan Fiduciary Net Position	$ 2,055	$ 2,018	$ 1,685
Plan Fiduciary Net Position-Beginning	11,795	9,777	8,092
Plan Fiduciary Net Position-Ending	$ 13,850	$ 11,795	$ 9,777
Net OPEB Liability (Asset)	$ (2,417)	$ 538	$ 3,055
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	121.1 %	95.6 %	76.2 %
Covered Payroll	$ —	$ —	$ —
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years
(Expressed in Thousands)

Judges Plan

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability			
Service cost	$ 22	$ 15	$ 20
Interest	60	68	50
Benefit Changes	(42)	—	—
Differences between expected and actual experience	102	(271)	(306)
Changes of assumptions	(11)	—	503
Benefit payments	(54)	72	138
Net Change in Total OPEB Liability	77	(116)	405
Total OPEB Liability-Beginning	1,206	1,322	917
Total OPEB Liability-Ending	$ 1,283	$ 1,206	$ 1,322
Plan Fiduciary Net Position			
Employer contributions	$ —	$ —	$ —
Net investment income	341	293	334
Benefit payments	(54)	72	138
Administrative expenses	—	(6)	—
Other	49	54	26
Net Change in Plan Fiduciary Net Position	$ 336	$ 413	$ 498
Plan Fiduciary Net Position-Beginning	4,113	3,700	3,202
Plan Fiduciary Net Position-Ending	$ 4,449	$ 4,113	$ 3,700
Net OPEB Liability (Asset)	$ (3,166)	$ (2,907)	$ (2,378)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	346.8 %	341.0 %	279.9 %
Covered Payroll	$ 11,297	$ 10,746	$ 10,746
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(28.0)%	(27.1)%	(22.1)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 and Related Ratios
Last Three Fiscal Years
(Expressed in Thousands)

State Police Plan

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability			
Service cost	$ 4,108	$ 3,920	$ 3,836
Interest	4,369	4,148	4,202
Benefit Changes	(4,790)	—	—
Differences between expected and actual experience	630	(907)	(174)
Changes of assumptions	(1,161)	—	(6,005)
Benefit payments	(2,801)	(2,849)	(3,130)
Net Change in Total OPEB Liability	355	4,312	(1,271)
Total OPEB Liability-Beginning	86,735	82,423	83,694
Total OPEB Liability-Ending	$ 87,090	$ 86,735	$ 82,423
Plan Fiduciary Net Position			
Employer contributions	$ 8,257	$ 7,919	$ 7,702
Net investment income	4,683	3,413	3,491
Benefit payments	(2,801)	(2,849)	(3,130)
Administrative expenses	(12)	(73)	(1)
Other	277	197	163
Net Change in Plan Fiduciary Net Position	$ 10,404	$ 8,607	$ 8,225
Plan Fiduciary Net Position-Beginning	46,144	37,537	29,312
Plan Fiduciary Net Position-Ending	$ 56,548	$ 46,144	$ 37,537
Net OPEB Liability (Asset)	$ 30,542	$ 40,591	$ 44,886
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	64.9 %	53.2 %	45.5 %
Covered Payroll	$ 23,943	$ 21,334	$ 21,334
Net OPEB Liability as a Percentage of Covered Payroll	127.6 %	190.3 %	210.4 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years
(Expressed in Thousands)

Legislators Plan

Year Ended	**June 30, 2020**	**June 30, 2019**	**June 30, 2018**
Measurement Date	**June 30, 2019**	**June 30, 2018**	**June 30, 2017**
Total OPEB Liability			
Service cost	$ 71	$ 54	$ 63
Interest	79	74	66
Benefit Changes	(257)	—	—
Differences between expected and actual experience	284	102	168
Changes of assumptions	(61)	—	(45)
Benefit payments	(98)	(161)	(36)
Net Change in Total OPEB Liability	18	69	216
Total OPEB Liability-Beginning	1,594	1,525	1,309
Total OPEB Liability-Ending	$ 1,612	$ 1,594	$ 1,525
Plan Fiduciary Net Position			
Employer contributions	$ 15	$ 14	$ 27
Net investment income	276	247	283
Benefit payments	(98)	(161)	(36)
Administrative expenses	—	(4)	—
Other	32	42	29
Net Change in Plan Fiduciary Net Position	$ 225	$ 138	$ 303
Plan Fiduciary Net Position-Beginning	3,042	2,904	2,601
Plan Fiduciary Net Position-Ending	$ 3,267	$ 3,042	$ 2,904
Net OPEB Liability (Asset)	$ (1,655)	$ (1,448)	$ (1,379)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	202.6 %	190.9 %	190.4 %
Covered Payroll	$ 1,814	$ 1,719	$ 1,719
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(91.2)%	(84.2)%	(80.2)%

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

Teachers Plan

	2020*	2019	2018
Actuarially determined contribution	$ —	$ 2,321	$ 2,321
Contributions in relation to the actuarially determined contribution	—	2,277 **	2,321
Contribution deficiency (excess)	$ —	$ 44	$ —
Covered payroll	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A

**An actuarial valuation determined that no contribution was required for this OPEB plan.*

*** The contribution funded in Fiscal 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 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

Judges Plan

	2020	2019	2018
Actuarially determined contribution	$ —	$ —	$ —
Contributions in relation to the actuarially determined contribution	—	—	—
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll	$ 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 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Plan

	2020	2019	2018
Actuarially determined contribution	$ 7,797	$ 8,257	$ 7,919
Contributions in relation to the actuarially determined contribution	7,797	8,257	7,919
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll	$26,297	$23,666	$22,698
Contributions as a percentage of covered payroll	29.7 %	34.9 %	34.9 %

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Three Fiscal Years Ended June 30
(Expressed in Thousands)

Legislators Plan

	2020*	2019	2018
Actuarially determined contribution	$ —	$ 15	$ 14
Contributions in relation to the actuarially determined contribution	—	15	14
Contribution deficiency (excess)	$ —	$ —	$ —
Covered payroll	$ 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 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 actuarially determined contributions

The actuarially determined contribution rates for fiscal 2020 were determined based on valuations performed as of June 30, 2017. 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	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	19 Years Closed	Determined by Statutory Contribution	30 Years Open	19 Years Closed	30 Years Open	19 Years Closed
Asset valuation method	4 Year smoothed market					
Actuarial Assumptions						
Investment Rate of Return	5%, net of OPEB plan expenses, including inflation					
Projected Salary Increases	3.0% to 6.0%	N/A	3.0%	4.0% to 14.0%	3.0% to 6.0%	3.0% to 6.0%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.					
Mortality	**Post-Retirement Mortality**					
	Healthy Male Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for males with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female Teachers, Judges, Legislators, and Board of Education: RP-2014 Combined Healthy for females with White Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Male State Employees and Police: RP-2014 Combined Healthy for males with Blue Collar adjustment, projected with the MP 2016 ultimate rates. Healthy Female State Employees and Police: RP- Combined Healthy for females, projected with the MP 2016 ultimate rates.					
	Disabled Mortality					
	Disabled Males: RP-2014 Disabled Retiree Table for males, projected with the MP 2016 ultimate rates. Disabled Females: RP-2014 Disabled Retiree Table for females, projected with the MP 2016 ultimate rates.					
	Pre-Retirement Mortality					
	The mortality tables used to project the pre-termination mortality experience of plan members are the RP-2014 Employee tables for males and females as the base table,and then to apply a 75% multiplier for Teachers, Judges, Legislators, and Board of Education and a 100% multiplier for State Employees and State Police.					
Healthcare Cost Trend Rate	Based on the Getzen Model, with trend starting at 9.00% and gradually decreasing to an ultimate trend rate of 3.5%.					
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.					

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards

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Note: See page A-1 for *Independent Auditor's Report on Basic Financial Statements and Supplemental Schedule of Expenditures of Federal Awards*

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2020

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001					$ 14	
Plant and Animal Disease, Pest Control, and Animal Care	10.025					199,351	$ 25,131
Federal-State Marketing Improvement Program	10.156					1,292	
Inspection Grading and Standardization	10.162					6,013	
Market Protection and Promotion	10.163					67	
Specialty Crop Block Grant Program - Farm Bill	10.170					150,527	77,617
Organic Certification Cost Share Programs	10.171					2,096	
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178					128,072	128,000
CACFP Meal Service Training Grants	10.534					45,014	
SNAP Cluster:							
Supplemental Nutrition Assistance Program	10.551				$ 282,014,423		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				22,411,577	304,426,000	1,512,448
Child Nutrition Cluster:							
School Breakfast Program	10.553				7,190,668		6,645,225
COVID-19 School Breakfast Program	10.553				6,541		6,541
National School Lunch Program (See Notes 4 and 10)	10.555				26,490,149		20,486,566
COVID-19 National School Lunch Program	10.555				13,000		13,000
Special Milk Program for Children	10.556				28,850		28,850
Summer Food Service Program for Children (See Notes 4 and 10)	10.559				7,252,460		6,633,994
COVID-19 Summer Food Service Program for Children	10.559				1,368,343	42,350,011	1,368,343
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557					19,820,284	3,891,782
Child and Adult Care Food Program	10.558					7,341,184	7,230,706
COVID-19 Child and Adult Care Food Program	10.558					617,351	617,351
State Administrative Expenses for Child Nutrition	10.560					1,206,273	
Food Distribution Cluster:							
Commodity Supplemental Food Program	10.565				115,916		114,236
Emergency Food Assistance Program (Administrative Costs)	10.568				440,656	556,572	440,377
WIC Farmers' Market Nutrition Program (FMNP)	10.572					104,981	100,001
Team Nutrition Grants	10.574					159,643	
Senior Farmers Market Nutrition Program	10.576					27,494	
WIC Grants to States (WGS)	10.578					1,987,214	
Child Nutrition Discretionary Grants Limited Availability	10.579					40,409	16,926
Fresh Fruit and Vegetable Program	10.582					1,232,506	1,139,650
Cooperative Forestry Assistance	10.664					456,884	129,462
Forest Legacy Program	10.676					48,764	
Total U.S. Department of Agriculture (USDA)						$ 380,908,016	$ 50,606,206
U.S. Department of Commerce (DOC)							
Economic Development Cluster:							
Economic Adjustment Assistance (See Note 3)	11.307				$ 8,843,783	$ 8,843,783	
Interjurisdictional Fisheries Act of 1986	11.407					154,036	
Sea Grant Support	11.417					6,736	
Coastal Zone Management Administration Awards	11.419					2,011,168	$ 156,482
Coastal Zone Management Estuarine Research Reserves	11.420					509,462	
Marine Fisheries Initiative	11.433					630,824	
Regional Fishery Management Councils	11.441					40,652	

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Unallied Science Program	11.472					3	
Office for Coastal Management	11.473					117,536	90,988
Atlantic Coastal Fisheries Cooperative Management Act	11.474					568,655	
State and Local Implementation Grant Program	11.549					199,657	
Total U.S. Department of Commerce (DOC)						$ 13,082,512	$ 247,470
U.S. Department of Defense (DOD)							
Procurement Technical Assistance for Business Firms	12.002					$ 337,826	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113					595,255	
Basic and Applied Scientific Research	12.300					180,973	
National Guard Military Operations and Maintenance (O&M) Projects	12.401					27,093,168	$ 3,165,580
GenCyber Grants Program	12.903					59,464	
Total U.S. Department of Defense (DOD)						$ 28,266,686	$ 3,165,580
U.S. Department of Housing and Urban Development (HUD)							
Mortgage Insurance Homes (See Note 3)	14.117					$ 319,894,859	
Qualified Participating Entities (QPE) Risk Sharing (See Note 3)	14.189					255,189,703	
Section 8 Project-Based Cluster:							
Section 8 Housing Assistance Payments Program	14.195				$ 183,394,085		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856				565,948	183,960,033	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228					11,772,119	$ 2,818,011
COVID-19 Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228					25,077	
Emergency Solutions Grant Program	14.231					673,607	643,350
COVID-19 Emergency Solutions Grant Program	14.231					313,889	303,844
Home Investment Partnerships Program (See Note 3)	14.239					26,659,402	
Housing Opportunities for Persons with AIDS	14.241					596,278	567,200
COVID-19 Housing Opportunities for Persons with AIDS	14.241					10,091	
Continuum of Care Program	14.267					2,848,098	
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:							
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269				370,425	370,425	198,456
Housing Trust Fund (See Note 3)	14.275					1,916,204	
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811 Supportive Housing for Persons with Disabilities	14.326					192,430	
Fair Housing Assistance Program State and Local	14.401					309,504	
COVID-19 Fair Housing Assistance Program State and Local	14.401					4,457	
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871				17,866,005	17,866,005	
Family Self-Sufficiency Program	14.896					272,977	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900					735,646	
Total U.S. Department of Housing and Urban Development (HUD)						$ 823,610,804	$ 4,530,861

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
U.S. Department of the Interior (DOI)							
Hurricane Sandy Disaster Relief – Coastal Resiliency Grants	15.153					$ 55	
Fish and Wildlife Cluster:							
Sport Fish Restoration	15.605				$ 4,623,219		
Wildlife Restoration and Basic Hunter Education	15.611				2,640,073	7,263,292	
Fish and Wildlife Management Assistance	15.608					7,714	
Cooperative Endangered Species Conservation Fund	15.615					57,272	
Clean Vessel Act	15.616					5,916	
Sportfishing and Boating Safety Act	15.622					49,157	
Coastal	15.630					2,076	
State Wildlife Grants	15.634					421,432	
Endangered Species Recovery Implementation	15.657					285	
Historic Preservation Fund Grants-In-Aid	15.904					622,513	$ 55,358
Outdoor Recreation Acquisition, Development and Planning	15.916					(8,743)	
National Maritime Heritage Grants	15.925					20,350	17,939
Block Island Wind Farm Monitoring Project	15.U01	140EO119003				163,050	
Total U.S. Department of the Interior (DOI)						$ 8,604,369	$ 73,297
U.S. Department of Justice (DOJ)							
Sexual Assault Services Formula Program	16.017					$ 351,922	$ 342,730
Juvenile Accountability Block Grants	16.523					71	
Juvenile Justice and Delinquency Prevention	16.540					351,598	97,223
Missing Children's Assistance	16.543					262,810	
State Justice Statistics Program for Statistical Analysis Centers	16.550					70,953	
National Criminal History Improvement Program (NCHIP)	16.554					229,020	
National Institute of Justice W.E.B. DuBois Fellowship Program	16.566					23,615	
Crime Victim Assistance	16.575					12,136,601	10,276,635
Crime Victim Compensation	16.576					690,817	
Edward Byrne Memorial Formula Grant Program	16.579					31,108	
Crime Victim Assistance/Discretionary Grants	16.582					63,912	63,883
Drug Court Discretionary Grant Program	16.585					206,486	
Violence Against Women Formula Grants	16.588					870,184	508,652
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590					(2)	
Residential Substance Abuse Treatment for State Prisoners	16.593					111,616	
State Criminal Alien Assistance Program	16.606					1,950,127	
Bulletproof Vest Partnership Program	16.607					32,574	
Public Safety Partnership and Community Policing Grants	16.710					6,333	
PREA Program: Strategic Support for PREA Implementation	16.735					56,847	
Edward Byrne Memorial Justice Assistance Grant Program	16.738					521,219	214,276
DNA Backlog Reduction Program	16.741					416,233	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742					230,117	
Support for Adam Walsh Act Implementation Grant Program	16.750					220,211	
Harold Rogers Prescription Drug Monitoring Program	16.754					181,554	
Second Chance Act Reentry Initiative	16.812					65,329	
John R. Justice Prosecutors and Defenders Incentive Act	16.816					9,279	

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Justice Reinvestment Initiative	16.827					52,571	1,785
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838					390,030	4,936
Equitable Sharing Program	16.922					4,863,785	
Total U.S. Department of Justice (DOJ)						$ 24,396,920	$ 11,510,120
U.S. Department of Labor (DOL)							
Labor Force Statistics	17.002					$ 772,200	
Compensation and Working Conditions	17.005					17,155	
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207				$ 3,435,639		
Jobs for Veterans State Grants	17.801				264,126		
Local Veterans' Employment Representative Program	17.804				241,942	3,941,707	
Unemployment Insurance (See Note 6)	17.225					421,389,719	
COVID-19 Unemployment Insurance (See Note 6)	17.225					1,015,601,829	
Senior Community Service Employment Program	17.235					198,519	
Trade Adjustment Assistance	17.245					1,629,750	$ 4,000
WIOA Cluster:							
WIOA Adult Program	17.258				2,129,284		948,513
WIOA Youth Activities	17.259				2,490,445		591,240
WIOA Dislocated Worker Formula Grants	17.278				3,240,636	7,860,365	809,231
WIOA Pilots, Demonstrations, and Research Projects	17.261					1,494,160	
H-1B Job Training Grants	17.268					134,325	
Reentry Employment Opportunities	17.270					(4,002)	
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277					3,989,020	
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280					2,078,554	
Apprenticeship USA Grants	17.285					187,772	
Consultation Agreements	17.504					395,522	
Other Department of Labor Awards	17.U01	10.073.1750104				9,790	
Total U.S. Department of Labor (DOL)						$ 1,459,696,385	$ 2,352,984
U.S. Department of Transportation (DOT)							
Airport Improvement Program	20.106					$ 1,638,746	
Highway Research and Development Program	20.200					124,771	
Highway Planning and Construction Cluster:							
Highway Planning and Construction	20.205				$ 291,571,849		$ 1,980,004
Recreational Trails Program	20.219				899,483	292,471,332	6,700
Highway Training and Education	20.215					55,903	
Motor Carrier Safety Assistance	20.218					1,213,642	
Commercial Driver's License Program Implementation Grant	20.232					76,557	
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500				446,736		446,736
Federal Transit Formula Grants	20.507				57,781,314		1,018,670
COVID-19 Federal Transit Formula Grants	20.507				1,728,801		
State of Good Repair Grants Program	20.525				8,501,604		
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526				2,294,906	70,753,361	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505					1,330,983	
Formula Grants for Rural Areas and Tribal Transit Program	20.509					256,022	

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513					1,287,271	
Public Transportation Emergency Relief Program	20.527					76,849	
Highway Safety Cluster:							
State and Community Highway Safety	20.600				2,329,723		861,809
Incentive Grant Program to Prohibit Racial Profiling	20.611				375,731		330,625
National Priority Safety Programs	20.616				2,194,156	4,899,610	914,475
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608					3,554,180	893,017
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614					64,628	
Pipeline Safety Program State Base Grant	20.700					200,098	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703					62,527	4,618
National Infrastructure Investments	20.933					8,365,960	
Total U.S. Department of Transportation (DOT)						$ 386,432,440	$ 6,456,654
U.S. Department of the Treasury (TREAS)							
Capital Magnet Fund (See Note 3)	21.011					$ 2,553,349	
Equitable Sharing	21.016					13,725	
COVID-19 Coronavirus Relief Fund	21.019					255,053,124	$ 95,471,303
Total U.S. Department of the Treasury (TREAS)						$ 257,620,198	$ 95,471,303
Equal Employment Opportunity Commission (EEOC)							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002					$ 225,212	
Total Equal Employment Opportunity Commission (EEOC)						$ 225,212	$ -
General Services Administration (GSA)							
Donation of Federal Surplus Personal Property (See Notes 4 and 10)	39.003					$ 1,160,022	$ 1,160,022
Total General Services Administration (GSA)						$ 1,160,022	$ 1,160,022
National Endowment for the Arts (NEA)							
Promotion of the Arts Partnership Agreements	45.025					$ 744,198	$ 442,026
COVID-19 Promotion of the Arts Partnership Agreements	45.025					294,437	294,347
Grants to States	45.310					1,053,659	67,010
COVID-19 Grants to States	45.310					34,567	34,567
Total National Endowment for the Arts (NEA)						$ 2,126,861	$ 837,950
U.S. Department of Veterans Affairs (VA)							
Veterans State Nursing Home Care	64.015					$ 10,097,926	
All-Volunteer Force Educational Assistance	64.124					1,049	
All Volunteer Force Education Assistance	64.U01	V101(223C)--P-5453				57,105	
Total U.S. Department of Veterans Affairs (VA)						$ 10,156,080	$ -
Environmental Protection Agency (EPA)							
State Indoor Radon Grants	66.032					$ 145,381	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034					897,952	
Diesel Emissions Reduction Act (DERA) State Grants	66.040					294,920	$ 246,773
Southeastern U.S. Regional Targeted Watershed Initiative	66.127					49,445	
Multipurpose Grants to States and Tribes	66.204					29,755	

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
State Public Water System Supervision	66.432					470,787	
Water Quality Management Planning	66.454					4,372	
National Estuary Program	66.456					131	
Clean Water State Revolving Fund Cluster:							
Capitalization Grants for Clean Water State Revolving Funds	66.458				$ 11,574,722	11,574,722	11,574,722
Drinking Water State Revolving Fund Cluster:							
Capitalization Grants for Drinking Water State Revolving Funds	66.468				12,647,188	12,647,188	9,875,909
Beach Monitoring and Notification Program Implementation Grants	66.472					229,680	
Performance Partnership Grants	66.605					4,989,199	35,820
Surveys, Studies, Investigations and Special Purpose Grants	66.606					366	
Environmental Information Exchange Network Grant Program and Related Assistance	66.608					2,064	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701					184,854	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707					132,784	
Pollution Prevention Grants Program	66.708					78,400	30,000
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802					358,263	
Underground Storage Tank (UST) Prevention, Detection and Compliance Program	66.804					282,709	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805					536,300	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809					119,042	
State and Tribal Response Program Grants	66.817					1,040,820	
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818					230,946	
Total Environmental Protection Agency (EPA)						$ 34,300,080	$ 21,763,224
U.S. Department of Energy (DOE)							
State Energy Program	81.041					$ 288,002	
ARRA State Energy Program	81.041					386,729	
Weatherization Assistance for Low-Income Persons	81.042					147,292	$ 142,522
Office of Science Financial Assistance Program	81.049					178,892	117,118
Conservation Research and Development	81.086					59,449	
Energy Efficiency and Renewable Energy Information Dissemination, Outreach, Training and Technical Analysis/Assistance	81.117					76,508	
State Energy Program Special Projects	81.119					159,243	132,218
State Heating Oil and Propane Program	81.138					25,030	
Total U.S. Department of Energy (DOE)						$ 1,321,145	$ 391,858
U.S. Department of Education (ED)							
Adult Education - Basic Grants to States	84.002					$ 1,892,526	$ 1,544,310
Student Financial Assistance Cluster: (See Note 7)							
Federal Supplemental Educational Opportunity Grants	84.007				$ 2,542,985		
Federal Work-Study Program	84.033				2,632,752		
Federal Perkins Loan Program - Federal Capital Contributions (See Note 3)	84.038				9,124,033		
Federal Pell Grant Program	84.063				57,947,814		
Federal Direct Student Loans (See Note 3)	84.268				122,695,184		
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				3,764	194,946,532	

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Title I Grants to Local Educational Agencies	84.010					52,671,587	49,187,783
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013					264,094	
Special Education (IDEA) Cluster:							
Special Education Grants to States	84.027				45,747,494		39,290,155
Special Education Preschool Grants	84.173				1,746,419	47,493,913	1,212,503
Higher Education Institutional Aid	84.031					75,354	
TRIO Cluster:							
TRIO Student Support Services	84.042				606,119		
TRIO Talent Search	84.044				498,300		
TRIO Upward Bound	84.047				697,217		
TRIO Educational Opportunity Centers	84.066				611,789		
TRIO McNair Post-Baccalaureate Achievement	84.217				258,369	2,671,794	
Career and Technical Education - Basic Grants to States	84.048					5,438,717	3,801,335
Career and Technical Education - National Programs	84.051					55,904	2,701
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126					9,760,464	
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177					129,809	
Special Education - Grants for Infants and Families	84.181					3,654,079	1,945,522
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities - National Programs)	84.184					565,275	42,363
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187					219,765	
Education for Homeless Children and Youth	84.196					286,394	228,359
Assistive Technology	84.224					312,346	
Charter Schools	84.282					122,694	71,905
Twenty-First Century Community Learning Centers	84.287					5,564,113	5,214,224
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325					94,964	
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		University of Connecticut Health Center	N/A		41,895	
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326					65,687	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334					3,633,211	3,631,616
Teacher Quality Partnership Grants	84.336		North Providence School Department	N/A		(282,826)	
English Language Acquisition State Grants	84.365					2,088,743	1,683,692
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367					9,892,942	9,102,533
Competitive Grants for State Assessments (formerly Grants for Enhanced Assessment Instruments)	84.368					(117,973)	
Grants for State Assessments and Related Activities	84.369					3,755,619	
Comprehensive Literacy Development	84.371					32,107	
Statewide Longitudinal Data Systems	84.372					(5)	
School Improvement Grants	84.377					1,537,232	675,596
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407					402,691	
Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	84.411					51,636	
Preschool Development Grants	84.419					1,318,667	352,375

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Student Support and Academic Enrichment Program	84.424					5,194,662	4,904,398
COVID-19 Education Stabilization Fund (See Note 11)	84.425					57,460,719	39,528,208
National Center For Educational Statistics	84.U01	91990020C0023				3,640	
National Assessment Of Educational Programs	84.U02	91990020C0023				142,946	
Total U.S. Department of Education (ED)						$ 411,441,917	$ 162,419,578
Consumer Product Safety Commission (CPSC)							
Virginia Graeme Baker Pool and Spa Safety	87.002					$ 58,997	
Recall Effectiveness Checks	87.U01	CPSC-E-13-0011				2,500	
Virginia Graeme Baker Pool Inspections	87.U02	61320618P0032				15,606	
Total Consumer Product Safety Commission (CPSC)						$ 77,103	$ -
Election Assistance Commission (EAC)							
Help America Vote Act Requirements Payments	90.401					$ (22,844)	
2018 HAVA Election Security Grants	90.404					1,358,787	
COVID-19 2018 HAVA Election Security Grants	90.404					1,122,226	
Total Election Assistance Commission (EAC)						$ 2,458,169	$ -
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					$ 36	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042					76,387	$ 76,347
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043					94,251	94,200
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044				$ 2,245,399		1,554,800
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				2,149,586		1,651,546
COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				1,034,409		1,034,409
Nutrition Services Incentive Program	93.053				412,677	5,842,071	412,500
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048					216,957	82,705
National Family Caregiver Support, Title III, Part E	93.052					640,373	639,830
Public Health Emergency Preparedness	93.069					4,719,931	113,823
Environmental Public Health and Emergency Response	93.070					1,530,385	17,658
Medicare Enrollment Assistance Program	93.071					86,429	85,597
Lifespan Respite Care Program	93.072					247,861	177,921
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073					151,564	
Hospital Preparedness Program (HPP) and public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074					1,347,873	334,135
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079					44,514	
Guardianship Assistance	93.090					630,339	
COVID-19 Guardianship Assistance	93.090					35,437	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092					243,855	113,929
Well-Integrated Screening and Evaluation for Women Across the Nation	93.094					(3,862)	
Food and Drug Administration Research	93.103					832,529	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2020

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Maternal and Child Health Federal Consolidated Programs	93.110					1,189,003	684,152
Maternal and Child Health Federal Consolidated Programs	93.110		Rhode Island Hospital	N/A		124,069	
Environmental Health	93.113					71,738	12,125
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116					283,355	
Emergency Medical Services for Children	93.127					103,764	
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130					161,772	
Injury Prevention and Control Research and State and Community Based Programs	93.136					4,147,392	796,315
Projects for Assistance in Transition from Homelessness (PATH)	93.150					216,650	216,531
Grants to States for Loan Repayment	93.165					455,943	
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197					505,975	
Family Planning Services	93.217					1,208,224	633,819
Traumatic Brain Injury State Demonstration Grant Program	93.234					134,074	12,307
Grants to States to Support Oral Health Workforce Activities	93.236					462,574	
State Capacity Building	93.240					12,706	
Mental Health Research Grants	93.242					87,540	
Substance Abuse and Mental Health Services Projects of Regional and National Significance (See Note 2)	93.243					10,342,020	5,945,274
Early Hearing Detection and Intervention	93.251					246,454	99,576
Immunization Cooperative Agreements (See Note 4)	93.268					15,419,260	143,342
Viral Hepatitis Prevention and Control	93.270					469,076	249,066
Drug Abuse and Addiction Research Programs	93.279					118,287	21,413
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283					1,121,385	470,078
State Partnership Grant Program to Improve Minority Health	93.296					187,267	94,523
PPHF 2018: Office of Smoking and Health - National State-Based Tobacco Control Programs, financed in part by 2018 Prevention and Public Health Funds (PPHF)	93.305					1,052,361	207,924
CSELS Partnership: Strengthening Public Health Laboratories	93.322					66,131	
State Health Insurance Assistance Program	93.324					194,685	88,201
Behavioral Risk Factor Surveillance System	93.336					346,660	
Student Financial Assistance Cluster: (See Note 7)							
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (See Note 3)	93.342				2,480,586		
Nursing Student Loans (See Note 3)	93.364				2,059,060	4,539,646	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354					1,897,650	536,832
COVID-19 Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354					828,155	
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366					2,847,369	478,468
ACL Independent Living State Grants	93.369					458,709	
The State Flexibility to Stabilize the Market Grant Program	93.413					198,841	
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421					49,854	40,000
Every Student Succeeds Act/Preschool Development Grants	93.434					3,947,266	659,180

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435					1,883,211	502,063
Food Safety and Security Monitoring Project	93.448					241,270	
Alzheimer's Disease Program Initiative (ADPI)	93.470					112,909	61,492
Pregnancy Assistance Fund Program	93.500					898,416	667,231
Public Health Training Centers Program	93.516					9,630	
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	93.521					2,428,320	20,327
MaryLee Allen Promoting Safe and Stable Families Program	93.556					1,109,422	
Temporary Assistance for Needy Families	93.558					80,310,995	7,776,660
Child Support Enforcement	93.563					11,548,855	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566					386,587	234,956
Low-Income Home Energy Assistance	93.568					25,157,847	23,509,037
Community Services Block Grant	93.569					3,760,466	3,730,255
CCDF Cluster:							
Child Care and Development Block Grant	93.575				14,093,067		3,011,848
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596				11,894,304	25,987,371	20,412
Refugee and Entrant Assistance Discretionary Grants	93.576					140,725	133,260
State Court Improvement Program	93.586					337,105	
Community-Based Child Abuse Prevention Grants	93.590					178,966	
Grants to States for Access and Visitation Programs	93.597					106,513	
Chafee Education and Training Vouchers Program (ETV)	93.599					177,600	
Head Start	93.600					46,517	
Adoption and Legal Guardianship Incentive Payments	93.603					227,463	
Community Health Access and Rural Transformation (CHART) Model	93.624					491,188	462,255
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632					492,868	
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634					349,766	137,345
Children's Justice Grants to States	93.643					53,185	
Stephanie Tubbs Jones Child Welfare Services Program	93.645					613,633	
Adoption Opportunities	93.652					130,862	
Foster Care Title IV-E	93.658					15,516,365	
COVID-19 Foster Care Title IV-E	93.658					347,950	
Adoption Assistance	93.659					7,539,740	
COVID-19 Adoption Assistance	93.659					339,248	
Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	93.664					404,108	269,550
Social Services Block Grant	93.667					9,543,979	2,620,327
Child Abuse and Neglect State Grants	93.669					324,166	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671					891,907	891,497
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674					230,594	
Mental and Behavioral Health Education and Training Grants	93.732					369,168	

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance, financed in part by Prevention and Public Health Funds (PPHF)	93.733					149	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs, financed by Prevention and Public Health Funds (PPHF)	93.734					286,449	1,429
State Public Health Approaches for Ensuring Quitline Capacity, funded in part by Prevention and Public Health Funds (PPHF)	93.735					43,721	
Elder Abuse Prevention Interventions Program	93.747					5,692	
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations, financed in part by Prevention and Public Health Funds (PPHF)	93.752					1,474,518	232,807
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757					(6,502)	
Preventive Health and Health Services Block Grant, funded solely with Prevention and Public Health Funds (PPHF)	93.758					4,737	
Children's Health Insurance Program (See Note 5)	93.767					89,823,662	
COVID-19 Children's Health Insurance Program	93.767					1,908,598	
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775				953,589		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777				3,124,169		
Medical Assistance Program (See Notes 5, 9 and 10)	93.778				1,671,684,608		
COVID-19 Medical Assistance Program	93.778				70,671,156	1,746,433,522	
Centers for Medicare and Medicaid Services (CMSS) Research, Demonstrations and Evaluations	93.779					932,624	
Opioid STR	93.788					19,162,476	14,486,407
Money Follows the Person Rebalancing Demonstration	93.791					2,203,998	478,539
Organized Approaches to Increase Colorectal Cancer Screening	93.800					599,599	191,732
Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.815					(8)	
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817					582,618	516,307
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829					11,880	
Allergy and Infectious Diseases Research	93.855					127,914	
Maternal, Infant and Early Childhood Home Visiting Grant	93.870					8,622,277	6,668,742
The Health Insurance Enforcement and Consumer Protections Grant Program	93.881					66,760	
National Bioterrorism Hospital Preparedness Program	93.889					542,514	161,669
Family and Community Violence Prevention Program	93.910					313,230	127,263
Grants to States for Operation of State Offices of Rural Health	93.913					153,665	853
HIV Care Formula Grants (See Notes 5 and 10)	93.917					12,386,400	3,707,458
HIV Prevention Activities Health Department Based	93.940					1,437,647	481,187
Assistance Programs for Chronic Disease Prevention and Control	93.945					283,509	719
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946					179,871	
Block Grants for Community Mental Health Services	93.958					2,356,969	2,061,692
Block Grants for Prevention and Treatment of Substance Abuse	93.959					6,311,940	5,747,827
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977					397,986	36,904
Preventive Health and Health Services Block Grant	93.991					699,075	265,122

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Maternal and Child Health Services Block Grant to the States	93.994					1,714,771	812,549
Mammography Quality Standards Act	93.U01	HHSF223201710206C				262,788	
Vital Records - National Death Index	93.U02	200-2017-M-93737				19,222	
Vital Records - SSA Death Data	93.U03	SS00-12-60050				22,809	
Vital Records - SSA Birth Data/EAB	93.U04	SS00-14-61090				11,149	
Food Inspections	93.U05	HHSF223201710096C				154,877	
Vital Records - Data Collection	93.U06	200-2017-92545				245,681	
Ovarian Cancer Care Improvement	93.U07	19BFSK0021				8,989	
Transformation Transfer Initiative	93.U08	SC-3011.3-RI-01				73,791	73,750
Total U.S. Department of Health and Human Services (HHS)						$ 2,162,783,267	$ 97,879,997
Corporation for National and Community Service (CNCS)							
State Commissions	94.003					$ 105,774	
AmeriCorps	94.006					1,264,054	$ 1,242,379
Training and Technical Assistance	94.009					191,321	
Foster Grandparent/Senior Companion Cluster:							
Senior Companion Program	94.016				$ 400,241	400,241	237,220
Total Corporation for National and Community Service (CNCS)						$ 1,961,390	$ 1,479,599
Social Security Administration (SSA)							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001				$ 8,598,008	$ 8,598,008	
Social Security - Work Incentives Planning and Assistance Program	96.008					141,732	
Social Security Investigations	96.U01	10.066.3005117				153,852	
Total Social Security Administration (SSA)						$ 8,893,592	$ -
U.S. Department of Homeland Security (DHS)							
Non-Profit Security Program	97.008					$ 16,672	$ 16,668
Boating Safety Financial Assistance	97.012					692,588	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023					70,427	
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036					1,696,463	1,279,971
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 10)	97.036					113,729	
Hazard Mitigation Grant	97.039					332,469	256,338
National Dam Safety Program	97.041					55,644	
Emergency Management Performance Grants	97.042					2,374,261	335,370
State Fire Training Systems Grants	97.043					(215)	
Assistance to Firefighters Grant	97.044					3,794	
Pre-Disaster Mitigation	97.047					90,236	90,236
Port Security Grant Program	97.056					68,879	
Homeland Security Grant Program	97.067					3,274,448	566,119
Aviation Research Grants	97.069					27,011	
National Explosives Detection Canine Team Program	97.072					122,780	
Law Enforcement Officer Reimbursement Agreement Program	97.090					53,136	
Port Security Grant Program	97.116					6,441	
Total U.S. Department of Homeland Security (DHS)						$ 8,998,763	$ 2,544,702

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2020

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Research and Development Cluster: (See Note 1)							
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001				$ 80,703		
Plant and Animal Disease, Pest Control, and Animal Care	10.025				42,573		
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Louisiana State University	76657	21,933		
Plant and Animal Disease, Pest Control, and Animal Care	10.025		University of Connecticut - Storrs	356281	3,947		
Specialty Crop Block Grant Program - Farm Bill	10.170				4,123		
Acer Access Development Program	10.174				139,775		
Grants for Agricultural Research, Special Research Grants	10.200				23,029		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	56375	2,749		
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203				1,944,551		
Animal Health and Disease Research	10.207				30,066		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE15-342-29994	29,825		$ 4,041
Sustainable Agriculture Research and Education	10.215		University of Vermont	GNE19-192-33243	9,715		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE19-12-34268	15,393		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE18-12-33243	6,935		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE19-381-33243	22,008		
Agricultural and Rural Economic Research, Cooperative Agreements and Collaborations	10.250				40,934		36,161
Integrated Programs	10.303		University of Connecticut Storrs	Subaward #76428	1,325		
Integrated Programs	10.303		West Virginia University	18-726-URI	27,685		
Homeland Security Agricultural	10.304		Cornell University	80289-10775	23,404		
Specialty Crop Research Initiative	10.309				20,569		
Specialty Crop Research Initiative	10.309		Pennsylvania State University	S000323-USDA	1,847		
Agriculture and Food Research Initiative (AFRI)	10.310				621,705		31,985
Agriculture and Food Research Initiative (AFRI)	10.310		University of Washington	UWSC10287	60,074		
National Food Safety Training, Education, Extension, Outreach, and Technical Assistance Competitive Grants Program	10.328		University of Massachusetts, Amherst	18 10161A00	27,200		
Crop Protection and Pest Management Competitive Grants Program	10.329				165,957		
Crop Insurance Education in Targeted States	10.458		National Crop Insurance Services	NCISAlm2018	16,588		
Cooperative Extension Service	10.500				1,095,834		
Cooperative Extension Service	10.500		Auburn University	Putnam_UnivAuburn	7,120		
Cooperative Extension Service	10.500		University of Connecticut Storrs	322723	18,822		
Expanded Food and Nutrition Education Program	10.514				205,878		
Renewable Resources Extension Act and National Focus Fund Projects	10.515				44,383		
Soil and Water Conservation	10.902				37,611		27,157
Soil Survey	10.903				34,353		
Environmental Quality Incentives Program	10.912				89,800		
Regional Conservation Partnership Program	10.932				29,737		
Regional Conservation Partnership Program	10.932		Connecticut Council on Soil & Water Conservation	08-URI-SH	20,213		
Regional Conservation Partnership Program	10.932		Rhode Island Resource Conservation & Development	Forestry Assistance	3,620		
Technical Agricultural Assistance	10.960				138,357		
Other Research and Development - Department of Agriculture	10.RD	RIRCD McWilliams 100219	RI Resource Conservation & Development	RIRCD McWilliams 100219	61,433		

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce (DOC)							
Ocean Exploration	11.011				390,710		26,124
Ocean Exploration	11.011		Ocean Exploration Trust	60105	(184)		
Ocean Exploration	11.011		Ocean Exploration Trust	2019-047	31,500		
Ocean Exploration	11.011		Ocean Exploration Trust	60110-2	157,294		
Integrated Ocean Observing System (IOOS)	11.012		Northeastern Regional Association of Coastal Ocean Observing Systems	A008-003	58,322		
Integrated Ocean Observing System (IOOS)	11.012		Rutgers University	655453	16,254		
Sea Grant Support	11.417				2,485,515		355,221
Sea Grant Support	11.417		University of Connecticut Storrs	36463	15,160		
Sea Grant Support	11.417		University of Connecticut Storrs	368948	9,640		
Coastal Zone Management Administration Award	11.419		Restore America's Estuaries	2016-URI-01	3,995		
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427				235,787		55,121
Marine Sanctuary Program	11.429		Ocean Exploration Trust	2019-048	44,000		
Climate and Atmospheric Research	11.431		RI Natural History Survey	2019-1	56,135		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432				869,235		650,299
Marine Fisheries Initiative	11.433				90,410		47,835
Unallied Management Projects	11.454				8,344		
Meteorologic and Hydrologic Modernization Development	11.467		NESEC	NA19NWS4670011-SUD	79,028		
Meteorologic and Hydrologic Modernization Development	11.467		University of Delaware	47742	16,188		
Office of Coastal Management	11.473		Cape Cod Commission	URI/Opaluch	(300)		
Atlantic Coastal Fisheries Cooperative Management Act	11.474		Rutgers University	1194043	3,910		
Measurement and Engineering Research and Standards	11.609		Enfield Department	Enfield Fire_Parent	1,873		
Other Research and Development - Department of Commerce	11.RD	Subcontract 2013-11-01	Fisheries Specialists	Subcontract 2013-11-01	364		
Other Research and Development - Department of Commerce	11.RD	18-24	NE Fishery Management Council	18-24	11,051		
Other Research and Development - Department of Commerce	11.RD	NA18NWS4670073-SURI	NESEC	NA18NWS4670073-SURI	18,487		
U.S. Department of Defense (DOD)							
Basic and Applied Scientific Research	12.300				2,545,843		174,867
Basic and Applied Scientific Research	12.300		Creare LLC	103289	67,864		
Basic and Applied Scientific Research	12.300		Electro Standards Laboratories	FSElectro12019	16,167		
Basic and Applied Scientific Research	12.300		McLaughlin Research Corporation	PO-19-0129	10,278		
Basic and Applied Scientific Research	12.300		McLaughlin Research Corporation	PO-19-0854	31,340		
Basic and Applied Scientific Research	12.300		Physical Science Inc.	SC-8030-001	5,690		
Basic and Applied Scientific Research	12.300		University of Massachusetts, Dartmouth	32953-VC-RB-110892	3,860		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	165273	181,432		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347117	129,957		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347119	87,329		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347120	65,211		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347122	75,666		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347123	84,288		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347124	152,283		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347127	55,675		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347128	72,651		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347130	808		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	347131	10,741		

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386368	19,278		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386373	12,215		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386378	12,239		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386380	8,289		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386381	2,875		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386382	8,242		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	386388	110,625		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	388687	6,202		
Basic and Applied Scientific Research	12.300		University of Connecticut Storrs	689994	32,996		
Basic and Applied Scientific Research	12.300		Naval Undersea Warfare Center	N00174-19-1-0005	63,995		
Basic and Applied Scientific Research	12.300		Undersea Technology Innovation Consortium	2018-475	56,146		
Basic and Applied Scientific Research	12.300		TelAztec	N00178-17-C-1323	10,690		
Scientific Research - Combating Weapons of Mass Destruction	12.351		Northeastern University	505187-78050	30,621		
Military Medical Research and Development	12.420				184,172		69,082
Military Medical Research and Development	12.420		The Research Foundation for SUNY	1156130-85693	28,043		
Basic Scientific Research	12.431				47,905		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	0054URI18-CHN280-P01	(235)		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	0054URI18	31,025		
The Language Flagship Grants to Institutions of Higher Education	12.550		Institute for International Education	0054URI18SSC-280-PO4	(200)		
Basic, Applied, and Advanced Research in Science and Engineering	12.630				307,468		
Basic, Applied, and Advanced Research in Science and Engineering	12.630		Harvard University	124152-5105177	79,737		
Air Force Defense Research Sciences Program	12.800				99,213		
Air Force Defense Research Sciences Program	12.800		Nautilus Defense LLC	AFX-20-URI1	16,637		
Air Force Defense Research Sciences Program	12.800		Electro Standards Laboratories	FSElectro12017	63,024		
Air Force Defense Research Sciences Program	12.800		Strategic Environ Res & Develop Program	W912HQ18C0057	26,186		12,870
Air Force Defense Research Sciences Program	12.800		LiBama LLC	LiBama-Lucht2019	2,199		
Other Research and Development - Department of Defense	12.RD	347129	University of Connecticut	347129	129,895		
Other Research and Development - Department of Defense	12.RD	15700-0040/001	Cherokee Nation Technology Solutions	15700-0040/001	46,758		
U.S. Department of the Interior (DOI)							
Bureau of Ocean Energy Management Renewable Energy	15.408				82,818		
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423				37,616		10,311
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423		HDR / e2M	1000300001127	14,513		
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423		HDR / e2M	1000300001036	49,557		
Water Desalination Research and Development	15.506				65,040		21,255
Coastal	15.630				5,000		
Coastal	15.630		Wildlife Management Institute	FS2018McGreevy	69,995		
Coastal	15.630		Wildlife Management Institute	GSA 00076	49,570		
Migratory Bird Joint Ventures	15.637				58,591		
Hurricane Sandy Disaster Relief Activities - FWS	15.677				18,763		
Cooperative Ecosystem Studies Units	15.678				11,216		
Assistance to State Water Resources Research Institutes	15.805				83,996		
Earthquake Hazards Program Assistance	15.807				30,718		
U.S. Geological Survey Research and Data Collection	15.808				(58)		
Economic, Social, and Political Development of the Territories	15.875		HDR / e2M	1000300001232	59,176		

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Cooperative Research and Training Programs – Resources of the National Park System	15.945				310,289		
Other Research and Development - Department of the Interior	15.RD	G17PA00033			412		
Other Research and Development - Department of the Interior	15.RD	140M0118C0001			367,547		27,981
Other Research and Development - Department of the Interior	15.RD	10000300000843	HDR / e2M	10000300000843	144,411		59,034
Other Research and Development - Department of the Interior	15.RD	1000300000695	HDR / e2M	1000300000695	10,669		
Other Research and Development - Department of the Interior	15.RD	1000300001414	HDR / e2M	1000300001414	129,093		27,273
Other Research and Development - Department of the Interior	15.RD	AV18-RI-01	AmericaView	AV18-RI-01	24,018		
Other Research and Development - Department of the Interior	15.RD	18-1076	Norwegian Geotechnical Institute	18-1076	49,956		
Other Research and Development - Department of the Interior	15.RD	Stonington-King07302019	The Stonington Historical Society	Stonington-King07302019	32,369		
U.S. Department of Transportation (DOT)							
Highway Planning and Construction	20.205		Cornell University	78666-10717	22,132		
Other Research and Development - Department of Transportation	20.RD	UMS-1185	University of Maine	UMS-1185	201,922		
National Aeronautics and Space Administration (NASA)							
Science	43.001				550,673		
Science	43.001		University of Colorado Boulder	1552614	75,608		
Science	43.001		Earth and Science Research	2017-241-URI	5,947		
Science	43.001		Woods Hole Group, Inc.	23156800 / A101249	34,810		
Science	43.001		University of Washington	UWSC10146	52,550		
Science	43.001		Skidmore College	32175-2	38,821		
Office of Stem Engagement (OSTEM)	43.008				17,161		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001012	104,640		18,190
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001248	13,226		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001572	7,610		
Other Research and Development - National Aeronautics and Space Administration	43.RD	AWD06788			13,632		
Other Research and Development - National Aeronautics and Space Administration	43.RD	5710004170	Massachusetts Institute of Technology	5710004170	83,318		
Other Research and Development - National Aeronautics and Space Administration	43.RD	00001492	Brown University	0001492	33,770		
Other Research and Development - National Aeronautics and Space Administration	43.RD	0001501	Brown University	0001501	40,049		
National Endowment for the Humanities (NEH)							
Promotion of the Humanities Federal/State Partnership	45.129		RI Council for the Humanities	2019MIN-ORG6	1,984		
National Science Foundation (NSF)							
Engineering	47.041				1,063,250		
Engineering	47.041		Arizona State University	asub00000339	20,546		
Engineering	47.041		University of Southern Mississippi	8006386-01.01 URI	47,148		
Mathematical and Physical Sciences	47.049				331,254		
Geosciences	47.050				7,536,309		645,053
Geosciences	47.050		Joint Oceanographic Institution	T307A1 JOI/USSSP	532		
Geosciences	47.050		University of Washington	UWSC11189	37,914		
Geosciences	47.050		Woods Hole Oceanographic Institution	85568600	161,448		
Geosciences	47.050		Brown University	1141	9,744		
Geosciences	47.050		Lamont-Doherty Earth Observatory	OCE 1450528	(34,900)		
Geosciences	47.050		Columbia University	32BGG009393	8,186		
Computer and Information Science and Engineering	47.070				669,642		1,147

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Biological Sciences	47.074				990,862		199,499
Biological Sciences	47.074		University of Arizona	466240	68,276		
Biological Sciences	47.074		Washington State University Vancouver	Subaward138/022-G00414	4,620		
Social, Behavioral, and Economic Sciences	47.075				64,345		
Education and Human Resources	47.076				1,266,929		104,094
Polar Programs	47.078				29,966		
Polar Programs	47.078		University of Connecticut Storrs	KFS#5628610, PO13627	63,646		
Office of International Science and Engineering	47.079				891,061		609,611
Office of International Science and Engineering	47.079		Brown University	N/A	18,345		
Office of International Science and Engineering	47.079		University of New Hampshire	16-019	470,666		
Integrative Activities	47.083				3,759,795		1,152,296
Integrative Activities	47.083		Dartmouth College	R1302	66,828		
Integrative Activities	47.083		University of Southern California	88919743	392,482		
Other Research and Development - National Science Foundation	47.RD	IGAOSU2018	Oregon State University	IGAOSU2018	96,170		
Small Business Administration (SBA)							
Small Business Development Centers	59.037				733,335		
Environmental Protection Agency (EPA)							
Southeast New England Coastal Watershed Restoration Program	66.129		Restore America's Estuaries	SNEPWG18-6-URI	164,322		24,363
Southeast New England Coastal Watershed Restoration Program	66.129		University of Maine	SNEP1-06	10,669		
Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements - Section 104(b)(3) of the Clean Water Act	66.436		Rural Community Assistance Partnership	83938801	9,845		
National Estuary Program	66.456		New England Interstate Water Pollution	CE00A00366	(333)		
National Estuary Program	66.456		New England Interstate Water Pollution	CE00A00004	12,685		10,148
National Estuary Program	66.456		New England Interstate Water Pollution	3642189	26,726		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	SA-2020-29	16,442		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	SA-Alm1-2019	18,800		
Other Research and Development - Environmental Protection Agency	66.RD	75K000011DB	General Dynamics Information Technology	75K000011DB	48,406		
Other Research and Development - Environmental Protection Agency	66.RD	00A00249	Barnstable County	00A00249	25,092		
Other Research and Development - Environmental Protection Agency	66.RD	00A00252	Mass Audubon	00A00252	39,237		
Other Research and Development - Environmental Protection Agency	66.RD	56.000.6200.000	Town of Charlestown	56.000.6200.000	99,201		
U.S. Nuclear Regulatory Commission (NRC)							
U.S. Nuclear Regulatory Commission Scholarship and Fellowship Program	77.008				17,500		
U.S. Department of Energy (DOE)							
Office of Science Financial Assistance Program	81.049		Brown University	00000475/PO# P276735	119,625		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23021-R	339,009		
Office of Science Financial Assistance Program	81.049		Pennsylvania State University	5027-URI-DOE-1090	1,191		
Office of Science Financial Assistance Program	81.049		Pennsylvania State University	5949-URI-DOE-1090	163,604		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00001808	45,320		
Los Alamos National Laboratory - Fire Protection	81.140		Triad National Security, LLC	526876	16,574		
Los Alamos National Laboratory - Fire Protection	81.140		Triad National Security, LLC	526766	5,771		
Other Research and Development - Department of Energy	81.RD	TSI-2576-19-109768	Triton Systems, Inc.	TSI-2576-19-109768	73,679		

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Other Research and Development - Department of Energy	81.RD	USABC-Gotion	Gotion	USABC-Gotion	318,944		
Other Research and Development - Department of Energy	81.RD	378690	Brookhaven National Laboratories	378690	11,155		
Other Research and Development - Department of Energy	81.RD	7456216	Lawrence Berkeley National Laboratory	7456216	37,893		
U.S. Department of Education (ED)							
Undergraduate International Studies and Foreign Language Programs	84.016				5,436		
Special Education - Grants for Infants and Families	84.181		Rhode Island Parent Information Network	51400	(167)		
Special Education - Grants for Infants and Families	84.181		Rhode Island Parent Information Network	RIPIN_MCCurdy_2019	16,885		
Ready-to-Learn Television	84.295		PBS	URI/Sweetman	93,754		
Education Research, Development and Dissemination	84.305		University of Wisconsin, Madison	184	13,978		
U.S. Department of Health and Human Services (HHS)							
Food and Drug Administration Research	93.103				141,528		
Food and Drug Administration Research	93.103		University of Connecticut, Storrs	362106	3,756		
Area Health Education Centers	93.107		Brown University	00001125	89,307		
Maternal and Child Health Federal Consolidated Programs	93.110				17,022		
Environmental Health	93.113				661,771		94,265
Oral Diseases and Disorders Research	93.121				321,219		101,339
NIEHS Superfund Hazardous Substances - Basic Research and Education	93.143				2,325,695		677,970
NIEHS Superfund Hazardous Substances - Basic Research and Education	93.143		Brown University	00000846	25,261		
Human Genome Research	93.172				2,982		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243				8,826		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Kent Center	URI/Stein	11,249		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Community Care Alliance	URI/Stein	11,249		
Advanced Nursing Education Workforce Grant Program	93.247				484,416		50,667
Occupational Safety and Health Program	93.262				218,761		58,088
Alcohol Research Programs	93.273				(2,409)		
Drug Abuse and Addiction Research Programs	93.279				630,961		86,537
Drug Abuse and Addiction Research Programs	93.279		Brown University	1079	12,125		
Drug Abuse and Addiction Research Programs	93.279		Brown University	1483	65,890		
Drug Abuse and Addiction Research Programs	93.279		Bay State Medical Center	15-260	(5,538)		
Drug Abuse and Addiction Research Programs	93.279		Boston Medical Center	BMC ID 6706	22,390		
Drug Abuse and Addiction Research Programs	93.279		The Miriam Hospital	7147060LAS	11,654		
Minority Health and Health Disparities Research	93.307		University of California Riverside	S-001198	6,891		
Trans-NIH Research Support	93.310				46,707		
Nursing Research	93.361				344,638		33,024
Cancer Cause and Prevention Research	93.393				48,083		13,680
Cancer Biology Research	93.396				463,915		
Cancer Research Manpower	93.398		Yale University	M17A12609(A10935)	147,034		
Temporary Assistance for Needy Families	93.558		Brown University	00000941	13,502		
Developmental Disabilities Basic Support and Advocacy Grants	93.630				500,754		475,730
Accountable Health Communities	93.650		Care New England Health System	100001-2	20,268		
Elder Abuse Prevention Interventions Program	93.747		Disabled Persons Protection Commission	Venkatasubramanian_MDPPC	64,381		
Opioid STR	93.788				299,687		

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Newport County CHMC, Inc	1H79SM081870-01	322,231		41,025
Cardiovascular Diseases Research	93.837				454,500		109,532
Cardiovascular Diseases Research	93.837		Brown University	SUB AWARD# 00000729	(283)		
Cardiovascular Diseases Research	93.837		Brown University	00000729/PUR-0018995	9,534		
Cardiovascular Diseases Research	93.837		University of California, Los Angeles	031690-01-URI	18,627		
Lung Diseases Research	93.838		Ocean State Research Institute, Inc	122208	43,616		
Blood Diseases and Resources Research	93.839				42,144		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853				1,719,526		341,988
Allergy and Infectious Diseases Research	93.855				2,261,345		1,029,929
Allergy and Infectious Diseases Research	93.855		University of California at Davis	SUB.201303042-03	6,178		
Allergy and Infectious Diseases Research	93.855		Columbia University	6(GG011896-65)	11,078		
Allergy and Infectious Diseases Research	93.855		Institut Pasteur de Tunis	Institut Pasteur de Tunis	(6,089)		
Microbiology and Infectious Diseases Research	93.856				(10)		
Biomedical Research and Research Training	93.859				4,364,536		2,077,797
Biomedical Research and Research Training	93.859		Brown University	00000938	171,933		
Biomedical Research and Research Training	93.859		Brown University	00001023	93,676		
Biomedical Research and Research Training	93.859		Brown University	0001098	20,646		
Biomedical Research and Research Training	93.859		Brown University	00001441	24,933		
Biomedical Research and Research Training	93.859		Brown University	0001480	8,737		
Biomedical Research and Research Training	93.859		Brown University	00001396	103,991		
Biomedical Research and Research Training	93.859		Brown University	00001142	75,784		
Biomedical Research and Research Training	93.859		Yale University	GR108643(CON-80002175)	143,658		
Biomedical Research and Research Training	93.859		Yale University	M16A12388 (A10553)	102,744		
Biomedical Research and Research Training	93.859		Celdara Medical, LLC	CMCho2018	50,848		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137384NHW	5,719		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123KLL	(73)		
Child Health and Human Development Extramural Research	93.865				162,305		
Child Health and Human Development Extramural Research	93.865		Boston University	4500002896	128,194		
Aging Research	93.866				319,656		
Aging Research	93.866		The Research Foundation for SUNY	82900	224,494		
Aging Research	93.866		Yale University	GR104571	789		
Aging Research	93.866		Yale University	GR100954CON80000919	156,321		
Aging Research	93.866		Rhode Island Hospital	701-7137507	77,060		
Research, Prevention, and Education Programs on Lyme Disease in the United States	93.942		Western Connecticut State University	CDC2019A	68,494		
Research, Prevention, and Education Programs on Lyme Disease in the United States	93.942		Western Connecticut State University	CDC2018A	41,568		
PPHF Geriatric Education Centers	93.969				796,091		211,854
Other Research and Development - Department of Health and Human Services	93.RD	75D30119C05160			48,034		
Other Research and Development - Department of Health and Human Services	93.RD	2R44ES028649-02-001	Enchem Engineering, Inc.	2R44ES028649-02-001	548		

Federal Grantor / Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Cluster Expenditures	Total Expenditures	Passed Through to Subrecipients
Other Research and Development - Department of Health and Human Services	93.RD	St Blissmer_080819_	St. Thomas Episcopal Church	St Blissmer_080819_	2,505		
Other Research and Development - Department of Health and Human Services	93.RD	A20-0501-S001	University of California at Davis	A20-0501-S001	64,333		
U.S. Department of Homeland Security (DHS)							
Centers for Homeland Security	97.061		University of North Carolina - Chapel Hill	5101662	425,692		
Centers for Homeland Security	97.061		Northeastern University	SUB 505035-78059	548,828		75,000
Other Research and Development - Department of Homeland Security	97.RD	S-539-G40001-00-URI			51,175		
U.S. Agency for International Development (USAID)							
USAID Foreign Assistance for Programs Overseas	98.001				6,321,111		2,337,587
USAID Foreign Assistance for Programs Overseas	98.001		International Union for Conservation	IUCN-Ricci06102019	120,898		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	19300.312455.04	238,586		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	72068718C00001	591,952		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	USAID 612-A-14-00004	6,049		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	265-011929	152,390		
Other Research and Development - Agency for International Development	98.RD	193900-312455.04B	Mississippi State University	193900-312455.04B	11,080		
Total Research and Development Cluster						$ 65,952,242	$ 12,217,030
Total Expenditures of Federal Awards						$ 6,094,474,173	$ 475,108,435

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 following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule differ from amounts presented in, or used in the preparation of, the basic financial statements.

Programs are generally listed in the Assistance Listing numerical order by federal funding agency. When the Assistance Listing number is not available from the State or component unit's accounting records, the federal funding agency is identified and these amounts are included in the Schedule along with federal awards for that federal grantor agency (e.g., 84.U01). 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 related federal assistance under several programs to address the effects of managing the impact of the global pandemic. When a unique Assistance Listing number was not created, the same number is repeated with the COVID-19 prefix included in the program description to identify the portion of the program funded by COVID-19 related federal authorizations.

Programs funded by the American Recovery and Reinvestment Act of 2009 (ARRA) have been separately identified in the Schedule using the prefix ARRA in the program title. In some instances, unique Assistance Listing numbers were created for ARRA funded programs. When a unique Assistance Listing number was not created, the same number is repeated with the ARRA prefix included in the program description to identify the portion of the program funded by ARRA.

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 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.

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Non-monetary assistance is also included in the Schedule consistent with Uniform Guidance requirements. Additionally, all non-monetary assistance has been included in determining major programs as defined by the Uniform Guidance. Non-monetary assistance included in the Schedule is listed by federal program in Note 4 to this Schedule.

NOTE 2. DE MINIMIS INDIRECT COST RATE

Agencies that have never received a negotiated cost rate may elect to charge a de minimis rate of 10% of modified total direct costs that may be used indefinitely. This methodology must be used consistently for all federal awards until such time as an agency chooses to negotiate for a rate, which an agency may apply to do at any time. The Department of Behavioral Health, Developmental Disabilities and Hospitals (BHDDH) elected to use the 10% de minimis rate for the Substance Abuse and Mental Health Services Projects of Regional and National Significance (CFDA 93.243) and the Department of Public Safety (DPS) also elected to use the 10% de minimis rate.

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	Loan, Loan Guarantee and Insurance Programs	Expenditures of Federal Awards Year Ended June 30, 2020	Loan Outstanding Balance June 30, 2020
11.307	Economic Adjustment Assistance	$ 8,843,783	$ 5,153,309
14.117	Mortgage Insurance Homes	319,894,859	*N/A*
14.189	Qualified Participating Entities (QPE) Risk Sharing	255,189,703	242,741,759
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	11,797,196	8,463,608
14.239	Home Investment Partnerships Program	26,659,402	26,612,137
14.275	Housing Trust Fund	1,916,204	1,594,674
21.011	Capital Management Fund	2,553,349	2,504,366
84.038	Federal Perkins Loan Program – Federal Capital Contributions	9,124,033	7,328,328
84.268	Federal Direct Student Loans	122,695,184	*N/A*
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	2,480,586	2,135,812
93.364	Nursing Student Loans	2,059,060	1,720,298

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:

Loan, Loan Guarantee, and Insurance Programs

- Economic Adjustment Assistance (11.307) includes the outstanding principal balance of loans originated under, and the balance of cash and cash equivalents of, the Revolving Loan Fund, and the administrative expenses paid from income earned.

- 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.

NOTE 3. LOAN, LOAN GUARANTEE AND INSURANCE PROGRAMS (continued)

- 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 Management Fund (21.011).

- 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.

NOTE 4. NON-MONETARY ASSISTANCE

Expenditures of federal awards include non-monetary assistance in the form of donated food commodities, vaccines, and property. The following table details all non-monetary assistance included in the Schedule of Expenditures of Federal Awards.

Assistance Listing Number	Program	Expenditures of Federal Awards Year Ended June 30, 2020	Non-monetary Assistance Year Ended June 30, 2020
10.555	National School Lunch Program	$ 26,503,149	$ 4,629,661
10.559	Summer Food Service Program for Children	8,620,803	5,090
39.003	Donation of Federal Surplus Personal Property	1,160,022	1,160,022
93.268	Immunization Cooperative Agreements	15,419,260	13,344,183

Non-Monetary Assistance is presented as follows:

- National School Lunch Program (10.555) and Summer Food Service Program for Children (10.559) are reported at the fair market value of food distributed.

- Donation of Federal Surplus Personal Property (39.003) is reported at the assessed value provided by the federal agency.

- Immunization Cooperative Agreements (93.268) includes the value of vaccines received at the contracted price (amount paid by the federal Centers for Disease Control to the manufacturer) and cash assistance for administrative costs.

Donated personal protective equipment (PPE) for COVID-19 pandemic response – during fiscal 2020, the State received donated personal protective equipment, including masks, gowns, testing kits from the Federal Emergency Management Agency (FEMA) to address the COVID-19 pandemic. Per federal guidance the value of such amounts is not included in the SEFA for fiscal 2020.

NOTE 5. REBATES OF PROGRAM EXPENDITURES

The State received the following program expenditure rebates during fiscal 2020:

Assistance Listing Number	Program		Rebate Amount
10.557	WIC Special Supplemental Nutrition Program for Women, Infants and Children	$	4,981,528
93.767	Children’s Health Insurance Program (CHIP)		3,668,909
93.778	Medical Assistance Program		99,760,827
93.917	HIV Care Formula Grants		7,940,482

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 2020. 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 $405.6 million funded from the State’s account in the federal Unemployment Trust Fund, $1,015.6 million funded by COVID-19 federal grants (CARES Act), and $15.8 million funded through other federal grants.

NOTE 7. STUDENT FINANCIAL ASSISTANCE CLUSTER

Expenditures for the Student Financial Assistance Cluster are listed under two separate departments, Department of Education and Department of Health and Human Services. The total expenditures for the Cluster are $199,486,178.

NOTE 8. EXPENDITURES OF OTHER AWARDS

Some expenditures of federal awards included in the Schedule are not specifically identified by Assistance Listing number. When the federal funding agency is known, these amounts are included in the Schedule along with federal awards for that federal grantor agency (e.g., 84.U01). In these instances, an Additional Award Identification Number or information, such as, a federal contract award number or state account number are included in the Schedule.

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).

NOTE 9. 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 advances to nursing home providers for services rendered, which were required due to delays in determining recipient eligibility, was estimated for financial reporting purposes (including the SEFA). These advances will not be claimed on federal reports until eligibility is documented and the related claims are adjudicated through the Medicaid Management Information System (MMIS).

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 10. RECONCILIATION BETWEEN THE STATE'S BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The State's SEFA for fiscal 2020 includes expenditures of federal awards totaling $12,848,466 within the Medical Assistance Program (93.778) related to a portion of the Health System Transformation Program (HSTP). The HSTP is funded through regular federal financial participation (FFP) for the Medical Assistance Program 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.

In accordance with guidance included in the OMB Compliance Supplement, and 12 USC 5702, amounts received by the State under the Build America Bonds are not included in the Schedule of Expenditures of Federal Awards. The State received $1,356,520 during fiscal year 2020, which was reported as federal revenue in the State's financial statements.

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.

Pharmacy rebates totaling $7.9 million for the HIV Care Formula Grants (CFDA 93.917) were accounted for in a restricted receipts account within the State's accounting system instead of a federal source revenue account. The accompanying financial statements include such amounts as restricted revenue and expenditures ($6.8 million); however, the amount of expenditures funded by rebates ($6.8 million) is reflected as expenditures of federal awards in the SEFA for the fiscal year ended June 30, 2020.

NOTE 10. RECONCILIATION BETWEEN THE STATE'S BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

FEMA - Stafford Act, Public Assistance - The State was eligible for reimbursement of COVID-19 related work eligible under the Stafford Act, Public Assistance (PA) Category B (CFDA 97.036). Normally, FEMA covers 75% of costs for eligible work and the applicant is responsible for a 25% non-federal share. However, for eligible work performed relating to the COVID-19 emergency, FEMA will provide a 100% cost share. Eligible expenditures were accumulated, and the State began requesting reimbursement through submission of project worksheets to FEMA. At June 30, 2020, such requests for reimbursement were in process and there was no formal FEMA award of federal funds at that date. These amounts will be reported on the State's Schedule of Expenditures of Federal Awards in a subsequent period.

NOTE 11. EDUCATION STABILIZATION FUND

Total expenditures included in the Schedule for CFDA 84.425 – Education Stabilization Fund are comprised of the following components:

CFDA No.	Program Name	Total Expenditures
84.425D	Elementary and Secondary School Emergency Relief (ESSER) Fund	$ 41,715,400
84.425E	Higher Education Emergency Relief Fund (HEERF) – Student Aid Portion	11,358,514
84.425F	Higher Education Emergency Relief Fund (HEERF) – Institution Portion	4,386,805
	Total Education Stabilization Fund	$ 57,460,719

Auditor’s Reports

Auditor's Reports

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Office of the Auditor General
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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, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements and have issued our report thereon dated February 19, 2021. 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 1% of the assets and deferred outflows and 1% of the revenues of the governmental activities and 1% of the assets and 2% of the revenues of the aggregate remaining fund information;

- the Convention Center Authority, a major fund, which also represents 30% of the assets and deferred outflows and 1% of the revenues of the business-type activities;

- the HealthSource RI Trust, an agency fund, the Ocean State Investment Pool, an investment trust fund, and the Rhode Island Higher Education Savings Trust, a private-purpose trust fund, which collectively represent 33% of the assets and 23% of the revenues 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.

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

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. However, as discussed in the accompanying *Schedule of Findings and Questioned Costs* (Section D), we and the other auditors did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the State's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-002, 2020-004, 2020-005, 2020-006, 2020-010, 2020-013, and 2020-019 to be material weaknesses. Other auditors of the discretely presented component units considered the deficiency described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-023 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-001, 2020-003, 2020-007, 2020-008, 2020-009, 2020-011, 2020-012, 2020-014, 2020-015, 2020-016, 2020-017, 2020-018, 2020-020, and 2020-021 to be significant deficiencies. Other auditors of the discretely presented component units considered the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-024 and 2020-025 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 our tests and those of the other auditors disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-002 and 2020-022.

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

State's Response to Findings

The State's responses and corrective action plans to the findings identified in our audit are described in the accompanying *State's Corrective Action Plan* (Section E). The State's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses or corrective action plans.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Dennis E. Hoyle, CPA
Auditor General

February 19, 2021

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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

We have audited the State of Rhode Island's (the State's) compliance with the types of compliance requirements described 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, 2020.

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 percentages of federal programs listed below. Those 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.

2020 Major Programs Audited by Other Auditors

Program Title:	***CFDA Number***
Qualified Participating Entities (QPE) Risk Sharing	14.189
Federal Transit Cluster:*	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
State of Good Repair Grants Program	20.525
Bus and Bus Facilities Formula Program	20.526
Student Financial Assistance Cluster:	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work-Study Program	84.033
Federal Perkins Loan Program – Federal Capital Contributions	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379
Health Professionals Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342
Nursing Student Loans	93.364
Education Stabilization Fund **	84.425

** The Federal Transit Cluster was administered by both the primary government (State) and a component unit (Rhode Island Public Transit Authority).*

*** The Education Stabilization Fund program was administered by both the primary government (State) and several component units (University of Rhode Island, Rhode Island College, and Community College of Rhode Island)*

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

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the State's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the State's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit, and the reports of the other auditors, provide a reasonable basis for our qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the State's compliance.

Basis for Qualified Opinions on Unemployment Insurance, Children's Health Insurance Program, Medicaid Cluster, and HIV Care Formula Grants

As identified in the following table and as described in the accompanying S*chedule of Findings and Questioned Costs*, the State did not comply with requirements that are applicable to the following major federal programs:

CFDA #	Program (Cluster) Name	Compliance Requirement	Finding
17.225	**Unemployment Insurance**	Eligibility Special Tests and Provisions – UI Program Integrity – Overpayments	2020-030 2020-031
93.767	**Children's Health Insurance Program**	Eligibility Special Tests and Provisions - Medicaid Managed Care Organizations – Provider Eligibility	2020-053 2020-063
93.775 93.777 93.778	**Medicaid Cluster**	Eligibility Special Tests and Provisions - Medicaid Managed Care Organizations – Provider Eligibility	2020-059 2020-063
93.917	**HIV Care Formula Grants**	Activities Allowed or Unallowed, Allowable Costs/Cost Principles	2020-070

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those major federal programs.

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

Qualified Opinions on Unemployment Insurance, Children's Health Insurance Program, Medicaid Cluster, and HIV Care Formula Grants

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the State complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance, Children's Health Insurance Program, Medicaid Cluster, and the HIV Care Formula Grants for the year ended June 30, 2020.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, based on our audit and the reports of the other auditors, the State complied, in all material respects, with the types of 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, 2020.

Other Matters

The results of our auditing procedures 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 2020-034, 2020-037, 2020-038, 2020-039, 2020-040, 2020-056, and 2020-068. Our opinion on each major program is not modified with respect to these matters.

The State's responses and corrective action plans to the noncompliance findings identified in our audit are described in the accompanying *State's Corrective Action Plan* (Section E). The State's responses and corrective action plans were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses and corrective action plans.

Report on Internal Control Over Compliance

Management of the State is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we, and the other auditors, considered the State's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State's 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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.

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

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-026, 2020-027, 2020-030, 2020-031, 2020-032, 2020-033, 2020-041, 2020-043, 2020-049, 2020-053, 2020-059, 2020-061, 2020-062, 2020-063, 2020-066, 2020-069, and 2020-070 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 consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2020-028, 2020-029, 2020-035, 2020-036, 2020-037, 2020-038, 2020-039, 2020-040, 2020-042, 2020-044, 2020-045, 2020-046, 2020-047, 2020-048, 2020-050, 2020-051, 2020-052, 2020-054, 2020-055, 2020-057, 2020-058, 2020-060, 2020-064, 2020-065, 2020-067, 2020-071, and 2020-072 to be significant deficiencies.

The State's responses and corrective action plans to the internal control over compliance findings identified in our audit are described in the accompanying *State's Corrective Action Plan* (Section E). The State's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses and corrective action plans.

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.

Dennis E. Hoyle, CPA
Auditor General

June 25, 2021

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

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Basic Financial Statements

1) The independent auditor's report on the basic financial statements expressed the following opinions:

Opinion Unit	**Opinion**
Governmental Activities	Unmodified
Business–type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major funds –	
General	Unmodified
Intermodal Surface Transportation	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;

Program	CFDA #
Unemployment Insurance	17.225
Children's Health Insurance Program	93.767
Medicaid Cluster	93.775, 93.777 and 93.778
HIV Care Formula Grants	93.917

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.

2020 Major Programs ***Program Title:***	***CFDA Number***
SNAP Cluster:	
Supplemental Nutrition Assistance Program	10.551
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Qualified Participating Entities (QPE) Risk Sharing	14.189
Unemployment Insurance	17.225
Federal Transit Cluster:	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
State of Good Repair Grants Program	20.525
Bus and Bus Facilities Formula Program	20.526
Coronavirus Relief Fund	21.019
Student Financial Assistance Cluster:	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Perkins Loan Program – Federal Capital Contributions	84.038
Federal Pell Grant Program	84.063
Federal Direct Student Loans	84.268
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342
Nursing Student Loans	93.364
Education Stabilization Fund	84.425
Temporary Assistance for Needy Families	93.558
Low-Income Home Energy Assistance	93.568
CCDF Cluster:	
Child Care and Development Block Grant	93.575
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596
Foster Care Title IV-E	93.658
Adoption Assistance	93.659
Children's Health Insurance Program	93.767
Medicaid Cluster:	
State Medicaid Fraud Control Units	93.775
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777
Medical Assistance Program	93.778
Opioid STR	93.788
HIV Care Formula Grants	93.917

8) The dollar threshold used to distinguish between Type A and Type B programs was $18,283,423.

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:

2020 Major Programs Audited by Other Auditors

Program Title:	***CFDA Number***
Qualified Participating Entities (QPE) Risk Sharing	14.189
Federal Transit Cluster:*	
Federal Transit – Capital Investment Grants	20.500
Federal Transit – Formula Grants	20.507
State of Good Repair Grants Program	20.525
Bus and Bus Facilities Formula Program	20.526
Student Financial Assistance Cluster:	
Federal Supplemental Education Opportunity Grants	84.007
Federal Work Study Program	84.033
Federal Perkins Loan Program – Federal Capital Contributions	84.038
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Nursing Student Loans	93.364
Education Stabilization Fund**	84.425

** The Federal Transit Cluster was administered by both the primary government (State) and a component unit (Rhode Island Public Transit Authority).*

*** The Education Stabilization Fund program was administered by both the primary government (State) and several component units (University of Rhode Island, Rhode Island College, and Community College of Rhode Island) – see Note 11 to the SEFA.*

Finding 2020-001 ***(significant deficiency – repeat finding – 2019-001)***

IMPLEMENTATION OF THE STRATEGIC PLAN FOR CRITICAL FINANCIAL AND ADMINISTRATIVE COMPUTER SYSTEMS

The State completed a strategic plan to coordinate needed replacements/enhancements to its key statewide financial and administrative systems. Implementation and funding of the strategic plan is essential to ensure that critical legacy financial systems, such as the payroll system, which pose a business continuity risk, will be available to support State operations.

Background: The State completed a strategic plan in January 2020 which details the need for, and the benefits to be derived from, an enterprise applications modernization effort, highlighting that “the risks of inaction far outweigh the cost of upgrades in capability”.

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. A consistent source of funding needs to be secured to support this multi-year effort through completion.

Condition: Important functionalities are minimally met through legacy systems, the existing statewide accounting system, and multiple departmental processes without intended integration and efficiencies. This results in business continuity risk, decreased efficiency and effectiveness, and control weaknesses. Some of the State’s critical systems utilize outdated technology which makes these operations vulnerable from a business continuity and systems security perspective. Certain legacy systems utilize software that is no longer supported and the availability of skilled personnel to work on these systems is limited.

Many of the needed financial functionalities are interdependent and, consequently, the risk of failed integration is increased absent appropriate strategic planning and sequencing.

The recent pandemic-induced migration to a remote work environment further highlighted the ineffectiveness of the State’s current human resource and payroll systems which still utilize paper transaction approval processes. Intensive departmental reallocation of personnel costs eligible for newly available COVID-19 federal funding was all performed independent of the State’s payroll system. This created the potential for errors and employed inconsistent methodologies. The State needs to rapidly implement a modern human resource system, not only to better support those functions but also to facilitate other needed system and technology enhancements (e.g., cost allocation, grants management etc.).

Cause: The State’s current accounting and financial reporting system lacks the integration and functionality of a comprehensive Enterprise Resource Planning (ERP) system. The State’s human resource and payroll systems are separate applications that utilize outdated technology and are supported by multiple paper-based data collection and approval processes.

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

2020-001a Implement the comprehensive strategic plan to address the business continuity risks, deficiencies in controls over financial reporting and operational inefficiencies identified in the State's current financial systems.

2020-001b Secure a consistent funding stream to ensure resources are available for the project through completion.

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

Finding 2020-002	***(material weakness/other matter required to be reported by Government Auditing Standards – new finding)***

CONTROLS OVER UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

Controls over the processing of unemployment insurance claims are ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. The State's system used to process unemployment insurance claims utilizes outdated technology. Recent efforts to develop a new system remain incomplete.

See Federal Award Finding 2020-030 which includes a more recent update of the amount of known or suspected fraudulent benefits paid during fiscal 2020.

Background: In fiscal 2020, the Department of Labor and Training (DLT) paid more than $1.4 billion in unemployment insurance benefits, an increase of 860% from fiscal 2019. In response to the COVID-19 pandemic, the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act expanded and/or extended unemployment insurance benefits, including providing new benefits to self-employed individuals and independent contractors. Fraudulent claims for unemployment insurance benefits also increased rapidly, concurrent with the overall increase in claims due to the pandemic. This unprecedented increase in fraudulent claims was experienced nationwide and was not unique to Rhode Island.

The system used by DLT to process unemployment insurance (UI) benefits utilizes outdated technology. This legacy system is mainframe based and programmed in COBOL. In response to the pandemic related surge in unemployment insurance claims, new "cloud-based" technologies were rapidly deployed to facilitate processing the volume of claims and interactions with claimants; however, the primary claims processing functions were still performed by the legacy system.

In 2013, Rhode Island joined a consortium with several other states to develop a new unemployment insurance claims processing system. In 2018, Rhode Island suspended its involvement with the consortium. The State's cumulative investment in the consortium project totals approximately $14.5 million. The system has not been completed for use in Rhode Island, although it is operational in other states.

Criteria: Management is responsible for establishing and maintaining effective internal controls to process and disburse unemployment insurance benefits consistent with federal program guidelines including appropriate procedures to prevent and detect fraudulent payments.

Condition: DLT's internal control procedures were not sufficiently effective to ensure that unemployment benefit payments were made only to eligible individuals. DLT estimated $10 million in fraudulent claims were paid between March and June 30, 2020. Management recognized an estimated receivable for these amounts and a liability to the federal government for fraudulent benefits recovered. In response to the increase in fraudulent benefit claims, DLT engaged a contractor to assist in the detection of likely fraud which included the use of advanced analytic techniques. While appropriate and somewhat effective in identifying likely fraudulent claims prior to disbursement, these procedures are external to the DLT systems used to process unemployment insurance claims.

Controls over claims processing were weakened through suspension of the first week waiting period, a simplified application implemented to streamline and expedite processing, and the inability to apply the normal wage verification procedures to claims from self-employed individuals and independent contractors.

Whether the State's cumulative investment to date in a newer unemployment benefit processing system (through the multi-state consortium) is viable, and with additional investment, may meet DLT's needs, including addressing fraud risks, remains unclear.

Cause: The large volume of claims stressed an outdated system and the unprecedented economic impact warranted rapid processing of claims. The rapid implementation of new unemployment benefit programs authorized by the CARES Act did not allow sufficient time to employ wage verification and other procedures. Other procedures to verify client identity, prior wages and overall eligibility were also weakened due to the unprecedented volume of claims and new procedures employed to expedite benefit payments. Lastly, the substantial increase in fraudulent claims activity is largely considered to be the result of sustained and targeted efforts impacting many states.

Effect: Fraudulent unemployment insurance claims have been paid and DLT's systems require further enhancements to timely identify fraudulent benefit claims prior to disbursement. DLT remains at a critical juncture in developing a strategy to upgrade and modernize its unemployment insurance claims processing systems while ensuring compliance with federal program requirements including the prevention and detection of fraudulent benefit payments.

RECOMMENDATIONS

2020-002a Continue to enhance procedures to timely identify fraudulent claims by strengthening controls within the legacy claims processing system as well as those newly implemented processing functionalities employed to meet the increase in claims activity.

2020-002b Implement a strategic plan to address the required modernization of the unemployment benefit claims processing system which addresses the State's investment to date in the multi-state consortium project.

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

Finding 2020-003	***(significant deficiency –new finding)***

UNEMPLOYMENT INSURANCE BENEFIT ACCRUALS

The State does not have a process to quantify unemployment insurance benefits approved but unpaid at fiscal year-end.

Background: The Employment Security Fund is used to account for the collection of employer taxes and the payment of unemployment insurance benefits. In accordance with generally accepted accounting principles (GAAP), the Employment Security Fund is accounted for on the accrual basis and reported as a proprietary fund in the State's financial statements.

Criteria: Under accrual basis accounting, transactions are recorded in the period when they occur, regardless of the timing of cash flows.

Condition: Benefit payments are currently recorded in the financial system when paid. The Department of Labor and Training (DLT) has not implemented fiscal closing procedures to identify claims approved for payment but not disbursed at fiscal year-end. Most benefit payments were current at June 30; however, reporting procedures should be enhanced to track any benefit payments requiring accrual.
Cause: Fiscal closing procedures for the Employment Security Fund do not include efforts to detect and measure any benefit payment which should be accrued at June 30 in accordance with GAAP.

Effect: Benefit expenses and liabilities could be misstated at year-end.

RECOMMENDATION

2020-003 Enhance Employment Security Fund fiscal closing procedures to identify and accrue benefits approved and unpaid at year-end.

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

Finding 2020-004 ***(material weakness – repeat finding – 2019-002)***

MEDICAID PROGRAM COMPLEXITY AFFECTS FINANCIAL REPORTING AND OVERALL PROGRAM CONTROLS

The continued and growing complexity of Medicaid program operations adds to the challenge of accurately accounting for all Medicaid program related financial activity within the State's financial statements.

Background: The complexity of the Medicaid program increases each year through new federal regulations, complex managed care contract settlement provisions, new State initiatives, and continued challenges relating to the State's integrated human services eligibility system, RIBridges. Medicaid is the State's single largest program activity – representing approximately 35% of the State's General Fund expenditures. Consequently, the financial aspects of this program are material to the State's financial reporting objectives.

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.

Condition: Significant Medicaid program activity is currently being accounted for external to the systemic controls and processes designed within the program. In addition, the State relies on contract services to manually accumulate, evaluate, and determine settlements and/or payments relating to these program activities. Due to the length of settlement periods, the extended duration of eligibility system issues, and the volume of transactions being accumulated and evaluated independent of regular program controls, risks relating to inaccurate financial activity and federal compliance have increased.

The following were examples during fiscal 2020 where financial reporting was impacted by the above condition:

- Preliminary contract settlement reports submitted by the Managed Care Organizations (MCOs) at year-end did not reflect the impact on anticipated claiming resulting from the on-going public health emergency caused by COVID-19,
- Certain program activities require manual adjustment because systemic processing (eligibility coding by RIBridges) of the financial activity is not accurate,
- Liabilities relating to outstanding prior period contract settlements were omitted from year-end reporting, and

- Certain year-end manual calculations of liabilities and receivables did not include consistent treatment with how the related expenditures were split amongst the various managed care populations because the year-end calculations are separate and distinct from the systemic processing of the activity during the fiscal year.

Although the above examples were all properly adjusted in the State's financial statements, the underlying condition continues to present annual challenges to the State's financial reporting.

Cause: Ensuring all financial activity is properly and completely recorded in the State's financial statements is an increasingly complex task. MCO risk and gain share settlements, settlements with Federally Qualified Health Center (FQHC) providers, outstanding amounts due to MCOs for eligible births and stop loss expenditures for services reimbursed outside of capitation all required manual accumulation by consultants as part of the year-end accrual process. The financial effect of these settlements and program provisions totaled in the hundreds of millions of dollars. Much of this activity is higher risk from a financial reporting and federal program compliance perspective as it is less subject to systemic controls and instead is accounted for through manual independent processes. The State also lacks a formal risk assessment for these material financial settlement provisions that would identify the areas where additional data validation is warranted. While the State evaluates encounter data and other information submitted by the MCOs, it has not utilized contract audit provisions to specifically target areas where financial risks are not mitigated through other procedures.

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

2020-004a Formalize a risk assessment process for significant Medicaid related activities to determine where controls and other data validation procedures are required. Delineate those control responsibilities delegated to contractors, the source and the reliability of the data utilized in those processes, and whether those processes are sufficient to ensure accurate financial reporting of these Medicaid activities.

2020-004b Utilize managed care contract audit provisions to validate data provided by managed care organizations for significant financial program activities.

2020-004c Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.

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

Finding 2020-005 ***(material weakness – repeat finding – 2019-003)***

SYSTEM PAYOUTS AND MANUAL DISBURSEMENTS BY THE MEDICAID FISCAL AGENT

The Executive Office of Health and Human Services (EOHHS) authorized more than $190 million in disbursements (system payouts and manual payments) and $100 million in system recoupments during fiscal 2020. This financial activity represents transactions outside of the normal claims processing functionality of the Medicaid Management Information System (MMIS). While these types of payments are necessary within Medicaid, the reporting and internal control processes relating to these types of disbursements and recoupments are manual and external to other established control procedures. Such amounts are not easily identified or quantified by the MMIS.

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. Such processes should support the validity and accuracy of all payments made by the fiscal agent, the completeness of reported program activity, and to ensure compliance with federal regulations for allowable cost principles and activities allowed or unallowed.

Condition: The MMIS lacks formalized reporting that details system payouts, manual disbursements, and system recoupments. To the extent that system payouts and recoupments net with current claims processing activity, these transactions result in net cycle activity being posted to the State accounting system which is the basis for the State's financial and federal reporting functions. When system payouts and recoupments relate to prior period activity, the netting with current period claiming distorts financial reporting. This can negatively impact both financial reporting and federal reporting for the Medicaid and CHIP programs.

EOHHS has several options to initiate non-claims processing financial activity (i.e., system payouts, manual payouts, system recoupments, and payments through the State accounting system). Policies should be formalized to identify the financial transaction type that best aligns with the nature of the transaction. For example, disbursements for prior-year managed care activity should be made by a manual payment that is recorded independently in the State accounting system rather than a system payout that nets the activity against current capitation payment processing. Yet, a recoupment of an advance made in the prior month is more efficiently accomplished through a system recoupment since they relate to the same financial period (quarter or fiscal year). This consideration should involve consultation with the Office of Accounts and Control to ensure proper financial accounting for the transaction.

Cause: System payouts and recoupments often net prior period financial activity with current claims processing activity which can result in misstatements to financial and federal reporting. 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.

Effect: Errors or omissions in financial reporting and federal noncompliance are possible effects of this control deficiency.

RECOMMENDATIONS

2020-005a Adopt policies that formalize the financial transaction type that best aligns with the nature of the transaction.

2020-005b Develop comprehensive reporting for system payouts, manual disbursements, and system recoupments to improve the transparency of these transactions processed by the Medicaid fiscal agent.

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

Finding 2020-006 ***(material weakness – repeat finding – 2019-004)***

COMPREHENSIVE DOCUMENTATION OF THE STATE'S INTERNAL CONTROL STRUCTURE

Management focus, training and implementation resources have been insufficient to ensure that departments and agencies are assessing and documenting internal control consistent with management's overall responsibility for the adequacy of the design and operation of internal control. Internal controls safeguard public resources and support accurate financial reporting.

Background: The State's management has responsibility for the design and operation of internal control. The Committee of Sponsoring Organizations (COSO) has designed a framework for internal control that consists of three categories of objectives – *operations, reporting, and compliance* – and five components – *control environment, control activities, risk assessment, information and communication, and monitoring*. The Government Accountability Office's "Green Book" - *Standards for Internal Control in the Federal Government* tailors this conceptual framework to the public environment. The "Green Book" is required for federal agencies and is useful to other governments when applying the principles of an internal control framework.

Criteria: An internal control framework, such as COSO and/or the Green Book, provides an overall structure for management to design, document, and monitor its internal control policies and procedures. Both within and outside government, management has responsibility for the adequacy of design and operation of an entity's control structure.

Condition: 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. Opportunity exists for a coordinated effort to implement the revised internal control framework and to reassess the design of its current control structure (both statewide and at the individual agency level) with emphasis on risk assessment and monitoring – both essential components of internal control. As the State considers implementing a fully integrated ERP system, which will likely include modification of certain processes and related controls, opportunities exist to evaluate and document amended control procedures consistent with the internal control framework.

Cause: Management focus, training and implementation resources have been insufficient to ensure that departments and agencies are adequately documenting their internal control structures inclusive of all elements.

Effect: Control weaknesses could exist and go undetected either through inadequate design or through noncompliance resulting from insufficient monitoring.

RECOMMENDATIONS

2020-006a 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.

2020-006b Implement an internal control assessment and documentation effort to coincide with the implementation of a fully integrated ERP system.

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

Finding 2020-007	***(significant deficiency – repeat finding – 2019-005)***

EVALUATION OF CONTROLS OVER FUNCTIONS PERFORMED BY EXTERNAL PARTIES

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

Background: SOC reports are provided by service organizations to assure customers/clients that controls are sufficiently designed and in operation over relevant activities. Management of the user entity should use these reports as part of their overall consideration and documentation of the adequacy of the design and operation of internal control.

Criteria: Management has responsibility for the adequacy of design and operation of an entity's control structure including functions performed by external parties.

Condition: The State has made progress by training employees and implementing a uniform SOC report assessment tool to document the consideration of controls at its service organizations. Further training and monitoring are needed to ensure all SOC reports are appropriately and consistently evaluated. Additionally, the State must ensure that relevant complimentary user entity (State) controls identified by service organizations are also in place and operating effectively.

When SOC reports identify exceptions, or auditors' reports on the operation of internal controls are modified due to exceptions, evaluation of such matters must be timely and thorough. For example, one SOC report for an EBT provider highlighted deviations in the control testing which resulted in a qualified opinion regarding the design and effectiveness of certain control procedures at the service organization. Documentation prepared by the State department utilizing the service organization was incomplete regarding the evaluation of the exception and the impact on the State's overall control procedures.

Continued training is recommended along with monitoring and follow-up with departments and agencies.

Cause: The lack of comprehensive documentation and consideration of controls at service organizations that perform critical functions for State government represent a weakness in internal control over financial reporting.

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

2020-007a Enhance training and monitoring to ensure compliance with newly implemented SOC report evaluation procedures.

2020-007b Ensure that relevant complimentary user entity (State) controls identified by service organizations are also in place and operating effectively.

2020-007c Ensure expectations and auditor report modifications included in SOC reports are evaluated timely and documented regarding the impact on the State's overall control procedures.

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

Finding 2020-008 ***(significant deficiency – repeat finding – 2019-010)***

MONITORING RIFANS ACCESS PRIVILEGES AND AGENCY APPROVAL HIERARCHIES

The State can enhance certain system access controls within the RIFANS statewide accounting system.

Background: Authorizing and monitoring access to RIFANS, the State's centralized accounting system, is a key control over financial reporting. Access roles for all RIFANS users are assigned and controlled through unique passwords. Ensuring access is consistent and appropriate with each individual's responsibilities is an important control process. Individuals with "Super User" access require specific monitoring procedures due to their unlimited system access and the ability to potentially override established control procedures.

Criteria: Controls over system access by users and system administrators is critical to ensure that transactions in RIFANS are properly authorized and recorded for financial reporting purposes.

Condition: The State's lack of adequate monitoring of user and administrator access represents a collective weakness in internal control over financial reporting. There are three distinct, but interrelated areas where the State can improve its monitoring of RIFANS access privileges by implementing reporting functionalities that allow for the periodic review of RIFANS user and administrator access:

- *RIFANS "Super Users"* - Activities of individuals with system administrator or "super user" roles are logged but not reported and reviewed by qualified personnel. These individuals have unlimited access to RIFANS functions and data. Consequently, any RIFANS transactions or activity initiated by system administrators should be monitored. The Division of Information Technology's (DoIT) policies and procedures require the activities of privileged users (system administrators) be logged by the system and reviewed for appropriateness by assigned personnel.
- *Agency Hierarchies* - Access roles for all RIFANS users are controlled through unique passwords. These roles, which are assigned based on job functions and responsibilities, permit access to various system capabilities. Agency hierarchies allow specific transaction types and dollar authorization limits. Other transaction-specific authorization controls are managed through workflow paths within RIFANS. The Office of Accounts and Control (Accounts and Control) is responsible for the design and control of system access by RIFANS users. This "blueprint" of the RIFANS control structure is periodically documented through hierarchies detailing access and approval flows for each department or agency and system workflows documenting the routing of certain types of transactions.
- *RIFANS Delegated Authority* - RIFANS users may delegate their authority to other users in certain situations (e.g., vacation rules). The State implemented a policy that restricts employees from delegating their authority to others with a lower level of authority and requiring notification of the delegation to Accounts and Control in certain circumstances.

The State created a report designed to monitor changes to the agency hierarchies, authorization thresholds, and other select data fields; however, there were no procedures in place requiring periodic review of the report by DoIT IT Security personnel who possess sufficient knowledge of the IT security protocols to monitor "super user" activity. Further refinements to the report are required to capture all "super user" activity on the system. For example, there are no existing system-enforced policies restricting "super users" from effecting changes to their own level of access or authorization levels.

Cause: The State did not have sufficient reporting to allow for comprehensive "super user" access monitoring during fiscal 2020. Using the current accounting system, the tracking of all changes made by "super users" may exceed current capabilities. The State should consider incorporating the need for adequate audit tracking of super user activities when completing its strategic ERP plan.

While the use of reports designed to identify and review changes made to RIFANS access was improved during fiscal 2020, additional efforts are required to ensure that system access is designed appropriately, properly authorized and documented, and is implemented in accordance with that design.

Effect: Potential for unauthorized transactions being recorded in RIFANS.

RECOMMENDATIONS

2020-008a Enhance current procedures for reviewing the activities of "super users" (including system administrators) on a scheduled basis to ensure that additions, modifications, and deletions initiated by them are appropriate. Assess the potential for systemic changes when completing the State's strategic plan for designing and implementing a fully integrated ERP system.

2020-008b Implement policies regarding "super users" modifications of their own access and authorization.

2020-008c Improve controls over RIFANS access by ensuring consistent use of the reporting functions and by modifying existing procedures to ensure that all changes are being properly authorized and documented and reflected accurately in agency hierarchies and system workflows.

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

Finding 2020-009 ***(significant deficiency – repeat finding – 2019-011)***

COMPREHENSIVE GENERAL LEDGER CONTROLS OVER RECEIVABLES

Statewide accounting controls over receivables should be enhanced.

Background: Revenues are collected at many points throughout the State and, in many instances, due to volume and complexity (e.g., tax revenues), independent systems must be maintained to control and account for those revenues and related receivables.

Currently, general ledger balances are adjusted at fiscal year-end to match the summary balances reported by the various revenue collecting agencies. Long-term receivables, which are included in the State's government-wide financial statements, are typically recorded and then reversed each year without a "permanent" general ledger or subsidiary ledger detail record of such amounts.

The lack of an integrated revenue and receivables functionality within the RIFANS accounting system requires that receipts/revenue be recorded via journal entry transactions (directly to the general ledger). Typically, receipts/revenue would be recorded in a separate module with expanded functionality that would interface with and post information to the general ledger.

The Office of Accounts and Control has added certain receivable categories to an existing revenue/receivables module that is part of RIFANS. However, since that module is more designed to track receivables on a unique customer basis, it does not easily match the need to control receivables within the State's various subsidiary systems (e.g., tax receivables). Other options need to be considered to meet the State's comprehensive control objectives for receivables, given the complicated and decentralized nature of revenue collection points throughout the State.

The Central Collections Unit (CCU) was created within the Department of Revenue to assist State agencies in collecting delinquent debts owed to the State. Debt is referred to the CCU for collection, but receivable balances and revenue ultimately remain with the originating agency.

Criteria: Controls are enhanced when there are effective general ledger controls over all receivable balances with periodic reconciliation to detailed subsidiary accounts receivable systems. Additions and reductions (receipts) of receivables should be recorded in aggregate at the general ledger level with the detailed recording at the customer/taxpayer level within the various subsidiary receivable systems.

Condition: The State must enhance its comprehensive general ledger controls over amounts owed to the State. Receivable balances are generally maintained by the revenue-collecting department or agency (e.g., Division of Taxation, Courts, and Department of Environmental Management). Summary balances are only reported annually to the Office of Accounts and Control for inclusion in the State's financial statements. The effectiveness of receivable recording at year-end is dependent upon agencies fully reporting balances to the Office of Accounts and Control and procedures performed by Accounts and Control to identify possible omissions. This manual process provides a level of compensating control but is susceptible to omission. Accounting and monitoring controls over the State's receivables in aggregate are limited.

Controls can also be enhanced over the newly formed CCU. Certain balances referred for collection to the CCU have not been reflected within the State's general ledger or financial statements as receivables. Procedures should be implemented to track delinquent receivables pursued by the CCU and match them to the appropriate RIFANS account to facilitate consistent, complete recording on the State's general ledger.

The State implemented statewide COVID-19 testing in March 2020 in response to the public health emergency. Once implemented, the State began to seek reimbursement from health insurers for covered individuals. These reimbursement efforts have been identified and tracked manually. The State needs to improve controls over these receivables to ensure the accounting is appropriate and recoveries are credited to the original funding source (e.g., federal grants). Receivables for amounts billed to insurers are not currently recorded in the State's accounting system.

Cause: Inadequate general ledger controls over accounts receivable.

Effect: Potential for misstatement or omission of accounts receivable and related revenue in the State's financial statements.

RECOMMENDATIONS

2020-009a Explore options to enhance statewide general ledger controls over receivables. Ensure all balances referred to the CCU for collection have been reflected in the RIFANS general ledger and financial statements.

2020-009b Improve accounting controls over COVID-19 testing receivables to ensure completeness of billing and collections and appropriate crediting to the original funding source, where applicable.

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

Finding 2020-010	***(material weakness – repeat finding – 2019-013)***

CONTROLS OVER FEDERAL PROGRAM FINANCIAL ACTIVITY

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) claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system.

Background: Federal programs represented 40% of fiscal 2020 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 limitations. Further, the State can improve its overall centralized monitoring of federal program operations to ensure compliance with federal requirements.

Some federal grants are open-ended entitlement programs where the federal government will reimburse the State for all allowable costs incurred under the program. Other federal grants are limited by a specific award amount and grant period. These grant periods are often for the federal fiscal year and are not aligned with the State's fiscal year.

Criteria: Federal revenue and expenditures recorded by the State must be consistent with the limitations of grant awards from the federal government and claimed expenditures on federal reports must be consistent with amounts recorded in the State's accounting system.

Condition: Knowledge of grant requirements, spending authorizations, and limitations on reimbursable expenditures all rests with departmental managers who administer the federal grant programs. The Office of Accounts and Control, in preparing the State's financial statements, relies primarily on the coding of expenditures (by funding source – federal) within the RIFANS accounting system. All expenditures recorded in federal accounts are considered reimbursable from the federal government and federal revenue is recorded to match those expenditures. From an overall statewide perspective, controls over financial reporting are ineffective to ensure that all federal expenditures are reimbursable and federal revenue is recognized appropriately.

The Office of Accounts and Control requires departments to complete a Federal Grants Information Schedule (FGIS) to reconcile RIFANS program activity with amounts drawn and claimed on federal reports. The FGIS process is not effective and there is no other statewide control measure to ensure that grant expenditures do not exceed available award authority.

The State's RIFANS accounting system does not meet the State's needs in three important and interrelated areas – time reporting/payroll, grants management, and cost allocation – all functionalities that are integral to management of federal programs. These functions are currently performed independent of RIFANS and generally through multiple departmental systems – most of which are duplicative and utilize old and sometimes unsupported technology.

Cause: Sufficient controls have not been implemented within the statewide accounting system to ensure amounts are consistent with the limitations of grant awards from the federal government and claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system; however, the current FGIS process is ineffective.

Enhanced statewide accounting functionalities that support time reporting/payroll, grants management, and cost allocation are being contemplated through the strategic plan initiative which recognizes the need for a grants management component within the overall planned ERP implementation.

Effect: Federal revenue could be overstated and not detected for financial reporting purposes. The share of program costs allocable to funding sources (e.g., general revenue vs. federal) could be misstated.

RECOMMENDATION

2020-010 Implement controls to ensure that the allocable share of federal program expenditures is consistent with grant award limitations. Reassess the current FGIS process with the goal of enhancing compliance and effectiveness.

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

Finding 2020-011	***(significant deficiency – repeat finding – 2019-014)***

MONITORING RESPONSIBILITY FOR FUNDS ON DEPOSIT WITH FISCAL AGENTS

Responsibility for monitoring the investment activity and other compliance aspects of funds on deposit with a fiscal agent (trustee) should be vested with the Office of the General Treasurer.

Background: On June 30, 2020, $369 million was on deposit with fiscal agents (trustees). These amounts generally are bond or certificate of participation proceeds which are invested pending disbursement for projects. At June 30, 2020, investments included government debt securities, commercial paper, certificates of deposit and money market funds.

Criteria: The safety and liquidity of investments made from undisbursed debt proceeds, as well as compliance with permitted investment limitations, should be actively monitored. The Office of the General Treasurer has similar responsibilities for other State funds and is the appropriate choice to provide appropriate oversight of these balances.

Condition: Responsibility among various State agencies for monitoring investment activity for funds on deposit with fiscal agents remains fragmented without sufficient oversight and monitoring. Efforts to improve oversight and monitoring by the Office of the General Treasurer are incomplete and require additional effort. The nature and timing of specific monitoring procedures can be better defined and coordinated.

Cash reserves totaling $200 million of the $369 million on June 30, 2020 were uninsured and uncollateralized.

Cause: The Office of the General Treasurer generally has responsibility for investment of State funds. Because these amounts are held by trustees and invested independently, they have not historically been included within the oversight of the Office of the General Treasurer and no other State agency has been designated specific responsibility. During fiscal 2020, the Office of the General Treasurer began discussion of required procedures, but oversight was not fully implemented.

Effect: Funds held by fiscal agents are insufficiently monitored to ensure safety, liquidity and compliance with debt related covenants.

RECOMMENDATION

2020-011 Complete implementation of effective oversight and monitoring responsibilities for funds on deposit with fiscal agents.

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

Finding 2020-012 **_(significant deficiency – repeat finding – 2019-019)_**

DIVISION OF INFORMATION TECHNOLOGY – DISASTER RECOVERY TESTING

The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery testing.

Background: Periodic tests of the disaster recovery plan are a vital component of an overall business continuity plan to increase the likelihood that critical systems can be restored should a disaster disable or suspend operations at the State's data center. DoIT has a designated disaster recovery facility in New Jersey (operated by a vendor).

Criteria: Industry best practices stipulate that disaster recovery testing be performed twice a year to accommodate the ever-changing systems environment. The State should perform a full disaster recovery test at least annually. Also, off-site storage of backups should be geographically diverse enough to successfully recover from a regional disaster.

Condition: The State paused tests of its disaster recovery plan during fiscal 2020 due to COVID-19. A list of major systems has been developed, but the restoration priority needs to be formalized and communicated to State agencies. In addition, further progress is needed to test all critical functionality of major systems and their applications. During the 2019 test, the system and database were recovered for critical applications, however, the State did not fully validate the application functionality.

Cause: While major systems to be recovered have been identified, prioritization has not been formalized. Sufficient time has not been allotted to test all systems thoroughly. In addition, a repeatable level of application testing has not been formally established nor has business continuity planning been incorporated into disaster recovery testing.

Effect: Incomplete disaster recovery testing reduces the assurance that all mission critical systems can be restored, should a disaster disable or suspend operations.

RECOMMENDATIONS

2020-012a Formalize and communicate the restoration priority of major applications and communicate the priority order with the affected State agencies within disaster recovery tests at the State's designated disaster recovery site.

2020-012b Establish a repeatable level of application testing and incorporate business continuity planning within periodic disaster recovery testing.

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

Finding 2020-013 ***(material weakness – repeat finding – 2019-020)***

DIVISION OF INFORMATION TECHNOLOGY – PROGRAM CHANGE CONTROLS

The State does not follow uniform enterprise-wide program change control procedures for the various IT applications operating within State government. This increases the risk that unauthorized or inappropriate changes could be made to IT applications without detection.

Background: Program change controls are a critical component of any IT control environment, which ensures that only authorized changes are made to programs (after adequate and sufficient user acceptance testing) before being placed into a production environment. Additionally, program change control procedures prevent and detect unauthorized program modifications from being made.

Almost all custom-developed computer applications require changes and/or updates throughout their production lifecycles. Consequently, these customized, home-grown applications require a formalized change management system to ensure that only authorized changes are made.

While some agencies have formally implemented program change controls, a standardized statewide approach has not been implemented.

Criteria: The State's change management process should be standardized so that all movement of code, modifications, testing, acceptance, and implementation provide management with a tracking history and record of approvals. This leads to consistent outcomes, efficient use of resources, auditability, and enhanced integrity of the application systems, which flow through the process. Automated tools help control this process and make the process consistent, predictable, repeatable and aids in the reduction of "human error" in the process.

DoIT should develop procedural guidance that details the correct use of change management software and mandated internal control practices and procedures, thus ensuring a documented, monitored, auditable, and repeatable process.

Condition: The State lacks a uniform enterprise-wide program change control management process for the various IT applications operating within State government. This led to inconsistent methods, as well as noncompliance and circumvention of DoIT's change control policy and procedures. In a number of instances, automated change control system procedures were lacking to substantiate that only authorized and proper changes had been implemented.

Cause: Various methods are used to control program change management which rely mostly upon manual and semi-automated procedures that incorporate emails, memorandums and other paper-based forms to document application changes. In response to prior audit recommendations made since fiscal 2007, DoIT has attempted to implement change control software.

Effect: A lack of a uniform enterprise-wide program change control management process increases the risk that unauthorized or inappropriate changes could be made to IT applications without detection.

RECOMMENDATIONS

2020-013a Develop and implement procedures detailing specific requirements for program change control and disseminate and train DoIT support staff in its proper execution.

2020-013b Determine the appropriate combination of operational, procedural and/or technical adjustments required to use change management software to result in adequate program change control for the entire enterprise.

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

Finding 2020-014 ***(significant deficiency – repeat finding – 2019-021)***

DIVISION OF INFORMATION TECHNOLOGY – COMPREHENSIVE INFORMATION SYSTEMS SECURITY POLICIES AND PROCEDURES AND PERIODIC RISK ASSESSMENTS

The State can enhance its enterprise-wide security policies and procedures and communication of these policies and procedures with State agencies. Additionally, the State can enhance its ongoing security posture by periodically performing risk assessments to identify if mission critical systems comply with IT policies and procedures.

Background: The Division of Information Technology (DoIT) 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 critically important to ensure that information technology dependent operations continue uninterrupted, and that sensitive data accumulated within State operations remains secure with access appropriately controlled.

Periodic comprehensive technology risk assessments are key to uncovering underlying vulnerabilities in the environment as well as providing guidance on where to best spend limited assets to reduce risk. Recent cybersecurity attacks demonstrate the ongoing need to periodically assess the technology infrastructure for threats. During our audit we focused on the following mission critical systems due to their impact on the State's financial reporting: RIFANS, STAARS, RIBridges, MMIS, DMV- RIMS, and DLT benefit and revenue systems.

Criteria: Risk assessment policies and procedures must be documented (National Institute of Standards and Technology – NIST RA-1). Risk assessments should be performed every three years or whenever there are significant changes (e.g., new system implementations) (NIST RA-3).

The oversight and management of the State's information security program relies upon the implementation of DoIT's comprehensive information systems security plan, which includes detailed policies and procedures that are designed to safeguard all the information contained within the State's critical systems.

Assessments of compliance to IT policies and procedures for all critical IT applications should be performed on a periodic basis as part of the risk assessment.

IT best practices require updates and patches be implemented timely as recommended by software vendors to ensure continued security and operational integrity.

Condition: The State has updated and created new policies and procedures for its critical information systems; however, it has lagged in approving, communicating, and implementing these policies. Further, the State has not implemented a practice of conducting security risk assessments on a cyclical basis to determine whether its IT systems comply with State IT security policies and procedures.

Due to the number and complexity of systems within State government, a risk-based approach should be employed where those systems deemed most critical, or most at risk, are prioritized.

The State should make continued use of external system assessments and reviews to complement on-going risk assessment monitoring. When State systems are operated by external parties or interface with external processing entities, these entities often provide Service Organization Controls (SOC) reports, which describe key controls within the application or organization and testing of the operational effectiveness of those controls. These reports should be accumulated and reviewed within DoIT as part of a risk-based approach to assessing and ensuring IT security compliance. Any user-entity controls identified in the SOC reports should be considered, evaluated and documented. This may assist in expanding coverage of the State's many systems considering the minimal resources allocated to this function.

The State has insufficient resources allocated to timely evaluate and apply patches and updates to ensure continued security and operational integrity. As a result, updates and patches are not always implemented in a timely manner.

Cause: The State maintains IT security policies and procedures; however, they are not regularly updated and appropriately communicated with State agencies.

Policy and practice to perform comprehensive information security risk assessments is improving but can be further enhanced.

The State has not devoted sufficient resources to maintaining certain mission critical systems.

Effect: Critical systems may be exposed to security vulnerabilities and cyber-attacks when comprehensive information security risk assessments are not performed routinely. This could impact the State's ability to ensure continued operation of mission critical systems.

RECOMMENDATIONS

2020-014a Continue to update IT security policies and procedures to ensure such policies and procedures conform to current standards and address all critical systems security vulnerabilities with particular emphasis on keeping patches and versioning current to minimize cybersecurity risk.

2020-014b Perform risk assessments at least once every three years with the results documented and communicated to management for action. Contract for the performance of IT security compliance reviews and make use of available Service Organization Control reports to extend IT security monitoring of critical systems.

2020-014c Prepare a plan that prioritizes significant system security risks with the goal of achieving compliance with DoIT's formalized system security standards for all significant State systems.

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

Finding 2020-015 **_(significant deficiency – repeat finding – 2019-024)_**

DIVISION OF TAXATION – CONTROLS OVER COUNTER TAX COLLECTIONS

Controls should be improved over the counter tax collections accepted at the Division of Taxation by upgrading the cashiering technology and integrating that functionality into the Division's STAARS system.

Background: The vast majority of tax payments are received electronically or through mail payments, however, some taxpayers make payments in person at the Division of Taxation. Such payments totaled approximately $64.4 million in fiscal 2020. A cashiering application was internally developed more than a decade ago that lacks appropriate information technology controls. Additionally, the cashiering application is not integrated with the Division's STAARS system.

Criteria: Adequate application controls must be in place to ensure taxpayer payments are properly recorded and identifiable to the individual employee processing the transaction.

Condition: The cashiering application lacks an appropriate audit trail to identify the employee performing the transaction, sufficient password access controls, and data back-up procedures. The system is not integrated with STAARS. A manual process is required to create the transaction record so it can be scanned and processed to post to the taxpayer's account.

Cause: The results from outdated technology and the lack of integration and upgrade upon implementation of the STAARS system.

Effect: Controls over tax collections made in person at the Division of Taxation are weakened.

RECOMMENDATION

2020-015 Complete the planned application implementation and related technology upgrades used to process counter payments at the Division of Taxation and ensure the cashiering application is integrated with the Division's STAARS system.

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

Finding 2020-016	***(significant deficiency – repeat finding – 2019-025)***

DIVISION OF MOTOR VEHICLES – REVENUE COLLECTED FOR USE WITHIN THE INTERMODAL SURFACE TRANSPORTATION (IST) FUND

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 IST Fund.

Background: The DMV collected and remitted revenues totaling $75.3 million of taxes and $23.9 million of licenses, fines, sales, and services revenue for recording in the IST Fund during fiscal 2020.

Criteria: DMV must have controls in place to ensure the completeness of revenue reflected within the IST Fund. RI General Law 39-18.1 designates certain fees to be deposited in the IST Fund for transportation purposes.

Condition: DMV lacks effective controls to ensure that all revenues collected by the DMV for deposit within the IST Fund have been recorded. RIDOT should have procedures in place to provide reasonable assurance that the appropriate fees have been earmarked for the IST Fund and have been received and recorded as revenue. This should include documentation of the fee structure identified by RI General Law Chapter 39-18.1, the surcharge amount being applied to each DMV transactions code, and how the DMV computer system is programmed to identify such amounts for the IST Fund. RIDOT and the DMV should periodically assess the reasonableness of the actual revenue recognized for recording in the IST Fund. We identified the following control deficiencies:

- There is no monthly or yearly reconciliation performed between RIFANS and the Rhode Island Modernization System (RIMS) to ensure that RIMS data supports the revenue recorded in RIFANS.
- There is no "cross-walk" of the fee structure identified by RI General Law for licenses, registrations, surcharges, etc. and how the DMV computer system is programmed to identify such amounts. Changes to the General Laws affecting fees should be documented to ensure RIMS programming changes are appropriate and consistent with the law.
- Overages/Shortages are not tracked separately in RIFANS but are netted against registration fee revenue. A RIFANS account number should be created to track these separately.

- 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.
- Deposit date within the RIMS system is pre-populated – the date should reflect the actual deposit date to allow matching RIMS activity to RIFANS receipt entries.

Cause: The DMV's focus has been on successful system implementation, while using the system for enhanced monitoring of compliance with statutory revenue requirements and enhancing the control environment has not been fully explored.

Effect: Controls to ensure the completeness of the DMV revenues earmarked for transportation purposes within the IST Fund are ineffective.

RECOMMENDATIONS

2020-016a Strengthen and document control procedures over the fees collected by the Division of Motor Vehicles (DMV) and transferred to RIDOT to ensure compliance with RI General Law Chapter 39-18.1. Implement monitoring procedures to assess the reasonableness of revenue amounts collected by the DMV for deposit in the IST Fund.

2020-016b Perform a reconciliation between RIFANS and RIMS on a monthly and annual basis to ensure the data in RIMS supports the revenue recorded in RIFANS.

2020-016c Establish a process and control structure to document the DMV's review of the General Laws related to changes in its fee structure and ensure any changes are properly made to RIMS and any relevant excel files used to support the recording of revenue into RIFANS.

2020-016d Establish new accounts to record overages and shortages. Record the actual deposit date in the RIMS deposit date field.

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

Finding 2020-017	***(significant deficiency – repeat finding – 2019-026)***

DIVISION OF MOTOR VEHICLES – SECURITY SYSTEM PLAN – RIMS

The Division's system security approach can be further improved by including additional critical system security requirements.

Criteria: A strong and well-designed information security program is essential for protecting an organization's communications, systems, and assets from both internal and external threats. Per NIST 800-53, PM-2, "The organization appoints a senior information security officer with the mission and resources to coordinate, develop, implement, and maintain an organization-wide information security program."

Per NIST SP800-18, "The purpose of the system security plan is to provide an overview of the security requirements of the system and describe the controls in place or planned for meeting those requirements. The system security plan also delineates responsibilities and expected behavior of all individuals who access the system."

A data inventory is essential for identifying and tracking an organization's financial data, intellectual property as well as other sensitive data such as personally identifiable information, in addition to helping organizations apply required access controls and security safeguards such as database logging and monitoring.

Proper Access Management is essential to both protect and maintain the integrity of the DMV data stored within the RIMS system. Part of this function is to ensure the timely adjustment of access privileges or removal of system access altogether for RIMS users who either transfer or terminate employment with the DMV.

Condition: A system security plan was adopted in fiscal 2020. However, additional steps are needed to provide a comprehensive approach to address critical system security requirements which include:

- assigning a senior information security officer;
- maintaining a sensitive data inventory for the DMV RIMS database;
- logging and monitoring the database for access to sensitive data; and
- implementing formal incident response training (such as handling a data breach) for employees.

An analysis of 2,073 RIMS users determined that four users did not have their access removed in a timely manner after departing. DMV administration indicated that they perform an annual sweep for access that should be removed; however, an annual review is insufficient to appropriately limit the risk of unauthorized access.

Cause: Additional focus is needed on the key elements of a well-designed information security program.

Effect: The overall information security program is weakened in the absence of a senior information security officer. The lack of a sensitive data inventory leaves data susceptible to unauthorized access, theft, and loss. Understanding the type of data collected, where it is held, whom has access, and how it is transferred is a critical component of data privacy and data security programs. In the event of a data breach, the organization would not be able to quickly and accurately identify which data was accessed and/or lost. Additionally, if data is not properly classified, inventoried, and stored, unauthorized users within the organization may be able to access sensitive/confidential data. Lastly, a sensitive data inventory is necessary to drive the use of database level audit logging and alerting in order to keep the amount of logging data needed for review and alerting manageable.

Formal Incident Response training is essential so that all staff are clear on their roles and the steps to be taken in the event of an IT security incident (e.g., data breach).

RECOMMENDATIONS

2020-017a Establish a senior information security officer function to manage security oversight.

2020-017b Develop a sensitive data inventory for the RIMS system to identify sensitive data elements needing greater protection.

2020-017c Database logging and monitoring should be implemented for access to sensitive data in the RIMS database.

2020-017d Conduct formal incident response training for DMV staff.

2020-017e Enhance controls and timeframes to ensure prompt termination of system access when employees leave or change functions. Document timely reviews of access privileges.

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

Finding 2020-018	*(significant deficiency – repeat finding – 2019-028)*

INTERMODAL SURFACE TRANSPORTATION FUND – FINANCIAL REPORTING

Controls can be enhanced over financial reporting to ensure consistent and accurate reporting of IST Fund activity in accordance with generally accepted accounting principles.

Background: The Intermodal Surface Transportation (IST) Fund, a special revenue fund, includes financial reporting for transportation related activities of the State, including the highway construction programs, the State's Grant Anticipation Revenue Vehicle (GARVEE) and Motor Fuel bond proceeds (for specific highway construction related projects), various license and registration fees, toll revenues, and other revenues designated for transportation purposes. Financial reporting for the IST Fund is generated through RIFANS, the State's accounting system, however, RIDOT utilizes its financial management and construction management systems for significant amounts of data utilized during the fiscal close. The use of multiple systems complicates financial reporting for the IST Fund.

Criteria: Controls over the preparation of financial statements should ensure consistent and accurate reporting of fund activity in accordance with generally accepted accounting principles. Additionally, fund balance components are to be presented in accordance with generally accepted accounting principles (GASB codification section 1800 paragraphs 177 and 179) reflecting any restrictions on use or commitments by management. Classification of fund balance components, particularly within the IST Fund, demonstrates amounts available to support the transportation programs consistent with any limitations or restrictions on use.

Condition: We identified several misstatements in the IST Fund financial statements that are indicative of control deficiencies over financial reporting. Misstatements related to the following issues:

- Misclassifications of various fund balance categories.
- Numerous accounts payable that were not recorded at fiscal year-end. We requested RIDOT to perform additional review to identify additional payables. RIDOT discovered a programing error in its accounts payable report which caused payables to be understated by $26.5 million.
- Other misstatements relating to year-end fiscal closing procedures.

All misstatements noted were corrected in the financial statements when brought to the attention of management.

Cause: Financial reporting for the IST Fund grows in complexity as additional funding sources are added to support the State's transportation program. Certain distinct funding sources are maintained in separate funds; however, for financial reporting purposes all the transportation related funds are combined. Although combined for financial reporting purposes, each activity or funding stream requires separate analysis to ensure amounts (revenue and expenditures) are accurately reported. Classification of fund balance by category – nonspendable, restricted, committed, assigned, and unassigned - is dependent upon the analysis of each activity and/or funding stream (federal, Highway Maintenance Fund, RICAP, Gas Tax, etc.). RIDOT did not fully reconcile all the funding sources to fund balance components. A full reconciliation is necessary to identify expenditures and/or revenue booked to incorrect funding sources in addition to ensuring that the fund balance is properly recorded for financial statement purposes. The accounts payable identification process for fiscal close is manual, complex, labor-intensive, and susceptible to error. Examples of weaknesses in the current process include:

- Timing differences from processing transactions through multiple systems increase the risk of duplicating and/or missing accrual transactions.
- The use of different accounting structures in RIFANS and FMS without a complete mapping table that could be used to electronically identify the proper accounting structure to record accruals identified; and

- Using data queried from RIDOT's systems to record accounts payable – a programming issue was found to be the underlying cause of omitted payables detected by our audit.

This process should be re-assessed with the goal of streamlining and simplifying the process. Greater use of estimates should be considered when appropriate.

RIDOT also lacks a formalized review of its financial closing procedures and preparation of the draft financial statements needed to prevent some of the misstatements noted during the audit.

Effect: Misstatements within the IST Fund financial statements could go undetected by management.

RECOMMENDATIONS

2020-018a Ensure the transactions identified through the analysis of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of fund balance components. Ensure a complete reconciliation of activity by funding source to the fund balance components included on the financial statements is performed.

2020-018b Re-assess policies, procedures, and controls to identify and record accounts payable at fiscal close with the aim of streamlining and simplifying where possible. Consider increased use of estimates where appropriate.

2020-018c Enhance fiscal closing procedures to ensure all expenditures recorded in clearing accounts are properly allocated to the correct accounts by fiscal year-end. Consider whether recording accrual entries to the clearing accounts is appropriate.

2020-018d Improve controls over the FMS to RIFANS mapping table by ensuring all FMS accounts have an associated RIFANS account.

2020-018e Formalize the review of RIDOT's financial closing procedures and preparation of the draft financial statements to enhance control over financial reporting for the IST Fund.

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

Finding 2020-019 ***(material weakness – repeat finding – 2019-029)***

TRANSPORTATION INFRASTRUCTURE REPORTING

Controls over the identification of transportation infrastructure assets need further improvement to ensure the accuracy of reported amounts. Controls should be improved to identify impaired infrastructure assets as well as removing infrastructure costs when assets are retired or replaced.

Background: RIDOT identifies transportation infrastructure assets using the RIDOT Financial Management System (FMS) to identify each project and ensures that total project costs (e.g., design and construction costs) are included in the capitalized amount. Since the source of the information used to identify capitalized infrastructure is FMS and the financial statements are based on RIFANS (statewide accounting system), the data used must be reconciled between the two systems.

Criteria: Generally accepted accounting principles (GAAP) require recording the State's investment in infrastructure assets to be reflected on the government-wide financial statements. Such amounts should be capitalized and depreciated consistent with the State's adopted accounting policies. Amounts are recorded as construction in progress until placed in service at which time depreciation commences.

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. These standards also require adjustment to the carrying value of capital assets that meet certain impairment criteria. The cost and related accumulated depreciation associated with infrastructure assets that have been replaced or are no longer in service should be removed from the infrastructure amounts included on the financial statements.

Condition: Financial reporting for the State's investment in infrastructure assets was impacted during fiscal 2020 by the following conditions:

- Infrastructure assets were misstated when year-end accruals were not properly included in reported construction in progress amounts.
- Improper recognition of project completion resulted in an understatement of depreciable infrastructure.
- Inconsistent application of infrastructure capitalization policies resulted in infrastructure being understated.
- Costs and related accumulated depreciation associated with infrastructure assets that have been replaced or are no longer in service had not been removed from the infrastructure amounts included on the State's financial statements.
- Consideration of transportation infrastructure assets that may be impaired and recognized in the State's financial reporting was not performed.

Misstatements relating to the above were corrected in the financial statements when brought to the attention of management.

Cause: RIDOT's infrastructure asset identification process can be further enhanced going forward by standardizing processes and implementing controls to verify information entered in FMS. A process to remove estimated costs for retired/replaced infrastructure has not been implemented. The consideration and documentation of impaired infrastructure assets has not been formalized.

Effect: Infrastructure assets and related depreciation expense may be misstated in the State's financial statements.

RECOMMENDATIONS

2020-019a Enhance controls over the assignment of the project infrastructure code by creating a standard form to document the proper infrastructure code to be entered into FMS and management's concurrence and verification of the infrastructure code entered into FMS.

2020-019b Enhance controls over the identification of projects determined to be substantially complete to include a verification that the correct date is entered into FMS. Enhance controls over the maintenance of RIDOT's Schedule of Construction in Progress to ensure the information maintained in the schedule agrees to FMS and the financial statements.

2020-019c Document consideration of transportation infrastructure impairment as required by generally accepted accounting principles.

2020-019d Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service.

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

Finding 2020-020 ***(significant deficiency – repeat finding – 2019-036)***

ASSESS THE RESOURCES AND SYSTEMS NECESSARY TO EFFECTIVELY ADMINISTER THE OPEB SYSTEM

The resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled should be assessed. A unified database or computer application is needed to maintain membership data for each of the State's OPEB plans. This would improve controls over the administration of the benefit programs and the process to accumulate data necessary for periodic actuarial valuations of the OPEB plans for both funding and accounting purposes.

Background: The Rhode Island State Employees' and Electing Teachers OPEB System (the System), acts as a common investment and administrative agent for post-employment health care benefits provided by six plans covering state employees and certain employees of the Board of Education.

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. In prior years, certain plan benefit functions were administered through the member benefit system used by the Employees' Retirement System of Rhode Island (ERSRI) for pension benefits; however, the ERSRI's newly implemented member benefit system no longer includes those functionalities.

The System's functions are managed through various units within State government. The Department of Administration's Office of Employee Benefits (OEB) currently determines eligibility and manages member benefits for the State Employees, Teachers, Judges, State Police and Legislator plans. The Human Resources Department at the University of Rhode Island separately determines eligibility, calculates benefits, and manages member subsidy receivables for the Board of Education plan. The Office of Accounts and Control handles the accounting and financial reporting aspects of the System and coordinates the actuarial valuations. The Office of the General Treasurer oversees the investment activity of the System.

Census data for each plan is provided annually 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 in size and matures, the administrative infrastructure supporting the System should be assessed to ensure adequate resources and systems with appropriate controls are in place to manage the System effectively.

Maintaining membership data and determining the eligibility for benefits and required co-pays should be managed through systems and processes with adequate controls to ensure that membership data is reliable, benefits are accurately and consistently determined consistent with plan provisions, and plan 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 control deficiencies over the various disjointed processes used to administer the OPEB plans as follows:

- Insufficient resources have been allocated and centralized to administer the System effectively. Knowledge of key System benefit provisions, administrative operations and operating procedures are dispersed among 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. Because much of the analysis is done on spreadsheets, controls over data validity, data protection, and completeness are lacking. Controls are inadequate to prevent duplicate or inaccurate census data from being provided to the 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.

Cause: The State and System have not implemented System specific administrative processes and computer applications to effectively support the overall administration of the OPEB System, accumulate plan census data, manage and control the eligibility, copay determination, and plan enrollment functions. Existing processes used to support healthcare plan enrollment for active employees have generally been used to support the OPEB System but lack certain functions and controls that are unique to and requisite for the administration of the OPEB System.

Effect: Inadequate controls over key plan administrative functions could impact the reliability of amounts (e.g., member co-pays and member benefits) reported on the System's financial statements as well as the accuracy of census data used by the actuary to determine each plan's annual actuarially determined contribution amount and the net OPEB liability or asset for each plan.

<u>RECOMMENDATIONS</u>

2020-020a Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.

2020-020b 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.

2020-020c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.

2020-020d Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

<u>Auditee views</u>: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2020-021	***(significant deficiency – new finding)***

RHODE ISLAND LOTTERY – CONTROLS OVER MOBILE SPORT BETTING AND iLOTTERY GAMING ACTIVITY

Background: The Lottery implemented mobile sports betting in September 2019 allowing patrons to wager in RI Sportsbook ("sportsbook") from anywhere in the State. Previously, only in-person sportsbook wagering was permitted at the Twin River casinos. In April 2020, the Lottery implemented iLottery which currently allows both mobile and on-line wagering for iKENO and eInstant games by registered patrons within the State borders.

The Lottery obtained pre-implementation certifications of these new gaming options to ensure that they would function as designed upon introduction to the public. The Lottery also implemented reconciliation controls to ensure the completeness of reported financial activity. Review of the gaming system contractor's IT security policies and procedures over the new systems continues.

Criteria: Sportsbook, including mobile wagering, and iLottery are more technology advanced gaming options. Multiple third parties are utilized by the gaming system provider to administer the overall game functionality (i.e., "book-maker", patron eWallet cash settlement intermediary). The Lottery only has a contractual relationship with the system technology provider; however, controls provided by the subcontractors are integral to the overall control structure for Sportsbook and iLottery games. Gaming functionalities performed by other third parties outside of the Lottery's direct contract with the technology provider and gaming facility host require further consideration of the operational and technological risks of these games. This consideration may identify additional control assurances or specific reporting needed from contractors involved with the operation of these games.

As its gaming environment becomes more complex, the Lottery must continue to implement comprehensive controls and monitoring processes to address the unique operational characteristics and related risks of these gaming options. The Lottery now needs to continue implementation of a comprehensive "internal audit" functionality for these games which focuses on operational controls and game monitoring procedures.

This process will involve identifying all data, information, and control assurances (from all parties involved in the operation of these new games and wagering functionality) needed to implement the necessary monitoring and audit procedures to ensure the reliability of financial reporting information.

Condition: The Lottery's controls and monitoring processes to address the unique operational characteristics and related risks of the mobile sportsbook and iLottery gaming options need further enhancement. Upon inquiry, the Lottery obtained Service Organization Control (SOC) reports for the vendors that support the "wallet" and cash settlement functionality of the gaming applications. Those reports referenced the involvement of various "sub-service" organizations which also must be considered in evaluating and administering a comprehensive control structure for Sportsbook and iLottery. Additionally, an independent review of the controls over the "book-making" operations of the sports gaming system was not available for our audit period. We were informed that a contractually required SOC report of sports gaming operations by the technology provider is expected in the future, however, no such review of the system technology provider's controls was available for the fiscal 2020 period. These are critical control points of the sportsbook operations that require additional consideration by the Lottery.

For both mobile sports betting and iLottery, risks are increased through external devices (phones and computers) accessing the gaming platforms. The Lottery's challenges in monitoring diverse gaming activities include the overall cyber-security threats common to all information technology as well as the more specific risks associated with rapid technology deployments that provide new gaming options.

For all Lottery gaming activities prior to 2020, the cash collection and reconciliation functions were separate from the technology provider that operated the system. The cash settlement functions for mobile Sportsbook and iLottery are substantially different from other games and involves the technology provider as well as other external vendors. The Lottery is the custodian of patron eWallets for mobile sportsbook;

however, this requires a significant amount of manual reconciliation for the Lottery. The Lottery intends to transfer this function to the sportsbook host (Twin River), as was initially envisioned, so that the cash settlement process can be managed with other sportsbook activity at the casinos. We concur that this would strengthen controls over the daily cash settlement and financial reporting functions for mobile sportsbook activity.

In addition, periodic random sampling of sportsbook odds and final event results recorded within the sports gaming system should be tested and compared to other external sources. This data becomes the basis for revenue and expense activity recorded within the Lottery's financial statements.

Cause: Both mobile sports betting and iLottery are operationally different and incorporate new technologies compared to other Lottery gaming options. Additionally, implementation of mobile gaming soon after sportsbook significantly increased the pace of technological and operational challenges being managed by the Lottery in recent years.

It may be appropriate for the Lottery to engage a consultant with specific experience to guide the development of a comprehensive "internal audit" functionality appropriate for sportsbook and iLottery gaming activities. This may include building automated and independent data accumulation and matching processes which would enhance the reliability of data used for financial reporting purposes and facilitate other monitoring efforts.

Effect: Weaknesses in controls and monitoring processes exist for the mobile sportsbook and iLottery gaming options

RECOMMENDATIONS

2020-021a Develop a comprehensive "internal audit" functionality appropriate for sportsbook gaming and iLottery activities. Consider engaging a consultant to guide the development of this process.

2020-021b Continue with the planned transition of the custodianship of sportsbook eWallets to the sportsbook host, Twin River, to streamline and enhance controls over the mobile sportsbook cash settlement process.

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

Finding 2020-022 *(material noncompliance – repeat finding – 2019-030)*

RHODE ISLAND CONVENTION CENTER AUTHORITY – RESTRICTIVE COVENANTS

Criteria: Bond indentures require that the Authority fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC.

Condition: During the year ended June 30, 2020, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures.

Context: The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.

Effect: As a result of this fund not being funded, the Authority is in noncompliance with certain bond indentures.

Cause: The Authority does not have sufficient cash flow to fund the Operating Reserve.

RECOMMENDATION

2020-022 We recommend that the Authority fund the Operating Reserve.

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

Finding 2020-023	***(material weakness – repeat finding – 2019-031)***

CENTRAL FALLS SCHOOL DISTRICT – SIGNIFICANT ADJUSTMENTS

Criteria: Management is responsible for the maintenance of adequate accounting records, internal controls, and the fair presentation of the financial statements in accordance with generally accepted accounting principles.

Condition: Material adjustments to year-end balances and current year activity were necessary for the financial statements to be fairly presented in accordance with generally accepted accounting principles.

Cause: There are a number of causes for this condition, many being the result of attempts to correct circumstances. However, the principal causes are a lack of a coordinated, comprehensive plan to implement and train employees with new financial software, concurrent with the retirement of several key long-term employees.

Effect: Information recorded in, and reports produced from the accounting system contained numerous material errors related to the inclusion or exclusion of information resulting from data entry and software execution errors, resulting in material adjustments accepted by management to the district's financial statements.

RECOMMENDATION

2020-023 A comprehensive plan to coordinate all District financial accounting recording and reporting activities is in the process of being developed and implemented. This plan should include the development of a comprehensive policies and procedures manual; adequate staffing including training of all staff as to both the processes and the software involved; appropriate controls related to authorization and review of recorded transactions; timely recording of transactions, reconciliations and reviews of reconciliations so as to detect and correct errors in a timely manner, and a comprehensive review of the District's organizational structure to ensure adequate levels of supervision and clear reporting paths for all staff involved.

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

Finding 2020-024	***(significant deficiency – repeat finding – 2019-032)***

CENTRAL FALLS SCHOOL DISTRICT – CAPITAL ASSETS

Criteria: Capital assets are maintained by the District and reported in the government-wide statement of net position. Although these capital assets and the related depreciation do not impact the fund statements of the District, they do have an impact on the overall governmental net position. Additionally, the District is required to maintain capital asset records for all assets that are purchased with federal grant funds.

Condition: The District does not have procedures for maintaining the capital asset records on a perpetual basis or for taking a physical inventory of these assets. In addition, the District does not have a system in place for identifying capital assets acquired with federal grant funds.

Cause: The District currently maintains the capital asset records utilizing an excel database which is updated on an annual basis. This database contains a complete listing of capital assets and related depreciation expense which is maintained for financial reporting purposes only. The listing currently does not include any information regarding the location of the asset or the source of the funds used to acquire the asset.

Effect: Failure to maintain the capital asset records on a perpetual basis increases the risk of potential misstatement of the capital assets at year end. In addition, failure to conduct a periodic inventory of capital assets, including controllable assets (assets not meeting the capitalization threshold but included in inventory due to their sensitive, portable, and/or theft prone nature) increases the risk of misuse and misappropriation of District assets.

RECOMMENDATION

2020-024 We recommend that the District implement an integrated software package that will enable capital assets to be recorded when the asset is acquired rather than being captured at year end. We further recommend that the capital asset inventory be updated to include the location of the asset and a code to identify all assets that are acquired with federal funds. Management should utilize this capital asset inventory listing, as well as the controllable asset listing, to conduct periodic inventories of the assets.

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

Finding 2020-025	***(significant deficiency – new finding)***

RHODE ISLAND HIGHER EDUCATION SAVINGS TRUST – FINANCIAL REPORTING – OMNIBUS ACCOUNTS

Criteria: As of the date of this report, the Program Manager has entered into three omnibus services agreements pursuant to which third party investment firms (referred to as “omnibus partners”) are responsible for new account enrollments, maintenance, transaction processing, recordkeeping and tax reporting for certain participant accounts. Separate accounts are maintained for each of the three omnibus partners on the Program Manager’s recordkeeping platform. The omnibus partners provide activity files containing account level transactions and balances to the Program Manager daily. To ensure that there are no errors in financial reporting, controls should exist to ensure that the omnibus partners’ account balances on the Program Manager’s recordkeeping platform agree to or are reconciled with the account balances on each respective omnibus partner’s recordkeeping platform. In addition, controls should exist to ensure that aggregated activity occurring within participant accounts on each omnibus partner’s platform is accurately reported on the Program Manager’s recordkeeping platform. These controls are critical to ensure accurate and complete financial reporting for all of the balances and transactions attributable to RIHEST in accordance with accounting principles generally accepted in the United States (US GAAP).

Condition/Cause: A daily reconciliation process between the Program Manager and custodian occurs for all RIHEST balances and transactions, including omnibus level balances and transactions. This ensures that all balances and transactions recorded on the Program Manager’s recordkeeping platform are consistent with those recorded by the custodian. However, this reconciliation process will not detect errors in data exchanged between the Program Manager and the omnibus partners, nor will it detect missing or incomplete information. Currently, there are no periodic reconciliations between each omnibus partner's balance and transactions recorded on the Program Manager's recordkeeping platform to those recorded on each respective omnibus partner's recordkeeping platform. Reporting provided by the omnibus partners to the Program Manager is not sufficient to allow such reconciliations to take place, and enhanced reporting will be needed from the omnibus partners to establish such periodic reconciliations.

Effect: Financial reports generated from the Program Manager's recordkeeping platform that are necessary to ensure reporting in accordance with US GAAP were inaccurate and incomplete, containing balances and transactions that did not reconcile to those reported by the custodian nor to the omnibus partners. This issue was identified during the audit process, and significant effort was required on the part of the Program Manager to reconcile balances and transactions and to prepare accurate reports.

RECOMMENDATION

2020-025 This matter was identified during our audit of RIHEST's basic financial statements as of and for the fiscal year ended June 30, 2019, when there was only one omnibus partner, and was not corrected during the year ended June 30, 2020. We recommend that the Program Manager develop control processes to ensure periodic reconciliations of balances and transactions on its recordkeeping platform with those on the recordkeeping platforms of the omnibus partners. This reconciliation process should also include a verification of the accuracy of financial reports that are critical to plan wide financial reporting.

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

Table of Findings by Major Program

Program Title	**CFDA**	**Applicable Findings**
SNAP Cluster:		
Supplemental Nutrition Assistance Program (SNAP)	10.551	2020-026, 2020-027, 2020-028
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	2020-029
Qualified Participating Entities (QPE) Risk Sharing	14.189	None
Unemployment Insurance	17.225	2020-030, 2020-031, 2020-032
Federal Transit Cluster		
Federal Transit – Capital Investment Grants	20.500	2020-035, 2020-036
Federal Transit – Formula Grants	20.507	
State of Good Repair Grants Program	20.525	
Bus and Bus Facilities Formula Program	20.526	
Coronavirus Relief Fund	21.019	2020-033, 2020-034
Student Financial Assistance Cluster:		
Federal Supplemental Education Opportunity Grants	84.007	2020-037, 2020-038, 2020-039, 2020-040
Federal Work Study Program	84.033	
Federal Perkins Loan Program – Federal Capital Contributions	84.038	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans	84.268	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	
Health Professions Student Loans, Including Primary Care Loans/Loans to Disadvantaged Students	93.342	
Nursing Student Loans	93.364	
Education Stabilization Fund	84.425	None
Temporary Assistance for Needy Families	93.558	2020-026, 2020-027, 2020-041, 2020-042, 2020-043, 2020-044
Low-Income Home Energy Assistance	93.568	2020-045, 2020-046, 2020-047, 2020-048
CCDF Cluster:		
Child Care and Development Block Grant	93.575	2020-026, 2020-027, 2020-044, 2020-049
Child Care Mandatory and Matching Funds of the Child Care Development Fund	93.596	
Foster Care Title IV-E	93.658	2020-050, 2020-051
Adoption Assistance	93.659	2020-050, 2020-051, 2020-052
Children's Health Insurance Program	93.767	2020-026, 2020-027, 2020-053, 2020-055, 2020-060, 2020-061, 2020-062, 2020-063, 2020-064
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	2020-026, 2020-027, 2020-054, 2020-055, 2020-056, 2020-057, 2020-058, 2020-059, 2020-060, 2020-061, 2020-062, 2020-063, 2020-064, 2020-065
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	
Medical Assistance Program	93.778	
Opioid STR	93.788	2020-065, 2020-066, 2020-067, 2020-068
HIV Care Formula Grants	93.917	2020-069, 2020-070, 2020-071, 2020-072

Finding 2020-026	***(material weakness –repeat finding – 2019-037)***

SNAP CLUSTER – CFDA 10.551, 10.561
Federal Award Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: Not Applicable
Administered by: Department of Human Services (DHS)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1902RITANF and G2002RITANF
Administered by: Department of Human Services (DHS)

CCDF CLUSTER – CFDA 93.575, 93.596
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1901RICCDF and G2001RICCDF
Administered by: Department of Human Services (DHS)

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – ADP Risk Analysis and System Security Review

RIBRIDGES USER ACCESS CONTROLS

Controls over the RIBridges eligibility and benefit system are inadequate to ensure that user access is limited to only authorized individuals and such access is consistent with each user's specific scope of duties. Additionally, automated password change controls were not operational; and therefore, users were not required to change passwords at required intervals.

Background: Approximately 1,600 individuals have access to RIBridges. Users include State employees within various State departments and various vendors/contractors that require access (e.g., Deloitte – system developer and Automated Health Solutions (AHS) – contact/call center operator). RIBridges system access roles define a user's access to various system functions and system information and define the ability to view, change or authorize transactions. The State's Division of Information Technology (DoIT) has oversight responsibility for system security but delegates management of user access to State departments and vendors. RIBridges contains extensive personally identifiable information for more than 300,000 individuals. Medical insurance, cash, and childcare benefits are authorized through the system.

Criteria: Controls over user access to the RIBridges application should appropriately limit access to only authorized individuals and such access must be consistent with each user's specific scope of duties. Timely monitoring is required to ensure access is (1) granted with appropriate authorization, (2) terminated or modified promptly when employees leave service or change duties, and (3) reviewed periodically. Additionally, monitoring of user actions that indicate attempted access to sensitive data and changes to access rights or the attempted change to access rights should be logged, reported and followed up on to ensure the security of the application and its data are within applicable laws and regulations.

Controls to ensure security of users and passwords should be functioning appropriately and password expiration/reset should occur at least every 90 days (60 days for those with higher level access) to ensure that the application and its sensitive recipient data are not compromised (*RI DOA Enterprise Policy: ETSS – Enterprise Passwords – 2019).*

Condition: Access to the RIBridges application is not sufficiently controlled. In some instances, access is not terminated timely for users no longer requiring access and overall monitoring of user access should be improved.

Oversight of access to RIBridges is managed through a decentralized process. RIBridges users are segregated by organizational group (State department or agency, vendor/contractor) and responsibility for monitoring access is designated to an individual for each subgroup.

During fiscal 2020, a contractor performing a required Minimum Acceptable Risk Standards for Exchanges (MARS-E 2.0 framework) in accordance with CMS information security and privacy programs also highlighted weaknesses in controls over user access. MARS-E-2 reviews are required for all ACA administering entities, including exchanges or marketplaces, state Medicaid, or Children's Health Insurance Program (CHIP) agencies, and supporting contractors.

The MARS-E-2 reviews conducted in fiscal 2020, indicated continued weaknesses over user access. Automated password reset module was not functioning for the RIBridges application. Manual prompting of password resets was not consistently performed as a compensating control to ensure compliance with State policy for password changes. Additionally, the account review process does not address removal of all inactive accounts.

DoIT implemented enhanced procedures to control system access after June 30, 2020.

Cause: Overall user access monitoring procedures have not been sufficiently operational over these disparate groups of users including State employees and vendors/consultants. Monitoring does not include review of all user privilege changes, escalation of access rights, or data access attempts, etc. Also, there appears to be no mechanism in place for the State's oversight of Deloitte Security Manager practices and Deloitte user actions.

The access management functionality which controls password administration in the RIBridges application (including password expiration/reset requirements) was not functioning. The State has deferred password resets during high volume customer activity associated with open enrollment periods.

Effect: Decentralized management and limited monitoring of user action reporting has led to a lack of scrutiny of user actions and a weakening of application and data security. RIBridges access may continue after employment has terminated and RIBridges access may be inconsistent with an individual's responsibilities and not be detected timely.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2020-026a Ensure the automatic system prompt for password reset functionality is operational to require password resets at intervals consistent with State and federal policy.

2020-026b Strengthen and formalize the overall monitoring of RIBridges access to ensure access is granted appropriately, terminated timely, and consistent with each individual's scope of duties.

2020-026c Evaluate the access control management process and the report elements so that privilege changes and attempted changes are captured and evaluated for appropriateness. In addition, implement a process by which the State can periodically check that the Deloitte Security Administrator and Deloitte employee privilege changes and actions are appropriate.

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

Finding 2020-027 ***(material weakness –repeat finding – 2019-038)***

SNAP CLUSTER – CFDA 10.551, 10.561
Federal Award Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: Not Applicable
Administered by: Department of Human Services (DHS)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1902RITANF and G2002RITANF
Administered by: Department of Human Services (DHS)

CCDF CLUSTER – CFDA 93.575, 93.596
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1901RICCDF and G2001RICCDF
Administered by: Department of Human Services (DHS)

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
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

EOHHS, DHS and the Division of Information Technology must enhance systems security oversight over systems used to administer multiple federally funded programs to fully comply with federal regulations relating to ADP risk and system security review. The plan must be sufficiently comprehensive and include timely reaction to and consideration of identified security issues and risk factors. *(See related financial statement finding 2020-014.)*

Criteria: Federal regulation 45 CFR section 95.621 requires State agencies to review the ADP system security of installations used in the administration of DHHS programs on a biennial basis or when a significant change to the security or system(s) occur. 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 DHHS and State programs (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 Information Technology – DoIT) were required to determine appropriate ADP security requirements based upon recognized industry standards for each system, optimally within a comprehensive plan.

Condition: While EOHHS, DHS, and DoIT accumulate documentation in support of system security considerations, the departments do not currently formalize an annual plan that meets the compliance requirement of a risk assessment and documented approach to ensure compliance with federal requirements for ADP risk analysis and system security review.

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 (1) ensuring that the coverage provided by the SOC reports is supplemented with other monitoring procedures as required, and (2) developing a comprehensive plan encompassing all systems that meets the required federal components. Additionally, any deficiencies noted in the SOC reports must be evaluated timely and documented to determine if they affect any of the required controls over federal program administration. The SOC report also relies on several complementary user controls that EOHHS is responsible for ensuring are in place and operating effectively which require more formalized consideration. Examples of areas in need of improvement include the reliability and consistency of data transmitted from RIBridges to the MMIS and improved monitoring of system access by the MMIS system contractor.

Clearly documented roles and responsibilities outlining the coordination among EOHHS, DHS, and DoIT in managing IT security over RIBridges can be enhanced and formalized. For example, we found weaknesses in RIBridges user access controls as described in Finding 2020-026. This is an example of potential risks that should be assessed and mitigated through a robust risk assessment monitoring process.

Such documentation should consider all available information as well as the need to utilize external resources to monitor or evaluate RIBridges' information systems security. Other information that is available for consideration within the ADP risk assessment process includes ongoing IV&V monitoring of RIBridges as well as MARS-E evaluations applicable to Health Insurance Exchanges.

The federally required ADP risk analysis and system security considerations are consistent with an overall enterprise-wide need (as described in Finding 2020-014), to complete risk assessments for all IT systems within the State.

EOHHS, DHS, and DoIT should (1) consider the significance of these issues and impact on the State's internal control procedures for the administration of the affected federal programs, and (2) require corrective action by the appropriate party (including contractors assigned those responsibilities).

Cause: Failure to fully comply with federal requirements to 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.

Effect: Federal non-compliance with requirements relating to ADP risk analysis and system security review and exposure to the information system security and program integrity risks that those regulations are designed to mitigate.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-027a Enhance compliance with federal ADP Risk Analysis and System Security Review requirements by creating a comprehensive, integrated plan for RIBridges and the MMIS. Coordinate the efforts of EOHHS, DHS, DoIT, and contractors in meeting these objectives.

2020-027b Ensure that the formalized plan includes a comprehensive risk assessment for both systems (RIBridges and MMIIS), critical controls deemed effective in mitigating those risks, and specific monitoring procedures to ensure the effective operation of those policies and procedures, including reliance on external contract services when required.

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

Finding 2020-028	***(significant deficiency –repeat finding – 2019-040)***

SNAP CLUSTER – CFDA 10.551, 10.561
Federal Award Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: Not Applicable
Administered by: Department of Human Services (DHS)
Compliance Requirement: Special Tests and Provisions

EBT SERVICE ORGANIZATION - SERVICE ORGANIZATION CONTROL REPORT REVIEW

DHS can improve its review and consideration of service organization control reports for vendors performing elements of the EBT process.

Criteria: The State must consider the adequacy of controls over the EBT process including components performed by external entities. Service Organization Control (SOC) reports provide assurance over security, processing integrity, confidentiality, availability, and privacy. Oversight and review of these reports would ensure that (1) the system is protected against unauthorized access; (2) system processing is complete, accurate, timely, and authorized; (3) information designed as confidential is protected; (4) the system is available for operation and use as contractually agreed; and (5) information is collected, used, retained, disclosed, and disposed of in conformity with agreements.

Condition: DHS obtained SOC reports for the EBT system components operated by external parties. Three SOC reports were available to DHS from EBT system vendors to facilitate monitoring, assessing, and ensuring security and compliance of the EBT system. One of these reports contained a qualified opinion, however no follow-up was performed. The agency should make better use of SOC reports including consideration and documentation of relevant user entity controls to ensure that key controls over the operation of the EBT are functioning as intended.

Cause: Review of SOC reports for vendors performing critical EBT process elements can be enhanced. We also found incomplete consideration of complementary user entity controls of the EBT system which is important to evaluating the adequacy of controls over the entire EBT process.

Effect: Controls over aspects of the EBT system operated by external parties may not be fully operational and not considered timely by DHS.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-028 Enhance review and follow-up, as necessary, on SOC reports provided by vendors to evaluate the effectiveness of controls over external components of the EBT systems. Document consideration of relevant user entity controls identified within the SOC reports.

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

Finding 2020-029	***(significant deficiency – new finding)***

WIC SPECIAL SUPPLEMENTAL NUTRITION PROGRAM FOR WOMEN, INFANTS AND CHILDREN – CFDA 10.557
Federal Award Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 4RI700705
Administered by: Department of Health (DOH)
Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles; Eligibility

ACTIVITIES ALLOWED OR UNALLOWED; ALLOWABLE COSTS/COST PRINCIPLES; ELIGIBILITY

DOH needs to review all Service Organization Control (SOC) reports for the WIC program to assess the sufficiency of controls in place at the service organizations relevant to program compliance requirements.

Background: DOH contracts with vendors to administer aspects of the WIC program (these companies are known as “service organizations”). For example, one service organization is responsible for processing WIC benefit checks, and another provides the hosting and maintenance for the computer system application shared by DOH and its subrecipient agencies (the latter of which determines participant eligibility and performs other significant WIC program functions).

The service organizations often engage independent auditors to review their internal control structure and issue SOC reports opining on whether the related controls were suitably designed and operating effectively. The SOC reports should be available to DOH so that it can evaluate the overall internal controls in place to ensure compliance with federal program compliance requirements.

Criteria: DOH is responsible for the adequate design and operation of the WIC program’s overall internal control structure – including the functions performed by its service organizations.

Condition: DOH did not obtain any of the SOC reports covering fiscal year 2020 until after our audit began. When these reports were made available, we found that:

- The auditor for the service organization that provides the WIC electronic benefit transfer processing and settlement systems issued a qualified opinion because there was a deficiency in the monitoring controls over disputed transactions. As a result, the controls did not provide reasonable assurance that the settlement of funds to WIC retailers was executed timely and accurately. DOH should have identified this deficiency and followed up on its resolution; and
- The service organization that provides the MIS transfer and implementation of the eWIC application did not have a SOC review/report because it was not required by the contract with DOH.

Cause: DOH was not obtaining and reviewing SOC reports available from vendors administering aspects of the WIC program.

Effect: Unresolved deficiencies in the design or operation of service organization controls could materially impact DOH's ability to administer the WIC program in compliance with federal laws and regulations.

Questioned Costs: None

Valid Statistical Sampling: Not applicable

RECOMMENDATIONS

2020-029a Review all SOC reports to determine if the service organizations have appropriate control procedures in place to obtain reasonable assurance of compliance with federal laws and regulations.

2020-029b Require service organizations, where possible, to provide SOC reports detailing those relevant controls have been suitably designed and are operating effectively.

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

Finding 2020-030 ***(material noncompliance/material weakness – new finding)***

UNEMPLOYMENT INSURANCE – CFDA 17.225
Federal Award Agency: Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Years: Not Applicable
Federal Award Numbers: Not Applicable – Direct payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Department of Labor and Training (DLT)
Compliance Requirement: Eligibility

CONTROLS OVER UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

Controls over the processing of unemployment insurance claims are ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. *(See related financial statement finding 2020-002.)*

Background: In fiscal 2020, The Department of Labor and Training (DLT) paid more than $1.4 billion in unemployment insurance (UI) benefits, an increase of 860% from fiscal 2019. In response to the COVID-19 pandemic, the Federal Coronavirus Aid, Relief, and Economic Security (CARES) Act expanded or extended benefits, including providing new benefits to self-employed individuals and independent contractors. Fraudulent claims for UI benefits also increased rapidly, concurrent with the overall increase in claims due to the pandemic. This unprecedented increase in fraudulent claims was experienced nationwide and was not unique to Rhode Island.

Criteria: Management is responsible for establishing and maintaining internal controls to process and disburse unemployment insurance benefits consistent with federal program guidelines, including appropriate procedures to prevent and detect fraudulent payments.

Condition: DLT's internal control procedures were not sufficiently effective to ensure that unemployment benefit payments were made only to eligible individuals. DLT has identified $15 million in confirmed fraud and an additional $155.9 million in suspected fraudulent claims paid between March and June 30, 2020. An additional $45.5 million in confirmed fraud and $218.7 million in suspected fraudulent claims has been identified as having been paid in fiscal 2021.

In response to the increase in fraudulent benefit claims, DLT engaged a contractor to assist in the detection of suspected fraud which included the use of advanced analytic techniques. While appropriate and somewhat effective in identifying suspected fraudulent claims prior to disbursement, these procedures are external to the DLT systems used to process UI claims.

Controls over claims processing were weakened through suspension of the first week waiting period, a simplified application implemented to streamline and expedite processing, and the inability to apply normal wage verification procedures to claims from self-employed individuals and independent contractors.

Cause: The large volume of claims stressed an outdated system and the unprecedented economic impact warranted rapid processing of claims. The rapid implementation of new unemployment benefit programs authorized by the CARES Act did not allow sufficient time to employ wage verification and other procedures. Procedures to verify client identity, prior wages and overall eligibility were also weakened due to the unprecedented volume of claims and new procedures employed to expedite benefit payments. Lastly, the substantial increase in fraudulent claims activity is largely considered to be the result of sustained and targeted efforts impacting many states.

The legacy system used by DLT to process UI benefits utilizes outdated technology. In response to the pandemic related surge in UI claims, new "cloud-based" technologies were rapidly deployed to facilitate processing the volume of claims and interactions with claimants; however, the primary claims processing functions were still performed by the legacy system.

Effect: Fraudulent UI claims have been paid and DLT's systems require further enhancements to timely identify fraudulent claims prior to disbursement. DLT remains at a critical juncture in developing a strategy to upgrade and modernize its UI claims processing systems while ensuring compliance with federal program requirements including the prevention and detection of fraudulent payments.

Questioned Costs: None

Valid Statistical Sampling: Not applicable

<u>RECOMMENDATIONS</u>

2020-030a Continue to enhance procedures to timely identify fraudulent claims by strengthening controls within the legacy claims processing system as well as those newly implemented processing functionalities employed to meet the increase in claims activity.

2020-030b Implement a strategic plan to address the required modernization of the unemployment claims processing system.

<u>Auditee views</u>: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2020-031 ***(material noncompliance/material weakness – repeat finding – 2019-043)***

UNEMPLOYMENT INSURANCE – CFDA 17.225
Federal Award Agency: Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Years: Not Applicable
Federal Award Numbers: Not Applicable – Direct payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Department of Labor and Training (DLT)
Compliance Requirement: Special Tests and Provisions

UNEMPLOYMENT INSURANCE PROGRAM INTEGRITY – BENEFIT OVERPAYMENTS

The Department of Labor and Training (DLT) did not make the necessary changes to its system to allow for the imposition of penalties on overpayments due to fraud, and to prohibit relief from charges to an employer's Unemployment Compensation (UC) account when the overpayment was the result of the employer's failure to respond timely or adequately to a request for information.

Criteria: Federal law provides that (1) States are required to impose a monetary penalty (not less than 15 percent) on claimants whose fraudulent acts resulted in overpayments and deposit the funds in the State's account in the Unemployment Trust Fund, and (2) States are prohibited from providing relief from charges to an employer's UC account when overpayments are the result of the employer's failure to respond timely or adequately to a request for information.

Pub. L. No. 112-40, enacted on October 21, 2011, and effective October 21, 2013, amended sections 303(a) and 453A of the Social Security Act and sections 3303, 3304, and 3309 of the Federal Employment Tax Act (FUTA) to improve program integrity and reduce overpayments. (See UIPL Nos. 02-12, and 02-12, Change 1).

In compliance with federal law, the State enacted these requirements into State law effective October 1, 2013, including a 15% penalty on overpayments due to claimant fraud (RIGL 28-42- 62.1(a)(4)) and a prohibition on relieving the employer's account of charges relating to any benefit overpayments made if the employer was at fault for failure to respond timely or adequately to a request of the department for information relating to the claim (RIGL 28-43-3(2)(viii)).

Condition: We had tested random samples of benefit overpayments during fiscal 2018 and 2019 to determine if the State was properly identifying and handling overpayments, including, as applicable, assessment of the 15% penalty on claimants who commit fraud, and not relieving an employer's account of charges for overpayments when their untimely or inaccurate responses cause improper payments. We found that:

- When overpayments were classified as claimant fraud, none of these individuals were assessed the 15% penalty as required by federal and state law, and
- Employer fault was not identified as a cause of any of the overpayments.

Cause: DLT management had previously advised us they were programming the existing benefit system to impose penalties for overpayments due to fraud and anticipated moving the programming changes into production in the first quarter of 2020. This programming change was not made in fiscal 2020.

Effect: Noncompliance with federal and State laws as well as lost revenue on penalties not assessed.

Questioned Costs: None

Valid Statistical Sampling: Not applicable

RECOMMENDATION

2020-031 Adopt procedures to: (1) impose and collect a 15% penalty on benefit overpayments of claimants who commit fraud (RIGL 28-42-62.1(a)(4)) and (2) prohibit providing relief to an employer account when an overpayment is the result of the employer's failure to respond timely or adequately to a request for information by the State agency (RIGL 28-43-3(2)(viii)).

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

Finding 2020-032	***(material weakness – new finding)***

UNEMPLOYMENT INSURANCE – CFDA 17.225
Federal Award Agency: Department of Labor (DOL), Employment and Training Administration
Federal Award Fiscal Years: Not Applicable
Federal Award Numbers: Not Applicable – Direct payments with Unrestricted Use Funded through U.S. Treasury Trust Fund
Administered by: Department of Labor and Training (DLT)
Compliance Requirement: Reporting

OVERPAYMENT DETECTION/RECOVERY REPORT

The ETA (Employment and Training Administration) 227 report filed by Department of Labor and Training (DLT) for the quarter ended June 30, 2020, significantly under-reported fraudulent claim activity.

Criteria: Federal reports must be based on the financial system used to prepare the financial statements. Reports filed should be accurate, complete, and agree to supporting documentation. The ETA 227 Report is a quarterly report filed by the State to report overpayment detection and collection activities.

Condition: The ETA 227 Report filed for the quarter ended June 30, 2020, reported 919 claims with varying causes. These claims totaled $847,025. For the period covering the report and through its preparation, DLT was aware of increased fraudulent claims activity with the approval of the CARES Act and introduction of the PUA and PEUC programs. DLT's most recent estimate of known or suspected fraudulent claims activity totaled $171 million for the fiscal year ended June 30, 2020.

Cause: DLT experienced a significant increase in fraudulent claims activity due to the rapid expansion of benefits in response to the pandemic. Quantification and estimation of actual fraudulent claims paid lagged and was performed outside the normal overpayment and fraudulent claims tracking and reporting processes.

Effect: The report filed as of June 30, 2020, significantly under-reported fraudulent claims activity.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-032 Ensure ETA 227 reports detailing overpayment detection and collection activities are accurate and complete and amounts owed are reflected on the financial statements.

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

Finding 2020-033	***(material weakness – new finding)***

CORONAVIRUS RELIEF FUND – CFDA 21.019
Federal Award Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Year: 2020
Federal Award Numbers: SLT0005 and SLT0227
Administered by: Department of Administration (DOA) – Pandemic Recovery Office

Compliance Requirement: Activities Allowed or Unallowed

CONTROLS OVER CENTRALIZED APPROVAL OF EXPENDITURES TO THE CORONAVIRUS RELIEF FUND

Controls over final centralized approval of expenditures funded by the Coronavirus Relief Fund (CRF) should be improved.

Background: The State created the Pandemic Recovery Office (PRO) to oversee the distribution of Coronavirus Relief Funds and provide guidance to State agencies and departments regarding allowable uses of the CRF funding. The PRO implemented a centralized review and pre-approval process for projects and activities funded by the CRF and other CARES Act funding. This process had three primary phases: (1) review of the initial project design; (2) determination of compliance as an allowable activity as per the federal guidance issued; and (3) governance. Personnel within the Department of Administration's Grants Management Office, PRO, Office of Internal Audit and the Office of Management and Budget were utilized for the various phases. The projects and activities proposed were captured in a centralized database that also maintained certain required documentation, such as the departmental proposal descriptions and estimated budgets.

Once projects were approved through the centralized process, departmental CFOs were responsible for ensuring that expenditures complied with federal guidance.

Criteria: Management is responsible for designing and maintaining internal controls over compliance with federal requirements for activities allowed or unallowed. Controls should be sufficient to ensure that all uses of federal funding meet the applicable allowability criteria.

Condition: The State addressed the need to centralize a CRF review and approval process through the PRO. However, the project database utilized was designed to facilitate approval at a preliminary proposal phase, but not document either the preliminary project approval or final approval of amounts ultimately charged to the CRF. Further, a significant portion of the expenditures ultimately charged to CRF funding were not subject to this proposal phase review and pre-approval process. Most of these expenditures were not project-based but were for categorically allowable public health and public safety payroll expenditures. State departments and agencies were responsible for making the allowability determinations based on guidance issued by the Pandemic Recovery and State Budget Offices.

Departments and agencies were provided guidance which were effective in summarizing the federal requirements and providing practical guidelines. Departments and agencies were largely responsible for correctly applying the policies without subsequent centralized review for compliance. As a result, we noted instances where there was inconsistent application of the allowability criteria and methodologies for payroll expenditures across departments and agencies.

As part of our testing of payroll expenditures charged to CRF, we found 32 positions representing $2.6 million that were insufficiently documented to support eligibility. The Department of Corrections identified these positions as not meeting the administrative convenience criteria (for public safety); however, we found the documentation insufficient to support that the individual was substantially rededicated to a different COVID-19 related task or performing COVID-19 related tasks supported by detailed time and effort reporting.

Cause: The PRO centralized process did not extend to final approval of amounts charged to and reimbursed from the CRF. The determination of allowable CRF grant expenditures was further complicated by continual updates to federal guidance regarding permitted uses.

Effect: Expenditures could be charged to and reimbursed from the CRF that do not meet the criteria for allowable activities and expenditures.

Questioned Costs: $2.6 million

Valid Statistical Sampling: Not applicable

RECOMMENDATIONS

2020-033a Ensure that all expenditures and activities are reviewed and approved for allowability criteria through the centralized review process and that those approvals are documented for each phase of the review.

2020-033b Review State payroll adjustments to CRF to ensure that the expenditures meet the allowability criteria as determined by the US Treasury.

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

Finding 2020-034 ***(questioned cost only – new finding)***

CORONAVIRUS RELIEF FUND – CFDA 21.019
Federal Award Agency: U.S. Department of the Treasury (TREAS)
Federal Award Fiscal Year: 2020
Federal Award Numbers: SLT0005 and SLT0227
Administered by: Department of Administration (DOA), Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Activities Allowed or Unallowed

ACTIVITIES ALLOWED OR UNALLOWED

Questioned costs were identified for Workforce Stabilization Loans made to congregate care providers who could not demonstrate the funds were used in accordance with loan agreements.

Background: Just prior to fiscal year-end, the State granted funds to certain healthcare providers, including congregate care facilities. The payments came in the form of forgivable loans to congregate care facilities under the State's Workforce Stabilization Loan Program. Congregate care facilities receiving Workforce Stabilization Funds signed loan agreements; the funds were intended to provide assistance to facilities in retaining and paying congregate care employees of the facilities under significant financial strain during the pandemic. If the providers were found to have used the funds as required in paying their employees, the loans would be forgiven by the State.

Subsequent to year-end, audits of the congregate care providers were performed by the Department of Administration's Office of Internal Audit.

Criteria: U.S. Treasury guidance includes loans as an eligible cost under the Coronavirus Relief Fund if the loans otherwise qualify as eligible expenditures under the program.

The loan agreements issued by the State to congregate care providers outline the intent of the State to "maintain access and safe staffing levels in congregate care facilities". The agreements further describe that the payments are intended be used to reimburse employees at various rates dependent upon their hourly wage and total work hours per week as of February 1, 2020.

Condition: The Office of Internal Audit's procedures identified approximately $2.8 million in overpayments to the providers. This amount includes funds unexpended by providers, disallowed costs for not utilizing the funds in accordance with the loan agreements, and questioned costs for providers that did not provide adequate support for the amounts received.

Subsequent to the identification of the overpayments, the providers were informed of the amounts due back to the State and the Executive Office of Health and Human Services began recouping the funds from the congregate care providers in fiscal 2021. At June 10, 2021, approximately $2.4 million had been recouped and $400,000 was pending collection.

Cause: Providers were not able to demonstrate that the amounts received met the eligibility criteria prescribed in the loan agreements.

Effect: Expenditures charged to the Coronavirus Relief Fund (at June 30, 2020) are overstated.

Questioned Costs: $2,809,066 (at June 30, 2020 - $2.4 million subsequently recouped)

Valid Statistical Sampling: Not applicable

RECOMMENDATION

2020-034 Conclude repayment of remaining loans to congregate care providers who did not comply with or could not demonstrate compliance with Workforce Stabilization Loan agreements.

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

Finding 2020-035	***(significant deficiency – new finding)***

FEDERAL TRANSIT CLUSTER – CFDA 20.500, 20.507, 20.525 and 20.526
Federal Award Agency: U.S. Department of Transportation (DOT)
Federal Award Fiscal Year: 2020
Federal Award Number: RI 2020-003-00
Administered by: Rhode Island Public Transit Authority (RIPTA)
Compliance Requirement: Procurement, Suspension and Debarment

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – PROCUREMENT, SUSPENSION AND DEBARMENT

Criteria: States are required to purchase goods and services charged to federal awards in accordance with the laws and regulations used for procurements with non-federal funds. Rhode Island laws require that non-construction procurements over $5,000 and construction procurements over $10,000 be competitively bid. If an item meeting these criteria cannot be competitively bid, the reason must be properly documented.

Additionally, when a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify the entity, as defined by 2 CFR Section 180.995 and agency adopting regulations, is not suspended or debarred or otherwise excluded from participating in the transaction. “Covered transactions” include contracts for goods or services awarded under a non-procurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed $25,000 or meet certain other criteria as specified in 2 CFR Section 180.220.

Condition: During our test of internal controls, we noted one purchase over $5,000 that was not competitively bid, and the Authority had no documentation on file substantiating the reasons why the purchase was not competitively bid. This purchase was also more than $25,000 and the Authority had no documentation on file verifying that the vendor was not suspended, debarred or otherwise excluded from participating in the transaction.

Cause: The Rhode Island Public Transit Authority did not follow established procurement, suspension and debarment policies and procedures.

Effect: The Rhode Island Public Transit Authority had no documentation on file to demonstrate compliance with procurement, suspension and debarment requirements for this transaction.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-035 We recommend that the Rhode Island Public Transit Authority adhere to its established procurement, suspension and debarment policies and procedures and ensure that non-competitive procurements and covered transactions are properly documented.

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

Finding 2020-036	***(significant deficiency – new finding)***

FEDERAL TRANSIT CLUSTER – CFDA 20.500, 20.507, 20.525 and 20.526
Federal Award Agency: U.S. Department of Transportation (DOT)
Federal Award Fiscal Year: 2020
Federal Award Number: RI 2019-010-00
Administered by: Rhode Island Public Transit Authority (RIPTA)
Compliance Requirement: Subrecipient Monitoring

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – SUBRECIPIENT MONITORING

Criteria: A pass-through entity must establish policies and procedures to ensure subrecipients are properly monitored. Procedures should include identifying the award and applicable requirements; evaluating a subrecipient's risk of noncompliance to determine appropriate monitoring related to the subaward; and monitoring the subrecipient to ensure the subaward is used for the authorized purposes, complies with the term and conditions of the subaward and achieves performance goals.

Condition: During the process of obtaining an understanding of internal controls over subrecipient monitoring, we determined that the Rhode Island Public Transit Authority has established policies and procedures for subrecipient monitoring in accordance with Uniform Guidance. These policies and procedures, however, were not properly adhered to for a subaward that was active during the 2020 fiscal year. The grant award notice and subrecipient agreement were not executed in a timely manner and formal monitoring was not performed during the 2020 fiscal year.

Cause: The Rhode Island Public Transit Authority did not follow established subrecipient monitoring policies and procedures.

Effect: The subrecipient was not properly notified of the award details or applicable requirements and was not properly monitored during the year.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-036 We recommend that the Rhode Island Public Transit Authority ensure its established policies and procedures are followed and that subaward activities not begin until the grant award notice and subrecipient agreement have been properly executed. We also recommend that the formal monitoring procedures described in its subrecipient policy be performed and documented.

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

Finding 2020-037 ***(significant deficiency/other reportable matter – new finding)***

STUDENT FINANCIAL ASSISTANCE CLUSTER – CFDA 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, and 93.364
Federal Award Agency: U.S. Department of Education (DOE)
Federal Award Fiscal Year: 2020
Administered by: University of Rhode Island (URI)
Compliance Requirement: Special Tests and Provisions

UNIVERSITY OF RHODE ISLAND – DISBURSEMENT TO OR ON BEHALF OF STUDENTS

Criteria: According to 34 CFR Section 668.165(a):

(1) Before an institution disburses Title IV, HEA program funds for any award year, the institution must notify a student of the amount of funds that the student or his or her parent can expect to receive under each Title IV, HEA program, and how and when those funds will be disbursed. If those funds include Direct Loan program funds, which are from unsubsidized loans, and which are from PLUS loans.

(2) Except in the case of a post-withdrawal disbursement made in accordance with §668.22(a)(5), if an institution credits a student ledger account with Direct Loan, Federal Perkins Loan, or TEACH Grant program funds, the institution must notify the student or parent of –

(i) The anticipated date and amount of the disbursement;

(ii) The student's or parent's right to cancel all or a portion of that loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement, and have the loan proceeds or TEACH Grant proceeds returned to the Secretary; and

(iii) The procedures and time by which the student or parent must notify the institution that he or she wishes to cancel the loan, loan disbursement, TEACH Grant, or TEACH Grant disbursement.

(3) The institution must provide the notice described in paragraph (a)(2) of this section in writing –

(i) No earlier than 30 days before, and no later than 30 days after, crediting the student's ledger account at the institution, if the institution obtains affirmative confirmation from the student under paragraph (a)(6)(i) of this section; or

(ii) No earlier than 30 days before, and no later than seven days after, crediting a student's ledger account at the institution, if the institution does not obtain affirmative confirmation from the student under paragraph (a)(6)(i) of this section.

Condition: Federal regulations require the University to notify students, within the required timeframe, of credits to the student's account of any Direct Loan. During our testing, we noted one student, out of a sample of 40, who was not notified.

Cause: The cause was a technological error within the College's enterprise resources planning ("ERP") system. Upon disbursement to students, the ERP system was supposed to automatically send a notification to the students receiving Direct Loans within the required timeframe. Due to a glitch in the system, the notification was never sent after disbursement to the student.

Effect: The University was not in compliance with notification requirements.

Questioned Costs: Not Applicable

Perspective: Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, one student, or 2.5% of our sample, did not receive a disbursement notification.

RECOMMENDATION

2020-037 The University should create a process to ensure that notifications go to all applicable students.

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

Finding 2020-038	***(significant deficiency/other reportable matter – new finding)***

STUDENT FINANCIAL ASSISTANCE CLUSTER – CFDA 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, and 93.364
Federal Award Agency: U.S. Department of Education (DOE)
Federal Award Fiscal Year: 2020
Administered by: Rhode Island College (RIC)
Compliance Requirement: Special Tests and Provisions

RHODE ISLAND COLLEGE – NSLDS REPORTING

Criteria: According to 34 CFR 685.309(b)(2):

Unless [the institution] it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that –

(i) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(ii) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

The Dear Colleague Letter GEN-12-6 issued by the U.S. Department of Education ("ED") on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated August 2020:

> *Under the Pell grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via the National Student Loan Data System ("NSLDS"). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.*

Condition: The Federal government requires the College to report student enrollment changes to the National Student Loan Data System ("NSLDS") within sixty days. In a sample of forty students who either graduated, withdrew from the institution, or became enrolled on less than half-time basis, we noted the following:

- Three students that graduated were never reported to NSLDS.
- One student that graduated was not reported to NSLDS within the required time frame. The time frame to report the status change was 147 days, which was 87 days late.

Cause: The College did not have adequate procedures in place to ensure that status changes were properly reported to NSLDS and the status changes were reported within the required time frame.

Effect: The College did not report the students' correct status changes to NSLDS within the required timeframe. This impacts the student loan grace period.

Questioned Costs: Not Applicable

Perspective: Our sample was not, and was not intended to be, statistically valid. Of the 40 students selected for testing, 4 students, or 10% of our sample was determined to have either no status change reported to NSLDS or a status change not reported timely to NSLDS.

RECOMMENDATION

2020-038 The College should provide training to employees responsible for processing information for the NSLDS and ensure that they have adequate knowledge in the related rules and regulations. This training should include an explanation of the College's date of determination of withdrawal, the importance of reporting timely, and the consequences of late reporting. Additionally, this should include an explanation of the status changes, the importance of reporting the correct status changes and the consequences of incorrect reporting. Additionally, submission of additional rosters may reduce the likelihood of the finding in the future.

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

Finding 2020-039 ***(significant deficiency/other reportable matter – repeat finding – 2017-060)***

STUDENT FINANCIAL ASSISTANCE CLUSTER – CFDA 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, and 93.364
Federal Award Agency: U.S. Department of Education (DOE)
Federal Award Fiscal Year: 2020
Administered by: Community College of Rhode Island (CCRI)
Compliance Requirement: Special Tests and Provisions

COMMUNITY COLLEGE OF RHODE ISLAND – NSLDS REPORTING

Criteria: According to 34 CFR 685.309(b)(2):

Unless [the institution] it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that –

(iii) A loan under title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a half-time basis or failed to enroll on at least a half-time basis for the period for which the loan was intended; or

(iv) A student who is enrolled at the school and who received a loan under title IV of the Act has changed his or her permanent address.

The Dear Colleague Letter GEN-12-6 issued by the U.S. Department of Education ("ED") on March 30, 2012 states that in addition to student loan borrowers, Enrollment Reporting files will include two additional groups of students: Pell Grant and Perkins Loan recipients.

According to 2 CFR Part 200, Appendix XI Compliance Supplement updated August 2020:

Under the Pell grant and loan programs, institutions must complete and return within 15 days the Enrollment Reporting roster file placed in their Student Aid Internet Gateway mailboxes sent by ED via the National Student Loan Data System ("NSLDS"). The institution determines how often it receives the Enrollment Reporting roster file with the default set at a minimum of every 60 days. Once received, the institution must update for changes in student status, report the date the enrollment status was effective, enter the new anticipated completion date, and submit the changes electronically through the batch method or the NSLDS website. Institutions are responsible for timely reporting, whether they report directly or via a third-party servicer.

Condition: The Federal government requires the College to report student enrollment changes to the National Student Loan Data System ("NSLDS") within sixty days. During our testing, we noted four students, out of a sample of forty, were not reported to NSDLS within the required timeframe.

- Three students that withdrew were not reported to NSLDS.
- One student that withdrew was not reported to NSLDS within the required timeframe. The status change was reported at 69 days, which was 9 days late.

Cause: The Community College did not have adequate procedures in place to ensure that students with status changes were properly reported to NSLDS within the required time frame.

Effect: The Community College did not report the students' status changes to NSLDS within the required timeframe, which may impact the students' loan grace periods.

Questioned Costs: Not Applicable

Perspective: Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, four students, or 10% of our sample, had status changes that were not reported to NSLDS within the required timeframe.

RECOMMENDATION

2020-039 The Community College should provide training to employees responsible for processing information for the NSLDS and ensure that they have adequate knowledge in the related rules and regulations. This training should include an explanation of the Community College's date of determination of withdrawal, the importance of reporting timely, and the consequences of late reporting. Additionally, submission of additional rosters may reduce the likelihood of the finding in the future.

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

Finding 2020-040	***(significant deficiency/other reportable matter – new finding)***

STUDENT FINANCIAL ASSISTANCE CLUSTER – CFDA 84.007, 84.033, 84.038, 84.063, 84.268, 84.379, 93.342, and 93.364
Federal Award Agency: U.S. Department of Education (DOE)
Federal Award Fiscal Year: 2020
Administered by: Community College of Rhode Island (CCRI)
Compliance Requirement: Special Tests and Provisions

COMMUNITY COLLEGE OF RHODE ISLAND – RETURN OF TITLE IV FUNDS

Criteria: According to 34 CFR 668.22(j)(11):

Timeframe for the return of Title IV funds. An institution must return the amount of Title IV funds for which it is responsible under paragraph (g) of this section as soon as possible but no later than 45 days after the date of the institution's determination that the student withdrew as defined in paragraph (1)(3) of this section.

According to 34 CFR 668.173(b):

Timely return of Title IV, HEA program funds. In accordance with procedures established by the Secretary or Federal Family Education Loan ("FFEL") program leader, an institution returns unearned Title IV, HEA program funds timely if –

(1) The institution deposits or transfers the funds into the bank account it maintains under 34 CFR Sections 668.163 no later than 45 days after the date it determines the student withdrew;

(2) The institution initiates an electronic funds transfer no later than 45 days after the date it determines that the student withdrew;

(3) The institution initiates an electronic transaction no later than 45 days after the date it determines that the student withdrew, that informs a FFEL lender to adjust the borrower's loan account for the amount returned; or

(4) The institution issues a check no later than 45 days after the date it determines that the student withdrew. An institution does not satisfy this requirement if –

(i) The institution's records show that the check was issued more than 45 days after the date the institution determined the student withdrew; or

(ii) The date on the cancelled check shows that the bank used by the Secretary or FFEL Program lender endorsed that check more than 60 days after the date the institution determined that the student withdrew.

Condition: Federal regulations state that any unearned Title IV grant or loan assistance received by a student must be refunded to the Title IV programs upon a student's withdrawal from the institution. The Community College has 45 days from the date they determined the student withdrew to return any unearned portions of Title IV funds. During our testing, we noted four students, out of a sample of forty, had unearned Title IV aid that was not returned to the Federal Government within 45 days of the determined withdrawal date by 93 – 99 days.

Cause: The Community College did not consistently follow the procedures in place to monitor student withdrawals related to Title IV funds that must be returned to the Department of Education within 45 days as the students were not timely identified as withdrawals.

Effect: The Community College did not return unearned Title IV funds within the required 45-day timeframe.

Questioned Costs: Not Applicable

Perspective: Our sample was not, and was not intended to be, statistically valid. Of the forty students selected for testing, four students, or 10% of our sample, had unearned Title IV funds that were not returned to the Department of Education within the 45-day required timeframe.

RECOMMENDATION

2020-040 The Community College should strengthen their controls surrounding the timely review of student withdrawals to ensure Return of Title IV calculations are completed in a timely manner and refunds are returned to the Department of Education within the required timeframe.

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

Finding 2020-041 ***(material weakness – repeat finding – 2019-047)***

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1902RITANF and G2002RITANF
Administered by: Department of Human Services (DHS)
Compliance Requirement: Eligibility

TANF ELIGIBILITY – RIBRIDGES

The State can improve compliance with TANF eligibility requirements specifically by ensuring consistent documentation of eligibility components within RIBridges.

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 system operation has been problematic since implementation and efforts to address eligibility processing challenges are ongoing. Enhanced federal funding for new eligibility systems was approved to provide more efficient, economical, and effective administration of these human service programs.

Criteria: Federal regulation 45 CFR 260.20 requires that a family be needy in order to be eligible for TANF Cluster 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."

Condition: Documentation in RIBridges was insufficient to support eligibility for many of the cases tested. RIBridges lacks sufficient historical case data to evaluate past eligibility determinations, especially for client attested data and external resource panel results which only provide current data reported in the system.

Sample 1 ***– Eligible cases (households) within RIBridges during fiscal 2020*** **Population – 45,349 cases, $20,344,372 in benefits paid**				
Sample Size	**Number of Exceptions**	**Exception type**	**Error Rate**	**Known Questioned Costs***
59	29*	Exceptions related to nonconformance with established eligibility process and/or control procedures, including documentation deficiencies - no eligibility impact or undetermined eligibility impact	49%	
	2	Exceptions impacted eligibility – individual(s) incorrectly determined eligible	3%	$5,483
Questioned costs, when applicable and determined, represent the amount of benefits paid for the periods after the recertifications were due.				

Exceptions – cases incorrectly determined eligible:

- Signed recertification documents not scanned to the system (2 instances).

Exceptions – nonconformance with established eligibility process and/or control procedures (control exception without impact on eligibility):

- Identification documents for all household members not scanned to the system (24 instances). Two cases contained individuals whose social security numbers were not verified by the SSA interface; and
- Proof of residency not documented (9 instances)

** Represents the number of cases containing errors; a case may have more than one error.*

Work-eligible parents who receive cash assistance must comply with an employment plan to prepare for and enter employment. As more fully described in Finding 2020-042, DHS can improve the timely update and/or development of new employment plans for clients upon the expiration of an existing plan.

Cause: Most case errors noted resulted from worker noncompliance with documentation requirements for elements of eligibility determination. Additional focus and training are required to ensure consistent documentation of eligibility components within RIBridges.

Effect: Ineffective controls over the eligibility process for TANF. Potential for payment of benefits to ineligible families and/or payment of incorrect benefit amounts.

Questioned Costs: $5,483

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2020-041a Continue efforts to ensure that all required eligibility compliance requirements are operational within RIBridges.

2020-041b Enhance controls to ensure all required documentation to support eligibility determination, including sufficient historical case data, is retained in the electronic case record and/or supported by scanned documentation.

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

Finding 2020-042	***(significant deficiency – repeat finding – 2019-049)***

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1902RITANF and G2002RITANF
Administered by: Department of Human Services (DHS)
Compliance Requirement: Special Tests and Provisions

TANF WORK VERIFICATION PLANS

DHS can improve the timely update and/or development of new employment plans for clients upon the expiration of an existing plan.

Background: All work-eligible parents who receive cash assistance must enter and comply with an employment plan to prepare for and enter employment as soon as possible. The first activity for most parents will be a job search. Other employment, education, or training may be possible. Work activities include employment, unpaid work experience or community service, job training and job search/job readiness. Failure to meet or comply with work requirements, as defined in each individual's employment plan, could result in financial penalty, reduction of cash benefits, or termination of program eligibility.

Criteria: The State agency must maintain adequate documentation, verification, and internal control procedures to ensure the accuracy of the data used in calculating work participation rates. In so doing, it must have in place procedures to (a) determine whether its work activities may count for participation rate purposes; (b) determine how to count and verify reported hours of work; (c) identify who is a work-eligible individual; and (d) control internal data transmission and accuracy.

Each State agency must comply with its HHS-approved Work Verification Plan in effect for the period that is audited. HHS may penalize the State by an amount not less than one percent and not more than five percent of the State Family Assistance Grant for violation of this provision (42 USC 601, 602, 607, and 609); 45 CFR sections 261.60 through 261.65).

Non-compliance by the client with employment plan activities can result in case sanction and closure after 3 months of non-compliance.

Condition: From our random sample of 60 eligible determinations:

Sample 1 ***– Eligible TANF cases (households) within RIBridges during fiscal 2020*** **Population – 45,349 cases, $20,344,372 in benefits paid; 59 cases selected, of which 31 were required to have employment plans in place**				
Sample Size	**Number of Exceptions**	**Exception type**	**Error Rate**	**Known Questioned Costs***
31	2	Exceptions impacted eligibility – individual(s) incorrectly determined eligible	6%	$4,401
Questioned costs, when applicable and determined, represent the amount of benefits paid to ineligible client(s) or the amount of penalties that should have been imposed for the periods where no employment plan was in place or recipient was not cooperating with their employment plan.				

Exceptions – nonconformance with established eligibility process and/or control procedures (control exception without impact on eligibility):

- For those 59 cases, 31 clients had employment plans in place.
- 22 of the 31 clients were in compliance with their employment plan.
- 9 cases were found to be noncompliant with their employment plan; 2 cases should have been sanctioned but were not; 7 were appropriately sanctioned or terminated for noncompliance. For the 2 not sanctioned or terminated:
    - 1 client was missing a workplan for 4 months and not terminated; and
    - 1 client had their case closed but continued to receive payments.

Cause: The large volume of worker tasks within the RIBridges system challenged DHS employment and career advisors to contact clients timely to develop a new employment plan.

Effect: Potential federal sanctions/penalties for failure to meet the required work participation rate, and questioned costs due to required, but unprocessed, reductions in cash benefits or case closures related to client noncompliance with their employment plan.

Questioned Costs: $4,401

Valid Statistical Sampling: Yes

RECOMMENDATION

2020-042 Improve the timeliness of updating or establishing new employment plans upon the expiration of an existing plan. Sanction clients not in compliance with their employment plans, and close cases after three months of non-compliance.

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

Finding 2020-043	***(material weakness – repeat finding – 2019-050)***

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1902RITANF and G2002RITANF
Administered by: Department of Human Services (DHS)
Compliance Requirement: Special Tests and Provisions – IEVS

INCOME ELIGIBILITY AND VERIFICATION SYSTEM (IEVS)

The State began to meet the required Income Eligibility and Verification System requirements in fiscal 2020.

Background: States are required to participate in the Income Eligibility and Verification System (IEVS) which requires coordinated data exchanges with other federally assisted benefit programs and use of income and benefit information when making eligibility determinations.

Criteria: Section 1137 of the Social Security Act as amended and 42 USC 1320b-7; 45 CFR section 205.55. State Wage Information Collection Agency (SWICA), Unemployment Compensation, Social Security Administration, U.S. Citizenship and Immigration Services information is required to be obtained and used to determine eligibility and the amount of TANF benefits.

Condition: DHS began implementation of the required IEVS data exchange functionalities within its RIBridges eligibility determination system during fiscal 2020. Deployment continued into fiscal 2021 with the required interfaces operational and match data being forwarded to “worker inboxes” to prompt eligibility technician resolution and any impact on eligibility or the amount of client cash assistance.

Cause: The required IEVS data interface functionalities were not functional at system inception and have only recently become operational.

Effect: Controls over eligibility and the determination of TANF benefit amounts are diminished without a fully functioning IEVS process.

Questioned Costs: Unknown

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-043 Complete implementation of the federally required data interfaces within the RIBridges eligibility system to meet the IEVS TANF program requirement.

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

Finding 2020-044 ***(significant deficiency – repeat finding – 2019-051)***

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – CFDA 93.558
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1902RITANF and G2002RITANF
Administered by: Department of Human Services (DHS)

CCDF CLUSTER – CFDA 93.575, 93.596
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1901RICCDF and G2001RICCDF
Administered by: Department of Human Services (DHS)

Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

Criteria: 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 (2 CFR 200.331(d) through (f)). In addition, 45 CFR 96.30(a) states that fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant.

A pass-through entity (PTE) is responsible for: During-the-Award Monitoring – Monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved (2 CFR sections 200.331(d) through (f)).

Subaward monitoring must include the following:

1. Reviewing financial and programmatic (performance and special reports) required by the PTE.
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 PTE detected through audits, on-site reviews, and other means.
3. Issuing a management decision for audit findings pertaining to the federal award provided to the subrecipient from the PTE as required by 2 CFR section 200.521.

Condition: DHS did not perform any on-site fiscal monitoring of its subrecipients during fiscal 2020.

DHS performs risk assessments on all contracts when they are awarded. DHS deemed the subrecipients to be low risk based on desk reviews of subrecipient Single Audit reports. When no findings were reported, the subrecipient was considered low risk and consequently on-site fiscal monitoring was not performed. Any findings should result in a "high risk" designation and prompt a site visit. DHS deemed all their subrecipients "low-risk" and did not perform any on site fiscal monitoring. When reviewing audit reports, DHS did not consider whether programs were audited as major programs within the applicable single audit.

The TANF program has 21 subrecipients, only eight of which received over $100,000, and only three of these had Single Audits performed. Two of these included TANF as a major program.

The Child Care Cluster had seven subrecipients, two of which had Single Audits performed, one of which included the cluster as a major program. One of the audits cited a finding related to the Cluster. DHS did not perform a site-visit or issue a management decision, as required, for the finding included in the subrecipient audit report.

When programs are not audited as major programs, the audit report provides no assurance regarding the subrecipient's controls or compliance with specific program requirements. Review and consideration of available subrecipient audit reports is appropriate in developing a risk-based monitoring plan. However, consideration should also include other appropriate evaluation procedures (e.g., the capability and continuity of fiscal management at the subrecipient agency, volume of benefits disbursed).

Cause: The State plan for FFY 2018 was modified to only require on-site monitoring if a subrecipient was deemed high risk based on a review of the subrecipient single audit reports. Reliance solely on subrecipients audits without consideration of whether the program was tested as a major program or other appropriate risk factors could lead to an inappropriate low-risk classification for subrecipients.

Effect: Monitoring procedures may be insufficient to ensure that subrecipients are complying with applicable program regulations and requirements.

Questioned Costs: None

Valid Statistical Sampling: No

<u>RECOMMENDATIONS</u>

2020-044a Modify subrecipient risk assessment procedures to include consideration of whether program was tested as a major program in subrecipient Single Audits and other factors such as the continuity and capability of subrecipient management and volume of program activity.

2020-044b Issue management decisions on subrecipient audit findings within six months as required by federal regulation.

<u>Auditee views</u>: The auditee concurs with this finding – see Corrective Action Plan in Section E.

Finding 2020-045 ***(significant deficiency –repeat finding – 2019-052)***

LOW INCOME HOME ENERGY ASSISTANCE – CFDA 93.568
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Year: 2020
Federal Award Numbers: 2020G992201
Administered by: Department of Human Services (DHS)

Compliance Requirement: Subrecipient Monitoring

<u>SUBRECIPIENT MONITORING</u>

DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with LIHEAP laws and regulations. Timely management decisions must be made on subrecipient audit findings.

Criteria: 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 (2 CFR 200.331(d) through (f)). In addition, 45 CFR 96.30(a) states that fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. "A pass-through entity is responsible for: *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

As provided in §200.332(d), the pass-through entity must be responsible for issuing a management decision for audit findings that relate to Federal awards it makes to subrecipients. The Federal awarding agency or pass-through entity responsible for issuing a management decision must do so within six months of acceptance of the audit report by the FAC. The auditee must initiate and proceed with corrective action as rapidly as possible and corrective action should begin no later than upon receipt of the audit report. The management decision must clearly state whether the audit finding is sustained, the reasons for the decision, and the expected auditee action to repay disallowed costs, make financial adjustments, or take other action.

Condition: DHS did not perform any on-site fiscal monitoring of any of its seven subrecipients during fiscal 2020. DHS deemed the subrecipients to be low risk based on desk reviews of subrecipient Single Audit reports. When no findings were reported, the subrecipient was considered low-risk and consequently on-site fiscal monitoring was not performed.

In reviewing the Single Audit reports of the subrecipients, DHS did not consider whether LIHEAP was audited as a major program. Based on review of fiscal 2019 subrecipient audit reports, LIHEAP was audited as a major program for four of seven subrecipients. When the LIHEAP program is not audited as a major program, the audit provides no assurance regarding the subrecipient's controls or compliance with LIHEAP requirements. Review and consideration of available subrecipient audit reports is appropriate in developing a risk-based monitoring plan. However, consideration should include (1) whether LIHEAP was audited as a major program and (2) other evaluation procedures (e.g., the capability and continuity of fiscal management at the subrecipient agency, volume of benefits disbursed).

One LIHEAP subrecipient had audit findings, including a material weakness regarding cash management, that were identified by review of audit reports; however, no management decision was issued. DHS is required to issue a management decision letter within six months of the acceptance of the audit report, per Subpart F §200.521 (d).

Cause: The State plan for federal fiscal year 2018 was modified to only require on-site monitoring if a subrecipient was deemed high risk based on a review of the subrecipient single audit reports. Reliance solely on subrecipients audits without consideration of whether LIHEAP was tested as a major program or other appropriate risk factors could lead to an inappropriate low-risk classification for subrecipients.

The COVID-19 pandemic made site visits a challenge, and the challenges created from remote working placed a burden on the normal monitoring processes.

Effect: Monitoring procedures may be insufficient to ensure that subrecipients are complying with all LIHEAP regulations and requirements. Subrecipients may be operating with control deficiencies identified through audits but not resolved through subsequent evaluation of corrective action plans, leading to potential control weaknesses.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-045a Modify subrecipient risk assessment procedures to include consideration of whether LIHEAP was tested as a major program in subrecipient Single Audits and other factors such as the continuity and capability of subrecipient management and volume of program activity.

2020-045b Issue management decisions on LIHEAP subrecipient audit findings within six months as required by federal regulation.

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

Finding 2020-046	***(significant deficiency –repeat finding – 2019-053)***

LOW INCOME HOME ENERGY ASSISTANCE – CFDA 93.568
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Year: 2020
Federal Award Numbers: 2020G992201
Administered by: Department of Human Services (DHS)

Compliance Requirement: Earmarking; Period of Performance; Reporting

EARMARKING, PERIOD OF PERFORMANCE, AND REPORTING

DHS must enhance controls regarding the allocation of expenditures to multiple available grant awards/periods to ensure compliance with earmarking, period of performance and reporting compliance requirements for LIHEAP.

Criteria:

Earmarking – The LIHEAP block grants are subject to limitations on grant award spending. No more than 10% of a State's LIHEAP funds for a federal fiscal year may be used for planning and administrative costs (42 USC 8624(b)(9)(A);45 CFR section 96.88(a)). No more than 15% of the greater of the funds allotted or the funds available to the grantee for a federal fiscal year may be used for low-cost residential weatherization or other energy-related home repairs (42 USC 8624(k)). No more than 5% of the LIHEAP funds may be used to provide services that encourage and enable households to reduce their home energy needs and, thereby, the need for energy assistance.

Period of Performance – At least 90% of the LIHEAP block grant funds payable to the grantee must be obligated in the Federal fiscal year in which they are awarded. Up to 10% of the funds payable may be held available (or "carried over") for obligation no later than the end of the following federal fiscal year. Funds not obligated by the end of the following fiscal year must be returned to ACF. There are no limits on the time period for expenditure of funds (42 USC 8626).

Reporting –

- *Annual Report on Households Assisted by LIHEAP (OMB No. 0970-0060) - as part of the application for block grant funds each year, a report is required for the preceding fiscal year of (1) the number and income levels of the households* assisted for each component and any type of LIHEAP assistance (heating, cooling, crisis, and weatherization); and (2) the number of households served that contained young children, elderly, or persons with disabilities, or any vulnerable household for each component.

- *LIHEAP Performance Data Form (OMB No 0970-0449)* - State grantees must submit this report by January 31 regarding the prior federal fiscal year. The first section of the report is the Grantee Survey that covers sources and allocation of funding. The rest of the report is regarding performance metrics, mostly related to home energy burden targeting and reduction, as well as the continuity of home energy service.

- *LIHEAP Carryover and Reallotment Report (OMB No. 0970-0106)* - Grantees must submit this report no later than August 1 indicating the amount expected to be carried forward for obligation in the following fiscal year and the planned use of those funds. Funds in excess of the maximum carryover limit are subject to reallotment to other LIHEAP grantees in the following fiscal year and must also be reported (42 USC 8626).

Condition: In response to prior year findings, DHS implemented codes within RIFANS (document ID field) to identify the expenditure categories and the applicable grant award year for each expenditure of LIHEAP funds. While this improved controls and the ability to track activity to grant awards and earmarks, a more effective and reliable control would utilize line sequences for the expenditure categories and cost centers for the grant award year.

Cause: Period of Performance, Earmarking, and Reporting compliance requirements require DHS to accurately track the grant expenditures between categories and grant awards. Currently the primary method of tracking is via Document ID codes within RIFANS, which leaves a greater possibility for error due to the susceptibility of Document ID characters to be transcribed incorrectly.

Effect: Errors in tracking expenditures by category or grant award could result in noncompliance with Earmarking, Reporting, and/or Period of Performance requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-046 Implement a combination of unique RIFANS accounts (line sequences) to identify/track LIHEAP expenditure categories and utilize cost centers to differentiate grant award sources, to enhance controls overs compliance with earmarking, period of performance and reporting requirements.

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

Finding 2020-047	***(significant deficiency –repeat finding – 2019-054)***

LOW INCOME HOME ENERGY ASSISTANCE – CFDA 93.568
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Year: 2020
Federal Award Numbers: 2020G992201
Administered by: Department of Human Services (DHS)

Compliance Requirement: Reporting

REPORTING

Available documentation was insufficient to adequately support the data cited within the Annual Report on Households and the LIHEAP Performance Data Form. Review of required reports is inadequate to prevent or detect potential misstatements within the inputs of the report figures.

Criteria: Annual Report on Households Assisted by LIHEAP (OMB No. 0970-0060) - as part of the application for block grant funds each year, a report is required for the preceding fiscal year of (1) the number and income levels of the households assisted for each component and any type of LIHEAP assistance (heating, cooling, crisis, and weatherization); and (2) the number of households served that contained young children, elderly, or persons with disabilities, or any vulnerable household for each component.

LIHEAP Performance Data Form (OMB No. 0970-0449) - State grantees must submit this report by January 31 regarding the prior federal fiscal year. The first section of the report is the Grantee Survey that covers sources and allocation of funding. The rest of the report is regarding performance metrics, mostly related to home energy burden targeting and reduction, as well as the continuity of home energy service.

LIHEAP Carryover and Reallotment Report (OMB No. 0970-0106) - Grantees must submit this report no later than August 1 indicating the amount expected to be carried forward for obligation in the following fiscal year and the planned use of those funds. Funds in excess of the maximum carryover limit are subject to reallotment to other LIHEAP grantees in the following fiscal year and must also be reported (42 USC 8626).

SF-425 Report – Grantees must submit this report which indicates the amount of cash on hand at the conclusion of the grant period.

Condition: DHS was unable to provide all documentation necessary to support the Annual Report on Households Assisted by LIHEAP and the LIHEAP Performance Data Form. Information on the report either did not agree to documentation or was inadequately supported. Certain information needed to complete the reports is derived from the computer system (Hancock) used by the subrecipient agencies in administering the program. Subrecipients are responsible for the input of information into the system.

Additionally, report reviews failed to detect misstatements within the SF-425 report due to a transcribing error. While not material, the failure to identify the mistake is support of the need for a more robust review process. Currently reports are prepared and certified by the same individual and are not reviewed by personnel with a financial background capable of discovering potential errors.

Cause: The reporting deficiencies are, in part, attributable to staff turnover and insufficient supervisory review of the report preparation.

Effect: The reports required to be filed with the federal government may be inaccurate.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-047a Ensure the data in the Hancock LIHEAP system is complete and accurate.

2020-047b Ensure the federal reports are supported by the reporting from the Hancock LIHEAP system.

2020-047c Enhance the review process in place over all federal reports to prevent or detect misstatements prior to submission.

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

Finding 2020-048	***(significant deficiency –repeat finding – 2019-055)***

LOW INCOME HOME ENERGY ASSISTANCE – CFDA 93.568
Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Year: 2020
Federal Award Numbers: 2020G992201
Administered by: Department of Human Services (DHS)

Compliance Requirement: Activities Allowed or Unallowed; Eligibility

CONTROLS OVER LIHEAP FUNCTIONS PROVIDED BY EXTERNAL PARTIES

DHS should ensure controls are adequately designed and operational within the computer application utilized by the State to administer LIHEAP at local community action agencies.

Background: DHS has acquired a computer application (Hancock) specifically designed to administer LIHEAP. The application is maintained by a vendor and is utilized both at the State level and within each of the seven community action agencies which determine program eligibility and related benefit amounts.

Criteria: Management has responsibility to ensure the adequacy of the design and operation of key controls over the operation of the program to ensure compliance with LIHEAP regulations. A Service Organization Control (SOC) report provided by the vendor is one means, in part, of meeting management's responsibility. Such a report could be included as a contract requirement with the application vendor. Alternatively, monitoring and assessment procedures should be performed by DHS with assistance from the State's Division of Information Technology (DoIT).

Passwords should be changed by the user at the initial account login, after a password reset and at least once every ninety (90) days, thereafter. Passwords for privileged accounts should be changed at least once every sixty (60) days or after a system administrator unlocks the account. (*RI DOA Enterprise Policy: ETSS - Enterprise Passwords – 2019)*

Condition: DHS has not performed assessments of the accuracy and reliability of the software in determining eligibility and related benefits or considered information technology risks for the application. The software is integral to the operation of the program and to maintain compliance with federal program requirements.

The software vendor does not provide a SOC report which would facilitate the Department's consideration of the operating effectiveness of the application and an assessment of certain information technology controls and risks. Absent a SOC report supplied by the vendor, DHS should document its consideration of the reliability of the application and whether key information technology risks have been adequately addressed.

DHS has reached out to Hancock and expressed their need for a SOC report; however, it is not projected to be available until Summer 2021 at the earliest.

Additionally, Hancock LIHEAP system users are not required to change their passwords after 90 days (privileged users after 60 days) in accordance with the State's Enterprise Password Policy.

Cause: DHS has not performed sufficient monitoring of operating effectiveness and information technology risk assessment for the Hancock LIHEAP application. The application vendor does not currently have a SOC examination performed for its LIHEAP application.

There are no automated controls in place to ensure that the users of the agency's Hancock system are prompted to change passwords in compliance with the State's Enterprise-wide guidelines.

Effect: DHS lacks sufficient information to ensure the operating effectiveness and data reliability of the computer application which is key to the administration of LIHEAP.

Inattention to maintaining user access controls could result in unauthorized access to the system and potential fraud and noncompliance with program requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-048a Require the vendor supporting the LIHEAP computer application to have a SOC examination performed to provide assurance on the operating effectiveness and data integrity of the application. Alternatively, monitoring and assessment procedures could be performed by DHS and the State's Division of Information Technology. Look for other states that utilize the Hancock System and inquire as to how they gain comfort over the system controls and whether a collaboration between the states would speed the process of obtaining a SOC report.

2020-048b Adhere to the State's Enterprise-wide guidelines and require individuals with access to LIHEAP's Hancock system to change their passwords every 90 days. Employees with privileged access to the system should change their password every 60 days.

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

Finding 2020-049 ***(material weakness – repeat finding – 2019-056)***

CCDF CLUSTER – CFDA 93.575, 93.596
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: G1901RICCDF and G2001RICCDF
Administered by: Department of Human Services (DHS)
Compliance Requirement: Eligibility

CONTROLS OVER ELIGIBILITY, INCOME VALIDATION, AND DETERMINATION OF PARENT COST-SHARING AMOUNTS

RIBridges controls over eligibility determinations, income validation and calculation of required parent cost-sharing amounts require strengthening for the CCDF Cluster programs.

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 system operation has been problematic since implementation and efforts to address eligibility processing challenges are ongoing. RIBridges determines eligibility for a childcare subsidy and the amount of parental co-pay based on family income. Payments to licensed childcare providers are made through RIBridges.

Criteria: Lead agencies must have in place procedures for documenting and verifying eligibility in accordance with federal requirements, as well as the specific eligibility requirements selected by each State in its approved plan. A lead agency is the designated State, territorial or tribal entity to which the CCDF grant is awarded and that is accountable for administering the CCDF program.

Lead agencies shall establish a sliding fee scale, based on family size, income, and other appropriate factors, that provides for cost sharing by families that receive CCDF childcare services (45 CFR section 98.42). 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 section 98.43).

Condition: RIBridges lacked effective income validation controls to determine program eligibility, calculate parent co-shares, if required, and determine payments to childcare providers reliably and accurately. Required redeterminations of eligibility were not consistently performed during fiscal 2020.

<table>
<tr><td colspan="5"><u>Sample 1</u> – Eligible cases (households) within RIBridges during fiscal 2020

Population – 332,920** payments to childcare providers, $19,185,239 in benefits paid</td></tr>
<tr><th>Sample Size</th><th>Number of Exceptions</th><th>Exception type</th><th>Error Rate</th><th>Known Questioned Costs*</th></tr>
<tr><td rowspan="3">38</td><td>2</td><td>Exceptions related to nonconformance with established eligibility process and/or control procedures, including documentation deficiencies - no eligibility impact or undetermined eligibility impact.</td><td>5.3%</td><td>n/a</td></tr>
<tr><td>3</td><td>Exceptions impacted eligibility – recertification not processed, and case not terminated. Benefits exceeded 12-month eligibility period.</td><td>7.9%</td><td>$9,247</td></tr>
<tr><td>2</td><td>Exceptions not impacting eligibility but resulting in incorrect payments to childcare providers.</td><td>5.3%</td><td>$783</td></tr>
<tr><td colspan="5">Questioned costs, when applicable and determined, represent the amounts paid to providers for ineligible cases or cases that should have been terminated, and/or amounts paid to providers that would have been paid by parents if co-shares had been properly calculated.

** The population represents the number of payments made to childcare providers from all sources. Benefits paid is only federal Child Care funds.</td></tr>
</table>

- Two instances where the family co-share amount was incorrectly determined because payroll information was not entered or incorrectly entered.
- Three instances involving incorrect eligibility determination where a recertification was not completed timely, but benefits continued past the 12 months of eligibility.
- Documentation deficiencies consisted of two instances where the case lacked residency verification and/or income information. 22 of the 31 clients were in compliance with their employment plan.

Cause: Lack of controls over input of payroll information, resulting in improper co-share amounts being charged.

Effect: Parent co-shares were incorrectly determined for some cases which also affected provider payments. Providers were paid for some ineligible children. Controls over the administration of the program were weakened.

Questioned Costs: Known questioned costs in our sample totaled $10,030 based on a bi-weekly payment cycle.

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2020-049a Complete a plan to improve controls over CCDF eligibility, including parent earnings information for parent co-shares.

2020-049b Perform recertifications at least every twelve months.

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

Finding 2020-050	***(significant deficiency – new finding)***

FOSTER CARE – TITLE IV-E – CFDA 93.658
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1901RIFOST and 2001RIFOST
Administered by: Department of Children, Youth and Families (DCYF)

ADOPTION ASSISTANCE – CFDA 93.659
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1901RIADPT and 2001RIADPT
Administered by: Department of Children, Youth and Families (DCYF)

Compliance Requirement: Allowable Costs/Cost Principles

COST ALLOCATION PLAN

The Department of Children, Youth and Families can improve controls over the monitoring of its cost allocation plan, which is administered by a vendor, to ensure that costs distributed to various programs are appropriate and consistent with the federally approved plan.

Background: DCYF uses a cost allocation plan (CAP), designed and maintained by a consultant, to allocate administrative costs to multiple federal programs, including the Foster Care and Adoption Assistance programs. During fiscal 2020, DCYF charged $9.6 million of costs to the Foster Care program and $1.4 million to the Adoption Assistance program based on data derived from the cost allocation plan.

Criteria: The Department is required to have internal controls over the compliance requirements for state public assistance agency costs, as required by 2 CFR section 200.514(c). Additionally, the cost allocation plan must comply with the requirement identified in Federal regulations (45 CFR 95.501 through 95.519).

Condition: Departmental costs allocated to the Foster Care and Adoption Assistance programs are a significant portion of total program costs. DCYF should enhance its oversight and monitoring of the cost allocation process to ensure that administrative expenditures to the Foster Care and Adoption Assistance program are accurately and timely claimed. Specifically, the following areas require enhancement:

- Consistent and comprehensive reconciliations of all cost allocation system inputs;
- Certain personnel must have a sufficient understanding to oversee the cost allocation process performed by a vendor and adequately review the cost allocation results;
- The overall cost allocation plan, allocation techniques and narratives must be current and consistent with the actual process and documentation has been updated when changes are made;
- The results of the cost allocation must be used to make timely adjustments to the State's accounting system. During the fiscal year the Department estimates expenditures reimbursable under the programs and then at year end, adjusts the State's accounting system to the final cost allocation results. At fiscal year end the expenditures per the State's accounting system exceed the Foster Care expenditures reported on the CB-496 report by $256,590; expenditures per the State's accounting system for the Adoption Assistance program are $2.3 million less than reported on the CB-496; and
- Appropriate documentation must be retained to support expenditures included in the cost allocation process - $1.9 million of expenditures related to Child Placement Agencies included in the cost allocation was not sufficiently documented.

Cause: DCYF has limited procedures in place to ensure the accuracy of the costs determined by the cost allocation system. There is a lack of resources at DCYF devoted to monitoring the cost allocation process which leads to an over reliance on the vendor and a limited understanding of the cost allocation process by the Department.

Effect: Controls over the cost allocation process are not sufficient to ensure compliance with Federal regulations.

Questioned Costs: None

Valid Statistical Sampling: No

RECOMMENDATIONS

2020-050a Perform more consistent and comprehensive reconciliation of all cost allocation system inputs.

2020-050b Ensure certain department personnel have a sufficient understanding to oversee the cost allocation process and adequately review the cost allocation results.

2020-050c Ensure the cost allocation plan, allocation techniques and narratives are current and consistent with the actual process and documentation has been updated when changes are made.

2020-050d Adjust the State's accounting system timely to reflect the result of the cost allocation process.

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

Finding 2020-051 ***(significant deficiency – new finding)***

FOSTER CARE – TITLE IV-E – CFDA 93.658
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1901RIFOST and 2001RIFOST
Administered by: Department of Children, Youth and Families (DCYF)

ADOPTION ASSISTANCE – CFDA 93.659
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1901RIADPT and 2001RIADPT
Administered by: Department of Children, Youth and Families (DCYF)

Compliance Requirement: Eligibility

ELIGIBILITY

DCYF can enhance controls over the Foster Care and Adoptions Assistance eligibility determination process by requiring the vendor to complete their eligibility quality control reviews on a timely basis.

Background: DCYF has contracted a vendor to perform monthly reviews of eligibility determination. The results of the reviews are used to affirm the Department's eligibility determination and also identify employees requiring additional training.

Criteria: Monitoring internal controls is essential to ensure controls are operating efficiently. Monitoring involves the use of evaluations by management and third parties to assess the effectiveness of established controls and highlight areas requiring corrective action.

Condition: A vendor is contracted to provide quality assurance and eligibility determination reviews for the Title IV-E (Foster Care and Adoption Assistance) programs. To maximize effectiveness, quality control reviews should be performed timely. In fiscal 2020, it took approximately ten months from the review for the final report to be issued. The month of June 2020 still has not been reviewed as of May 2021. The lack of timeliness diminishes the value of the quality control process and the controls established over eligibility.

Cause: The vendor is not completing and reporting the results of the eligibility quality control reviews timely.

Effect: Identification of ineligible cases could be delayed which would impact the over claiming of reimbursable program costs.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-051 Ensure reports provided by the vendor performing eligibility quality control reviews are timely.

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

Finding 2020-052 ***(significant deficiency – new finding)***

ADOPTION ASSISTANCE – CFDA 93.659
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1901RIADPT and 2001RIADPT
Administered by: Department of Children, Youth and Families (DCYF)

Compliance Requirement: Eligibility

ELIGIBILITY

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.

Background: Certain records supporting the payments must be maintained to substantiate that subsidy payments met all eligibility requirements. Many of the records supporting the federal funding of subsidy payments were maintained in various locations. DCYF should develop policies to centralize and retain all such records. This is particularly important because the claims for reimbursement could span up to a 21-year period. DCYF should consider electronic imaging of these critical documents to facilitate storage and retrieval.

Criteria: DCYF can obtain federal funding for an adoption subsidy payment if the case meets certain eligibility requirements. For example:

- the child must meet the requirements of 1) the former Aid to Families with Dependent Children program (i.e., meet the State-established standard of need as of July 16, 1996); 2) the Title XVI Supplemental Security Income program {42 USC 673 (a); or 3) is a child whose costs in a foster family home or child care institution are covered by the foster care maintenance payments being made with respect to his or her minor parent {42 USC 673(a)};
- DCYF must determine that the child has special needs as defined by 42 USC 673 (c);
- a subsidy agreement must be prepared and signed before the final decree of adoption {45 CFR 1356.40 (b) (1)}; and
- DCYF must conduct a criminal records check on the prospective adoptive parent(s) {45 CFR 1356.30}

Condition: We selected a sample of 25 adoption subsidy payments and tested them for applicable eligibility requirements. Adoption subsidy payments totaled $13,709,312 in fiscal year 2020 (federal share $7,693,839), and the universe of payments in our sample was $10,877 (federal share $6,000). We questioned the eligibility for federal funding of one of the 25 payments in our sample.

DCYF could not provide the required background check documentation for 1 adoption case in our sample of 25. The prospective adoptive parent(s) must satisfactorily have met a criminal records check, including a fingerprint-based check (45 CFR 1356.30(a))). This involves a determination that such individual(s) have not committed any prohibited felonies in accordance with (45 CFR 1356.30(b)(c). The prospective adoptive parent(s) and any other adult living in the home who has resided in the provider home in the preceding five years must satisfactorily have met a child abuse and neglect registry check. The total federal share of the 1 payment test with the missing background check totaled $348.

Initially, other documentation (adoption decrees and Ex-Parte Petitions) could not be located for some payments in our sample. These were eventually provided after an intensive effort by the department. This highlights the need to enhance controls over critical eligibility documentation by creating a central repository for all records that support the Adoption Assistance eligibility determination and considering electronic imaging of these critical documents to facilitate storage and retrieval.

Cause: Many of the records supporting the federal funding of subsidy payments were maintained in various locations and, in some cases, the records could not be readily located.

Effect: The federal share of the one unsupported payment totaled $348.

Questioned Costs: $348

Valid Statistical Sampling: No

RECOMMENDATIONS

2020-052a Adjust federal reports to reimburse the federal government for the unallowable adoption subsidy charges.

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.

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

Finding 2020-053 ***(material noncompliance /material weakness–repeat finding – 2019-057)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
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) – MATERIAL NONCOMPLIANCE

The State did not materially comply with CHIP eligibility requirements during fiscal 2020. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

Background: RIBridges, the State's computer system used to manage multiple federally funded human service programs, determines eligibility for CHIP. RIBridges modifications continued during fiscal 2020 to address known deficiencies with the system, however, the COVID-19 public health emergency (PHE) declared in March 2020 also brought prohibitions to modifying recipient eligibility during the PHE. This finding focuses on the results from testing eligibility determinations and redeterminations prior to the PHE.

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 limit (FPL). Coverage of pregnant women and unborn children of non-citizens is also available under CHIP for individuals 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 would be eligible for Medical Assistance.

42 CFR 435.916 requires the periodic renewal of recipient CHIP eligibility. The 12-month period mandated for MAGI-eligible (modified adjusted gross income) recipients pertains to the majority of Medicaid and CHIP recipients in Rhode Island.

42 CFR 435.940 through 435.960 details income and eligibility verification requirements for CHIP and Medicaid, requires 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 Secretary to prescribe methods of administration found necessary for the proper and efficient operation of a State's Medicaid plan.

Condition: CHIP eligibility testing results continued to improve in fiscal 2020. While most CHIP eligibility was identified through RIBridges, EOHHS identified additional CHIP claiming through querying the MMIS for individuals meeting CHIP characteristics but not coded as CHIP eligible by RIBridges. Utilizing two separate claiming mechanisms continues to weaken controls over CHIP eligibility.

Operational and control deficiencies during fiscal 2020 still resulted in material noncompliance with eligibility requirements for CHIP, specifically:

- RIBridges is not effectively (1) terminating CHIP eligibility once the child turns 19, (2) considering the availability of existing health coverage at the time of application, (3) reassessing eligibility for the mother postpartum, and (4) transitioning qualified noncitizen children to Medicaid upon meeting the 5-year residency requirement. These are required eligibility criteria for CHIP per the State's Plan.
    - We found 927 individuals or approximately 1.7% of the CHIP population were coded as CHIP eligible children but were older than age 19 at the month of capitation during fiscal 2020. The State claimed $651,575 in capitation to CHIP after these children turned 19 (known questioned costs - $521,260 – federal share). CHIP eligibility for these individuals should be closed and redetermined for Medicaid eligibility.
    - RIBridges is not currently evaluating existing health coverage in conjunction with determining CHIP eligibility, a practice inconsistent with the CHIP State Plan. The State's most effective data source for identifying third-party insurance (automated TPL data match with private insurers) is utilized in the MMIS but is not interfacing with RIBridges at this time.
    - For pregnant women determined eligible for CHIP, RIBridges was not redetermining eligibility after the post-partum coverage period had ended. This system deficiency persisted into fiscal 2020 where we noted 72 individuals coded with CHIP pregnancy aid categories where the CHIP period of eligibility exceeded 12 months (under normal circumstances, maximum period would be 11-12 months). In these cases, eligibility should be redetermined for Medicaid after the post-partum period. Because the actual date of birth for the child was not known and the mother may be eligible under Medicaid, we did not determine questioned costs for these individuals who were no longer CHIP eligible based on the pregnancy criterion.
    - Implementation guidance from the Centers for Medicare and Medicaid Services (CMS) relating to the Children's Health Insurance Program Reauthorization Act of 2009 (CHIPRA) indicated that qualified non-citizen children may be claimed at the CHIP enhanced rate until meeting the 5-year residency requirement required under the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) of 1996. Once the 5-year residency requirement is met, any child eligible for Medical Assistance should be claimed under Medicaid and no longer be claimed at the CHIP enhanced rate. RIBridges is not currently programmed to prompt this eligibility transition from CHIP to Medicaid.

- Results of RIBridges eligibility determination testing for CHIP noted the following error rates indicative of noncompliance with CHIP recipient eligibility requirements:

<u>Sample 1</u> – CHIP eligible individuals within the MMIS (claims processing system) - fiscal 2020:

Population – 1,286,359 claims records, $87.4 million (federal share) in claims/capitation expenditures

Sample Size	Number of Exceptions	Exception type	Error Rate	Known Questioned Costs*
47	4	Exceptions impacted eligibility – individual(s) incorrectly determined eligible	8.5%	$4,387
	6	Exceptions related to nonconformance with established eligibility process and/or control procedures, including documentation deficiencies - no eligibility impact or undetermined eligibility impact	12.7%	n/a

*Questioned costs, when applicable and determined, represent the federal share of claims and capitation for fiscal 2020 deemed ineligible for the CHIP individual selected as the sampling unit.

Exceptions - individual(s) incorrectly determined CHIP eligible:

- Individual had existing third party health insurance coverage (2 cases).
- Individual did not age-out of CHIP at age 19 (1 case).
- Failure to update critical newborn data (social security number) when passively renewed for several years (1 case).

Exceptions – nonconformance with established eligibility process and/or control procedures (control exception without impact on CHIP eligibility):

- Income reported was for self-employment without any verification (5 cases).
- No procedures to validate reported out-of-state income are currently in place (1 case).

We have identified known questioned costs from sampling and other audit procedures. These known questioned costs and projection of error rates to the total population of CHIP claims resulted in likely questioned costs indicative of material noncompliance with eligibility requirements for CHIP.

Cause: Noncompliance with CHIP eligibility requirements is caused by CHIP specific programming deficiencies within RIBridges. These include lack of functionality to (1) effectively terminate CHIP eligibility once the child turns 19, (2) consider the availability of existing health coverage at the time of application, (3) reassess eligibility for the mother postpartum, and (4) transition children from CHIP to Medicaid eligibility after qualified noncitizens comply with 5-year residency requirement under PRWORA.

As is the case with Medical Assistance eligibility, EOHHS should consider additional documentation requirements for applicant attested data that is currently not being validated through electronic interfaces (i.e., self-employment income, out-of-state income, deductions to income, etc.).

Effect: Material noncompliance with federal requirements relating to recipient eligibility and ineffective controls over the determination of CHIP eligibility.

Questioned Costs: $525,647

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2020-053a Address and correct the RIBridges system deficiencies which result in material noncompliance with federal regulations regarding CHIP eligibility.

2020-053b Improve documentation requirements over critical applicant data not currently validated through electronic interfaces.

2020-053c 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 2020-054	***(significant deficiency – new finding)***

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Inpatient Hospital and Long-Term Care Facility Audits

CONTROLS OVER INPATIENT HOSPITAL AND LONG-TERM CARE FACILITY RATE SETTING

The State's current practices for inpatient hospital and long-term care facility rate setting do not fully comply with its State plan provisions requiring an annual review of inpatient hospital rate components and nursing facility audit requirements.

Background: *Inpatient Hospital Reimbursement* - EOHHS reimburses hospitals using a Diagnosis Related Groups (DRG) methodology. This methodology produces a fixed reimbursement rate by applying multipliers to an approved base rate. The multipliers applied depend upon diagnosis, acuity, and other factors. The DRG payment methodology serves to reimburse hospitals based on the underlying illness rather than the length of the patient stay to promote efficient and effective patient treatment.

The State Plan amendment relating to the DRG reimbursement methodology includes a requirement for annual reviews of the payment method. This requirement indicates that the "scope of the annual review will include at least the DRG algorithm version, the DRG relative weights, the DRG Base Price(s), the outlier thresholds, outlier payment parameters, policy adjustors, and the age adjustors. With respect to the DRG Base Price, the department will take into consideration at least the following factors in deciding what change, if any, to implement: changes or levels of beneficiary access to quality care; the Centers for Medicare and Medicaid Services National CMS Prospective Payment System (IPPS) Hospital Input Price Index; technical corrections to offset changes to DRG Relative Weights or policy adjustors; changes in how hospitals provide diagnosis and procedure codes on claims; and budget allocations."

Nursing Facility Reimbursement - EOHHS reimburses long-term care providers using a full Resource Utilization Groups ("RUG") system. Under the RUG system, each long-term care facility has a base per diem rate that applies to all residents that is comprised of direct nursing care and other direct care costs, indirect care, fair rental value, property taxes, direct care and gain/loss policy adjustors, and a provider assessment. Each long-term care resident is assigned a RUG score that reflects the individual's expected resource utilization. A RUG score multiplier adjusts the provider base rate to a recipient-specific per diem rate to reflect the anticipated costs of caring for each resident.

The CMS-approved RUG methodology requires that EOHHS conduct a rate review every three years (at a minimum) to determine if the original cost components used to establish the base rates are still appropriate. The State Plan amendment also requires audits of the financial and statistical records of each participating provider.

Criteria: 42 CFR section 447.250 requires that the State Plan provide for payment of hospital and long-term care facility services through rates that the State determines are reasonable and adequate to meet the costs that must be incurred by efficiently and economically operated facilities to provide services in conformity with State and Federal laws, regulations, and quality and safety standards.

Condition: *Inpatient Hospital Reimbursement* - Although EOHHS has made annual adjustments to the base DRG rate for inflation and State budget factors and has updated the DRG software for new releases, it has not formally documented an annual comprehensive review as detailed by the State plan.

Nursing Facility Reimbursement - EOHHS has not formalized its triennial rate review required by CMS in its approval of the RUG methodology. EOHHS has also not complied with the periodic audit requirements of the financial records of providers as required by the CMS-approved State Plan.

Cause: EOHHS has not documented its compliance with annual rate review procedures detailed in its approved State Plan for inpatient hospital and long-term care facility rate setting. The State has also not performed nursing facility audits detailed in the State Plan.

Effect: Rate setting procedures for inpatient hospital and long-term care providers do not fully comply with approved State Plan requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-054 Document compliance with the Federal and State plan rate review and periodic audit requirements for both inpatient and long-term care providers or amend the State Plan with CMS approval to align to current practices.

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

Finding 2020-055 ***(significant deficiency – new finding)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

CONTROLS OVER THIRD-PARTY LIABILITY (TPL) IDENTIFICATION FOR INDIVIDUALS COVERED UNDER MANAGED CARE

The State should improve controls to ensure that its managed care organizations (MCOs) are maximizing TPL recoveries for Medicaid recipients.

Background: The State utilizes a vendor in conjunction with its MMIS operations to identify TPL coverage for Medicaid (and CHIP) eligible individuals. For individuals enrolled in managed care, the managed care organization (MCO) is responsible for identifying TPL coverage. By contract, MCOs must notify the State of identified TPL within 5 business days of discovery. The State does not share identified TPL information with the MCOs.

Criteria: 42 CFR section 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 who are liable to pay 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.

With the majority of 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 timely identification of TPL and cost avoidance impacts the reconciliation of capitation revenue and medical claims paid.

Condition: During fiscal 2020, we analyzed a limited sample of MCO paid claims (10 encounter data claims submitted by the State's two largest MCOs) where the MMIS had record of identified TPL coverage for the Medicaid beneficiary. The MCOs were asked to demonstrate how the TPL information impacted the claim processing/adjudication. For 4 of the 10 claims, the MCO had no record of the TPL coverage in their system and consequently the MCO paid the claim when other TPL coverage could have been applied, in whole or in part before Medicaid.

This highlighted potential weaknesses in the uniform identification of TPL coverage for all Medicaid beneficiaries. We identified the following procedures that should be considered by the State to improve TPL identification and cost avoidance by the State's MCOs:

a. The State should share identified TPL coverage with the MCOs upon enrollment and as an individual's TPL status changes.
b. The State should match MCO TPL data for Medicaid recipients periodically with the TPL data maintained in the MMIS to identify differences in identified coverage.

c. The State can enhance oversight of the MCOs TPL identification procedures to ensure that the MCOs are in compliance with contract provisions. MCO contract provisions can be strengthened to specify the required frequency and data sources to be utilized by the MCO's for TPL identification.
d. The State should match encounter data submitted by the MCOs against identified TPL coverage and disallow claims from the contract settlement process when TPL coverage is responsible for the claim.
e. EOHHS should explore implementing TPL identification functionality at the beginning of the RIBridges eligibility determination process rather than after Medicaid eligibility has been established within the MMIS.

Cause: Oversight of TPL identification and cost avoidance by managed care organizations and the sharing of verified TPL data by the State is lacking to ensure that required cost avoidance is being performed by managed care organizations in accordance with contract requirements and 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: Unknown

Valid Statistical Sampling: Not applicable

RECOMMENDATIONS

2020-055a Share and match identified TPL coverage with the MCOs upon enrollment and as an individual's TPL status changes. Periodic matching with MCO enrollment files would ensure that TPL coverage is consistently being applied throughout the Medicaid and CHIP programs.

2020-055b Explore the other TPL process recommendations above to further improve controls over TPL identification and cost avoidance.

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

Finding 2020-056 ***(questioned cost only– new finding)***

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

RETAINER PAYMENTS TO PROVIDERS BY THE DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND HOSPITALS (BHDDH) – NONCOMPLIANCE WITH STATE PLAN REQUIREMENTS

BHDDH did not comply with Medicaid State Plan requirements for retainer payments made to certain providers.

Criteria: CMS approved a State Plan amendment addendum that provided specific authority, during the public health emergency (PHE), for the State to make retainer payments to certain Medicaid provider groups. Retainer payments were intended to assist providers that were financially impacted by the public health emergency. States were required, among other requirements, to (1) ensure that providers receiving retainer payments did not receive more in reimbursement than what the provider received for the same service prior to the PHE, and (2) obtain attestations from providers that they had not received funding from any other sources, including but not limited to unemployment benefits and Small Business Administration (SBA) Loans, that would exceed their revenue for the last full quarter prior to the PHE.

Condition: BHDDH issued retainer payments to providers totaling $9.4 million (federal share - $5,559,511) in fiscal 2020. BHDDH obtained provider attestations; however, they did not fully comply with the requirements of the State Plan Amendment – specifically the attestation regarding receipt of funding from other federal sources. SBA listings of companies that received Paycheck Protection Program (PPP) loans included a significant number of providers who had also received Medicaid funded retainer payments. Additionally, BHDDH did not perform the required follow-up analysis to ensure that providers were not reimbursed for more than their pre-PHE revenue amounts.

Cause: Provider attestations were obtained before full approval of the State Plan amendment delineating the requirements. Other compliance provisions regarding total provider revenue comparisons were initiated but not completed.

Effect: Due to noncompliance with State Plan requirements, the retainer payments are unallowable costs reimbursed through Medicaid.

Questioned Costs: $5,559,511

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-056 Credit the federal government for the questioned costs identified for ineligible retainer payments.

Auditee views: The auditee disagrees, in part, with this finding – see Corrective Action Plan in Section E.

Finding 2020-057 ***(significant deficiency – new finding)***

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

SERVICES PROVIDED TO CHILDREN IN THE STATE'S CUSTODY BY THE DEPARTMENT OF CHILDREN YOUTH AND FAMILIES (DCYF) BILLED TO MEDICAID

Certain psychiatric residential treatment facility services provided to children in the State's custody that were charged to Medicaid required formalization in the Interagency Services Agreement between DCYF and EOHHS, the Single State Medicaid Agency. Controls over other services provided to children in the State's custody would be improved if processed through the Medicaid Management Information System (MMIS).

Background: EOHHS, the Single State Medicaid Agency, administers claiming to Medicaid from other health and human service State agencies (such as DCYF) through the execution of Interagency Service Agreements (ISAs). The ISA provides approval by the Single State Medicaid Agency that the proposed services are allowable and the necessary requirements that the other agency must comply with to support the allowability of the claims to Medicaid.

Criteria: Federal regulations (SSA §1902(a)(11) and 42 CFR 431.615) provide for entering into cooperative arrangements with the State agencies responsible for administering or supervising the administration of health services and vocational rehabilitation services in the State looking toward maximum utilization of such services in the provision of medical assistance under the State plan.

Condition: DCYF implemented psychiatric residential treatment facility (PRTF) services during fiscal 2020 to provide a current level of service to children in the State's custody that was previously lacking. Previously, DCYF allocated claiming for all contracted youth placement providers to Medicaid based on a time study methodology (partial charging, previously based on underlying time study allocation for treatment and assessment component of service provided). PRTF placements were a change in that certified and licensed facilities would be charged at 100% of the contracted per diem rate to Medicaid. The interagency services agreement (ISA) between EOHHS and DCYF was not amended to reflect this new service group for fiscal 2020. We obtained sufficient documentation of the provider's licensing and certificate of accreditation during our inquiry; however, specific ISA documentation of the requirements to be met by both the PRTF provider and DCYF needs formalization. In addition, controls over PRTF services would be substantially improved if the providers submitted claiming directly to the MMIS which would subject them to the claims processing, recipient eligibility, and provider eligibility controls designed in the system.

During our audit, we also noted that approximately $16 million in other services to children in the State's custody are being claimed to Medicaid through journal entries in the State Accounting System. As is the case for the PRTF services, controls over these services would also be greatly enhanced if these providers submitted claims to the MMIS directly for reimbursement. Allowing fee-for-service claiming to be reimbursed by Medicaid external to the MMIS significantly weakens program controls.

Cause: EOHHS failed to formalize new services claimed to Medicaid within the ISA between DCYF and the State Medicaid Agency. Control weaknesses exist when Medicaid claiming is not processed through the MMIS.

Effect: Potential noncompliance with federal regulations for allowable costs/cost principles.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-057a Formalize the requirements for PRTF services being provided to children in the State's custody within the ISA between EOHHS and DCYF to be allowable for Medicaid reimbursement.

2020-057b Ensure that allowable medical services provided by DCYF providers are billed directly to the MMIS and subject to all designed claims processing, recipient eligibility, and provider eligibility controls.

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

Finding 2020-058	***(significant deficiency – new finding)***

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Medicaid National Correct Coding Initiative

MEDICAID NATIONAL CORRECT CODING INITIATIVE (NCCI)

Controls to ensure NCCI claims processing edits are functioning over Medicaid activity require improvement to ensure compliance with federal regulations.

Criteria: Federal regulations (Section 1903(r) of the Social Security Act) requires State Medicaid agencies to incorporate NCCI methodologies into State Medicaid programs. Application of the NCCI methodologies to fee-for-service claims processed by the State Medicaid Agency (SMA) are required. Fee-for-service claims processed by other entities, such as managed care organizations are applicable only if required by the SMA.

Condition: While our test claim procedures found the NCCI edits to be operating as designed in the MMIS, our review of the State's application of NCCI edit methodologies noted the following areas for program improvements:

a. The State should consider incorporating 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 requirements within the MMIS. The NCCI edits were reviewed upon initial implementation and found to be operational; however, controls should be improved to ensure that those edits remain operational on an annual basis.

b. It was unclear whether Medicaid claims processing by the State's MCOs applied the NCCI methodologies. Claims processed by MOCs represent the majority of program expenditures within the State Medicaid program. Managed care contracts did not specifically require application of NCCI edits within the MCO claims processing systems. EOHHS should consider whether to formalize this requirement going forward to apply these edits to a material segment of Medicaid expenditures.

c. Our audit work also noted that the NCCI edits were not applied in the MMIS in the order specified by the federal regulations. While we do not believe this had a significant impact on compliance, it is worth noting for the State's next procurement of a claims management system.

d. While the State has certain confidentiality requirements stipulated in their base fiscal agent contract, it does not fully comply with the NCCI confidentiality agreement requirements of the NCCI Medicaid Technical Guidance Manual.

Cause: Lack of NCCI edit monitoring procedures by EOHHS and limited instances of noncompliance with the NCCI Medicaid Technical Guidance.

Effect: Potential noncompliance with NCCI special test and provision federal requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-058a 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 requirements within the MMIS.

2020-058b Address other NCCI requirements (e.g., order of edits, confidentiality agreement) in accordance with NCCI Medicaid Technical Guidance.

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

Finding 2020-059 ***(material noncompliance /material weakness–repeat finding – 2019-058)***

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Eligibility

CONTROLS OVER MEDICAID ELIGIBILITY DETERMINATIONS – MATERIAL NONCOMPLIANCE

The State did not materially comply with Medicaid eligibility requirements due to control deficiencies relating to the processing and documentation of recipient eligibility.

Background: RIBridges, the State's computer system used to manage multiple federally funded human service programs, determines eligibility for Medicaid. RIBridges modifications continued during fiscal 2020 to address known deficiencies with the system; however, the COVID-19 public health emergency (PHE) declared in March 2020 also brought prohibitions to modifying recipient eligibility during the PHE. This finding communicates the results of eligibility testing prior to the PHE.

Criteria: Medicaid eligibility requirements are detailed in the State Plan (Section 1115 Global Waiver).

42 CFR 435.940 through 435.960 which details income and eligibility verification requirements for Medicaid, requires 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 Secretary to prescribe methods of administration found necessary for the proper and efficient operation of a State's Medicaid plan.

42 CFR 435.916 requires the periodic renewal of recipient Medicaid eligibility. The 12-month period mandated for MAGI-eligible recipients pertains to the majority of Medicaid and CHIP recipients in Rhode Island.

Condition: Both systemic and operational deficiencies, while improving, continued during fiscal 2020 resulting in material noncompliance with eligibility requirements for the Medicaid program, specifically:

- Results of RIBridges eligibility determination testing for Medicaid noted the following exceptions as summarized in the table below:

***Sample 1* - Individuals with Medicaid eligibility within the MMIS (claims processing system) during fiscal 2020:** **Population – 306,839 eligible individuals (June 2020 program statistics), $1.6 billion (federal share) in claims/capitation expenditures**				
Sample Size	**Number of Exceptions**	**Exception type**	**Error Rate**	**Known Questioned Costs***
60	10	Exceptions impacted eligibility – individual(s) incorrectly determined eligible	16.7%	$5,898
	1	Exceptions impacted eligibility – individual(s) incorrectly determined ineligible	1.6%	n/a
	19	Exceptions related to nonconformance with established eligibility process and/or control procedures, including documentation deficiencies - no eligibility impact or undetermined eligibility impact	31.7%	n/a
*Questioned costs, when applicable and determined, represent the federal share of claims and capitation for fiscal 2020 deemed ineligible for the case selected as the sampling unit.				

Exceptions - individual(s) incorrectly determined eligible:

- Eligibility was terminated in RIBridges but not terminated in the MMIS claims payment system (periods before PHE) (5 cases).
- Verification and documentation of critical applicant data by electronic interfaces (mostly income and immigration status) and related procedures was not consistently performed or documented in certain cases (3 cases).
- Duplicate recipient accounts in both MMIS and RIBridges (1 case).
- Improper entry of recipient income into case record by worker (1 case).

Exceptions - individual(s) incorrectly determined ineligible:

- Eligibility improperly terminated by RIBridges System due to worker error (1 case).

Exceptions – nonconformance with established eligibility process and/or control procedures (control exception without impact on CHIP eligibility):

- Income verification not documented in case file (lack of support by SWICA interface or client documentation) (12 cases).
- Task not worked properly by eligibility technician (6 cases).
- Case not updated properly for documentation submitted (1 case).

In addition to the random sample of cases tested for eligibility described above, we assessed the operation and effectiveness of specific eligibility controls within RIBridges.

- RIBridges system and operating deficiencies (including communicating terminations to the MMIS) impacted the timely termination of Medicaid eligibility upon death which resulted in capitation payments being made for ineligible individuals. Our data analysis found that the issue, while improved, persisted into fiscal 2020. We identified 1,200 individuals whose eligibility had not been terminated within two months of the reported date of death. In certain instances, neither RIBridges nor the MMIS had reflected the death of the Medicaid recipient. In others, RIBridges identified the date of death and terminated eligibility, but the termination did not get communicated to the MMIS. We reviewed a small sample of deceased individuals identified and noted that capitation payments continued after death when eligibility was not ended in the MMIS. Some cases showed recoupment of capitation after date of death was recorded (in some cases many months after date of death) and other cases were still active in the MMIS with monthly capitation still being paid. We did not attempt to quantify the amount of capitation paid for deceased individuals but provided our results to EOHHS so that eligibility could be ended, and capitation recouped for ineligible periods.
- The RIBridges system was not redetermining eligibility for Medicaid eligible individuals categorized as Medicaid Expansion (adults up to age 64, < 138% FPL) upon reaching 65 years of age. This systemic issue persisted into fiscal 2020. We noted 240 individuals older than age 65 coded as Medicaid Expansion in the MMIS eligibility file prior to the March 2020 public health emergency declaration. Estimated federal questioned costs based on an average monthly capitation amount of $818.93 for Medicaid Expansion individuals ages 50-64 totaled $1,236,748.
- RIBridges was not fully compliant in fiscal 2020 with certain requirements for MAGI determinations included in federal guidance provided to State Health Officials in August 2019 (new guidance represented changes implemented by federal legislative changes in December 2017 and February 2018). These requirements specifically related to treatment of alimony (included but should be excluded) and gambling proceeds (not included but considered to impact a minimal number of cases) within household MAGI. As for allowable deductions to income, the State was not in compliance with federal guidance for allowable deduction limits in 2020. Subsequent to fiscal 2020 (September 2020), the State implemented program changes in RIBridges to improve compliance with the updated federal MAGI guidance including removal of alimony from income and no longer allowing moving expenses, alimony paid, and tuition and fees as deductions to income.

We also matched the Medicaid eligibility file for fiscal 2020 with quarterly SWICA (state wage interface collection agency) source data and identified 52 individuals with Medicaid eligibility during fiscal 2020 with income likely to be significantly in excess of maximum permitted income levels. For these purposes, we identified individuals with SWICA reported earnings of at least $20,000 for each of 5 consecutive reporting quarters (quarters ended March 31, 2019, through March 31, 2020). Normal operation would prompt worker actions in response to updated wage information that would potentially discontinue eligibility. We analyzed 10 cases with eligibility that has continued for multiple years while SWICA also reported quarterly income in excess of $20,000 during that period. In most cases reviewed, either the SWICA data did not populate in the case or it did report and no indication of task generation and worker follow-up was noted. We also noted examples where the case did terminate in RIBridges properly but did not terminate in the MMIS. We did not quantify questioned costs for this component of testing since only one eligibility attribute was considered within RIBridges but provided EOHHS with the cases that required research and follow-up.

Known questioned costs are identified for Medicaid eligibility test samples in the preceding paragraphs. Projection of these known questioned costs and error rate to the underlying claim and capitation populations results in likely questioned costs indicative of material noncompliance with Medicaid eligibility requirements.

Cause: Eligibility determinations and documentation by RIBridges during fiscal 2020 and the communication of those results consistently to the MMIS continued to negatively impact compliance with federal eligibility requirements. Certain RIBridges designed system functionalities (such as data interfaces and periodic eligibility determinations) and related processes, while improved, were not consistently functioning and/or sufficiently documented in fiscal 2020 which compromised the effectiveness of the controls over the Medicaid eligibility determination process. A significant number of cases still require explanation by the system operator because the documentation in the system lacks a clear validation of applicant data verification. These issues negatively impacted the State's ability to materially comply with Medicaid program eligibility requirements.

Effect: Material noncompliance with federal requirements relating to recipient eligibility and ineffective controls over the determination of eligibility for Medicaid.

Questioned Costs: $1,242,646

Valid Statistical Sampling: Yes

RECOMMENDATIONS

2020-059a Address and correct the RIBridges system deficiencies which result in material noncompliance with federal regulations regarding Medicaid eligibility.

2020-059b Formalize and implement a plan to ensure all designated system controls (PEV and redetermination) over eligibility are fully operational and well documented in the system.

2020-059c Improve RIBridges' documentation of critical eligibility components to ensure that it can adequately document federal compliance with recipient eligibility requirements (including better case history supporting eligibility determinations made over time).

2020-059d Continue system modifications to address remaining MAGI determination requirements in accordance with State Health Official guidance provided in 2019.

2020-059e Identify ineligible Medicaid program costs and return to the federal grantor.

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

Finding 2020-060 ***(significant deficiency –repeat finding – 2019-060)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Eligibility

TIMELY ELIGIBILITY DETERMINATION REQUIREMENTS

Timely processing of Medicaid applications in RIBridges continues to be problematic resulting in delays in determining eligibility particularly for applicants requiring long-term care services.

Criteria: 42 CFR 435.912 established maximum time standards for determining eligibility for Medicaid at 90 days for applicants applying for coverage based on disability and 45 days for all other applicants.

Condition: EOHHS continues to experience challenges in processing Medicaid applications within federally required time frames.

Cause: Implementation of RIBridges created significant application processing backlogs. Significant personnel resources have been applied to address these backlogs and system functionality, user training, and application processing workflows have been improved.

Effect: Noncompliance with federal requirements relating to the timely determination of Medicaid eligibility.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-060 Continue efforts to implement RIBridges functionality improvements to ensure compliance with federal regulations governing the timely determination of Medicaid eligibility.

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

Finding 2020-061 ***(material weakness –repeat finding – 2019-061)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Eligibility

INCONSISTENCY OF ELIGIBILITY DATA BETWEEN RIBRIDGES AND MMIS

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.

Background: Eligibility for all Medicaid and CHIP cases is determined through RIBridges and communicated daily to the MMIS for payment of claims or capitation for eligible individuals. Eligibility data in both systems should be the same.

Criteria: Claims and capitation payments should only be made on behalf of individuals deemed Medicaid and CHIP eligible as evidenced by the RIBridges eligibility system.

Condition: Deficiencies associated with the RIBridges system have resulted in eligibility data within the MMIS system being incorrect, outdated, and duplicated, significantly impacting the reliability of claims and capitation being paid only for individuals determined eligible for Medicaid in accordance with federal regulations. Eligibility record case discrepancies exceeded 2,300 at March 23, 2020 (prior to the public health emergency) based on tracking by EOHHS and their contractors.

Progress in resolving data and case differences between the two systems continued during fiscal 2020. Eligibility discrepancies between the two systems, however, have increased during the public health emergency due to federal requirements preventing eligibility terminations during the public health emergency except for specific circumstances. At June 30, 2020, system discrepancies had increased to more than 10,000 and continued to increase throughout fiscal 2021. Once the public health emergency declaration ends, a significant reconciliation effort is going to be required to ensure the consistency of the eligibility data in the MMIS and RIBridges systems.

In addition, we identified 1,120 likely duplicate records (Medicaid ID numbers) in the MMIS (based on analysis of a file of approximately 370,000 unique Medicaid ID numbers with some period of eligibility during fiscal 2020). Our research of a small number of duplicate cases found that duplicate capitation payments did occur due to the individual having two MMIS active cases. It was not practical to determine the complete extent of duplicate capitation payments made for Medicaid eligible individuals.

Cause: Deficiencies associated with the RIBridges system have resulted in eligibility data within the MMIS system being incorrect, outdated, and duplicated, significantly impacting the reliability of claims and capitation being paid only for individuals determined eligible for Medicaid in accordance with federal regulations.

Effect: Claims and capitation paid on behalf of individuals ineligible for Medicaid or duplicated in certain instances for eligible individuals where multiple cases have been established in the MMIS and/or RIBridges.

Questioned Costs: Unknown

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

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.

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

Finding 2020-062	***(material weakness –repeat finding – 2019-062)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

CONTROLS OVER MANAGED CARE CAPITATION PAYMENTS AND CONTRACT SETTLEMENTS

EOHHS should adopt stricter settlement requirements when performing contract settlement for its managed care organizations (MCOs). Capitation payments to MCOs represent approximately 55% of Medicaid benefit expenditures. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. *(See related financial statement findings 2020-004 and 2020-005.)*

Background: Medicaid expenditures for individuals enrolled in managed care during fiscal 2020 approximated $1.5 billion (monthly capitation payments paid to participating MCOs). This comprised managed care coverage for 267,593 Medicaid eligible individuals - approximately 87% of total Medicaid enrollees at June 30, 2020. These capitation payments related to the following managed care programs within the State's Medicaid program:

Program Name	Enrollment (June 2020)	Expenditures (Capitation in millions)
Rite Care (Core, CSHCN, Foster Care)	162,767	$591
Rhody Health Partners (certain adults with disabilities)	14,749	$280
Integrated Care Initiatives (Medicare/ Medicaid Dual Eligibles)	13,053	$133
Medicaid Expansion (low-income adults under 138% FPL)	77,024	$462
Total	**267,593**	**$1,466**

Each of these programs has different population eligibility characteristics, capitation rate structures, and covered in-plan services. These programs, however, 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 Center for Medicare & Medicaid services recently overhauled managed care regulations for the first time in more than a decade. 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: 42 CFR 438.6, titled *Contract Requirements*, section (g) requires States to perform inspection and audit of financial records. Risk contracts must provide that the State agency and the Department may inspect and audit any financial records of the entity or its subcontractors.

42 CFR 438.602(e), titled *Periodic audits*, requires that 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.

42 CFR 438.604, titled *Data that must be certified*, section (a) requires that when State payments to an MCO or PIHP are based on data submitted by the MCO, the State must require certification of the data as provided in §438.606. The data that must be certified include, but are not limited to, enrollment information, encounter data, and other information required by the State and contained in contracts, proposals, and related documents.

42 CFR 438.242, titled *Health Information Systems*, section (a) requires that States must ensure, through its contracts, that each MCO maintains a health information system that collects, analyzes, integrates, and reports data and can achieve the objectives of this subpart. The system must provide information on areas including, but not limited to, utilization, grievances and appeals, and disenrollments for other than loss of Medicaid eligibility. (b) Basic elements of a health information system. The State must require, at a minimum, that each MCO comply with the following: (1) Collect data on enrollee and provider characteristics as specified by the State, and on services furnished to enrollees through an encounter data system or other methods as may be specified by the State. (2) Ensure that data received from providers is accurate and complete by: (i) Verifying the accuracy and timeliness of reported data; (ii) Screening the data for completeness, logic, and consistency; and (iii) Collecting service information in standardized formats to the extent feasible and appropriate. (3) Make all collected data available to the State and upon request to CMS, as required in this subpart.

Condition: Due to the materiality of Medicaid and CHIP expenditures relating to managed care, we have identified the following areas where the State can improve control and oversight over managed care expenditures:

Improve oversight of MCO contract settlements – each managed care program contract defines the dates of service included in the contract period and a defined settlement period (usually one year after the contract end date) to allow for submission of all provider claims. Controls do not currently exist to validate all aspects of the final settlement calculation. The medical component of the capitation payment received is difficult to validate due to timing differences between when the payment is reported by the State and MCOs.

Final MCO contract settlements involve a comparison of the medical component of the capitation payment received with the underlying medical expenses relating to the contract period.

EOHHS must include contract language specifying the format and documentation requirements for all components of contract settlements. The contract requirements should standardize the settlement process for all MCOs and minimize MCO claims practices that cannot be fully supported by submitted claim data. Specific settlement areas that need to be addressed include:

- *Encounter data* – EOHHS should adopt a strict contract settlement based on submitted and accepted encounter data. With the one-year run-out for claims, sufficient time exists for MCOs to get encounter data submitted for settlement purposes.
- *General ledger adjustments* (plan expenditures not represented by encounter data – e.g., portion of Pharmacy Benefit Manager payments in excess of provider payment) – EOHHS should adopt contract provisions to the extent possible that minimize general ledger adjustments in the settlement process. Additionally, audit provisions should be utilized to validate general ledger adjustment items to the extent they are deemed necessary.
- *Recoveries* – TPL recoveries and drug rebates as examples should be subject to validation through audit procedures.
- *Reconciliation requirements* – the settlement protocol should specifically mandate that MCO financial plan filings for rate setting and contract settlements are fully reconciled to their audited financial statements. Agreed-upon audit procedures could be applied to obtain assurance that the all plan financial data is complete and accurate.

The State needs to formally identify and address the programmatic and technical challenges that prevent complete and efficient settlement of managed care contracts. The current processes are manually intensive and lack sufficient validation of a significant amount of contract activity. Formalizing these processes should specifically ensure compliance with new State monitoring requirements such as 42 CFR 438.602(e) requiring audits of encounter and financial data every 3 years.

Cause: Inadequate controls over the fiscal monitoring and contract settlement for its managed care organizations (MCOs). The State does not receive complete and accurate encounter data to fully support contract settlement (based on established risk corridors) to ensure adequate control over managed care expenditures. Validation of MCO medical expenditures not represented by encounter data is also incomplete.

Effect: Inaccurate reimbursements to MCOs for contract services provided to Medicaid enrollees.

Questioned Costs: Unknown

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-062a Formalize a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period.

2020-062b Adopt a strict contract settlement based on submitted and accepted encounter data. Improve the adjudication of MCO encounter data to provide a more complete determination of the medical expenditures incurred during managed care contract periods.

2020-062c Require an independent audit of selected controls employed by the MCOs as well as the overall medical and administrative costs measured under the contracts. At a minimum, utilize contract audit provisions to validate contract settlement components for MCO expenditures not represented by encounter data.

2020-062d Enforce a consistent contract settlement calculation protocol for all MCOs.

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

Finding 2020-063 ***(material noncompliance/material weakness –repeat finding – 2019-064)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Provider Eligibility

MEDICAID MANAGED CARE ORGANIZATIONS – PROVIDER ELIGIBILITY

The State is not currently in compliance with federal regulations for the screening, enrollment, and revalidation of providers used in managed care organization (MCO) networks. Although many of these providers are also enrolled as Medical Assistance providers, the new regulations mandate that States screen, enroll, and periodically revalidate all managed care network providers.

Criteria: 42 CFR Section 438.602, titled *Managed Care, Additional Program Integrity Safeguards, State Responsibilities* requires the State to comply with the following sections relating to provider eligibility:

(b) Screening and enrollment and revalidation providers.

(1) The State must screen and enroll, and periodically revalidate, all network providers of MCOs, PIHPs, and PAHPs, in accordance with the requirements of part 455, subparts B and E of this chapter. This requirement extends to PCCMs and PCCM entities to the extent the primary care case manager is not otherwise enrolled with the State to provide services to FFS beneficiaries. This provision does not require the network provider to render services to FFS beneficiaries.

> *(2) MCOs, PIHPs, and PAHPs may execute network provider agreements pending the outcome of the process in paragraph (b)(1) of this section for up to 120 days but must terminate a network provider immediately upon notification from the State that the network provider cannot be enrolled, or the expiration of one 120-day period without enrollment of the provider, and notify affected enrollees.*

(c) Ownership and control information. The State must review the ownership and control disclosures submitted by the MCO, PIHP, PAHP, PCCM or PCCM entity, and any subcontractors as required in §438.608(c).

(d) Federal database checks. Consistent with the requirements at §455.436 of this chapter, the State must confirm the identity and determine the exclusion status of the MCO, PIHP, PAHP, PCCM or PCCM entity, any subcontractor, as well as any person with an ownership or control interest, or who is an agent or managing employee of the MCO, PIHP, PAHP, PCCM or PCCM entity through routine checks of Federal databases. This includes the Social Security Administration's Death Master File, the National Plan and Provider Enumeration System (NPPES), the List of Excluded Individuals/Entities (LEIE), the System for Award Management (SAM), and any other databases as the State or Secretary may prescribe. These databases must be consulted upon contracting and no less frequently than monthly thereafter. If the State finds a party that is excluded, it must promptly notify the MCO, PIHP, PAHP, PCCM, or PCCM entity and take action consistent with §438.610(c).

Condition: The Medicaid and CHIP Managed Care Final Rule implemented new screening, enrollment, and revalidation requirements for providers of managed care organizations operating within these federal programs. These requirements became effective for fiscal 2019, however, EOHHS has not yet complied with these new regulations.

Cause: Implementation remains ongoing – EOHHS believes the required new procedures will be in place for fiscal 2022.

Effect: Potential federal noncompliance with federal regulations relating to eligibility of providers in managed care networks.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-063 Implement procedures to comply with federal regulations for the screening, enrollment and revalidation of providers used in managed care organization networks.

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

Finding 2020-064	***(significant deficiency –repeat finding – 2019-068)***

CHILDREN'S HEALTH INSURANCE PROGRAM – CFDA 93.767
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5201 and 2005RI5201
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
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's RIFANS accounting system is the 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 to authorized grant awards (by federal fiscal year) for the respective programs.

Condition: Reviews of federal reports for fiscal 2020 noted the following reporting deficiencies:

- The untimely adjustment of expenditures between the Medicaid and CHIP programs resulted in significant timing differences and control weaknesses relating to federal reporting in both programs.
- Significant differences were noted between expenditures reported on the CMS 64 and CMS 21 reports and quarterly disbursements reported on the CMS 425 report. Delays in recognizing expenditures and related credits between Medicaid and CHIP increase the amount of prior period adjustments required on federal reports.
- Reporting guidance for expenditures for the State's Designated State Health Program and Health System Transformation Project authorities was unclear and required adjustments to federal reports that complicated reconciliation with the State Accounting System (source for SEFA reporting).
- Reconciling administrative expenditures to the State Accounting System was not performed consistently by all HHS agencies charging administrative expenditures to Medicaid. The State's HHS agencies utilize six separate and distinct cost allocation plans to allocate administrative expenditures to Medicaid.
- Reporting nursing facility taxes and hospital licensing fees inconsistently between cash and accrual basis on a quarter-to-quarter basis was also noted. The CMS-64 Report information should be consistently reported on a cash basis to prevent misstatement.

Cause: Untimely adjustments of expenditures between the Medicaid and CHIP programs are weakening controls over federal reporting for both programs. Adjustments of expenditures that relate to prior periods continue to significantly complicate reconciliation between federal reports and the State Accounting System. Improper reporting caused by unclear guidance on how to report new program initiatives on the CMS-64 report caused significant reporting adjustments during fiscal 2020. Lack of complete reconciliation of Medicaid administrative expenditures to the State Accounting System represents a weakness in internal control over federal reporting. Inconsistent reporting of provider-related taxes and fees on a cash basis as required for report filing.

Effect: Increased risk of inaccurate federal reporting.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-064a Eliminate untimely adjustment of expenditures between Medicaid and CHIP by increasing direct allocation of expenditures to the proper program when distributed.

2020-064b Ensure that all HHS agencies can reconcile their administrative claiming determined through cost allocation to the State Accounting System on a quarterly basis.

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

Finding 2020-065	***(significant deficiency –repeat finding – 2019-065)***

MEDICAID CLUSTER – CFDA 93.775, 93.777, 93.778
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: 1905RI5MAP and 2005RI5MAP
Administered by: Executive Office of Health and Human Services (EOHHS)

OPIOID STR – CFDA 93.788
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Year: 2019
Federal Award Numbers: H79TI081701
Administered by: Department of Behavioral Health, Developmental Disabilities and Hospitals (BHDDH)

Compliance Requirement: Allowable Costs/Cost Principles

ADMINISTRATIVE COST ALLOCATION – DEPARTMENT OF BEHAVIORAL HEALTHCARE, DEVELOPMENTAL DISABILITIES AND HOSPITALS

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.

Criteria: Uniform Guidance (Section 200.416) requires that cost allocation plans be federally approved.

Condition: During fiscal 2020, the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals (BHDDH) continued to utilize a methodology to allocate administrative costs to federal programs (most notably, Medical Assistance) that was not federally approved (and not submitted for federal approval). Consequently, BHDDH's administrative costs reimbursed through federal programs were not allocated pursuant to a federally submitted and approved cost allocation plan for the quarters ended September 2019, December 2019, and March 2020. BHDDH submitted a new cost allocation plan (pending approval) prepared by a consultant in the fourth quarter of fiscal 2020 and subsequently adjusted the fourth quarter administrative costs utilizing the submitted plan methodology.

Cause: BHDDH did not seek federal approval of the alternate procedures employed to allocate administrative costs to federal programs for three quarters in fiscal 2020. In relation to the Medicaid Program, EOHHS, as the State Medicaid agency, did not sufficiently monitor the Medicaid claiming activities of BHDDH to ensure that costs were only allocated through federally approved cost allocation plans/methods.

Effect: Departmental administration costs may be unallowable for federal reimbursement.

Questioned Costs: Unknown

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

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.

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

Finding 2020-066 *(material weakness – new finding)*

OPIOID STR – CFDA 93.788
Federal Award Agency: Department of Health and Human Services (HHS), Substance Abuse and Mental Health Services Administration
Federal Award Fiscal Years: 2018 and 2019
Federal Award Numbers: H19TI081701
Administered by: Department of Behavioral Health, Developmental Disabilities and Hospitals (BHDDH)
Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

BHDDH can enhance its monitoring of subrecipients as required by federal program requirements.

Background: The Opioid STR program is largely administered through subawards to various agencies which provide direct services to clients.

Criteria: 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 (2 CFR 200.331(d) through (f)). In addition, 45 CFR 96.30(a) states that fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. "A pass-through entity is responsible for: *During-the-Award Monitoring* – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

Condition: BHDDH has designed procedures to monitor subrecipient grant activity both programmatically and fiscally; however, we noted several areas that increase the risk of noncompliance by subrecipients:

- There was no review of subrecipient audit reports. The Executive Office of Health and Human Services evaluates subrecipient audit reports for the departments within the secretariat, including BHDDH. However, this process was not performed during fiscal 2020.
- BHDDH does not have procedures in place to ensure that subrecipients contracted by other State departments with whom BHDDH has Memorandums of Understanding (MOUs) were properly monitored for program compliance. To expedite the use of the Opioid grant funding, the State leveraged existing relationships with health care and other providers to contract for additional services and activities under the Opioid STR program. These activities were generally outlined in the MOUs with the other State departments and agencies; however, the MOUs did not, in all instances, include the OPIOD STR program CFDA number. This limited the other departments' understanding of allowable activities for the program. We noted one journal entry to charge expenditures to the program for a vendor not covered under the MOU. The supporting documentation was not adequate to determine whether the services provided were in compliance with allowable activity requirements.
- Post-audit monitoring of providers, including eligibility determinations for patients in treatment and recovery programs, was not performed consistently for fiscal 2020. BHDDH's contract monitoring unit performs comprehensive contract monitoring to ensure that contract deliverables are met by the providers and to monitor progress. This monitoring includes monthly invoice review and approval, that consists of matching billed services to contract deliverables as well as information about specific activities or patients in treatment or recovery supplied by the providers through on-line portals. This pre-invoice monitoring is supplemented generally by on-site monitoring of recovery house providers performed by an outside vendor with whom BHDDH contracts to ensure that proper standards are being adhered to, and secondly by periodic on-site monitoring by BHDDH personnel, including post-auditing of eligibility determinations. These on-site monitoring procedures were not performed consistently in fiscal 2020.

Cause: The COVID-19 public health emergency altered planned monitoring activities in some instances. Insufficient consideration was given to the BHDDH's responsibilities as the administering State agency for oversight of subrecipients contracted with through MOUs with other State departments.

Effect: Subrecipients may not comply with federal requirements when expending pass-through awards.

Questioned Costs: None

Valid Statistical Sampling: Not applicable

RECOMMENDATIONS

2020-066a Coordinate with EOHHS to ensure all subrecipients are identified to allow collection and review of applicable single audit reports.

2020-066b Clarify the Department's understandings with other State departments and agencies to validate that those agencies are aware of federal requirements under the Opioid STR grant award and that appropriate subrecipient monitoring procedures are to be properly performed for all subawards.

2020-066c Perform on-site monitoring of providers, including eligibility testing, to ensure that subrecipients are properly complying with contract requirements and federal regulations.

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

Finding 2020-067 *(significant deficiency – new finding)*

OPIOID STR – CFDA 93.788
Federal Award Agency: Department of Health and Human Services (HHS), Substance Abuse and Mental Health Services Administration
Federal Award Fiscal Years: 2018 and 2019
Federal Award Numbers: H19TI081701
Administered by: Department of Behavioral Health, Developmental Disabilities and Hospitals (BHDDH)
Compliance Requirement: Activities Allowed or Unallowed

ADMINISTRATIVE EXPENDITURES CAP

BHDDH did not have a procedure in place to ensure compliance with the five percent limit on administrative and infrastructure development expenditures.

Criteria: The Opioid STR grant agreement issued by the Substance Abuse and Mental Health Services Administration prescribes that no more than five percent of the total grant award may be used for administrative and infrastructure development costs.

Condition: In fiscal 2020, BHDDH did not have a process in place to ensure that the cap on administrative and infrastructure development costs was complied with. During the fiscal year, BHDDH began utilizing internal tracking worksheets to monitor actual expenditures incurred versus budgeted amounts. While these worksheets are effective for that purpose, they are not sufficiently detailed as to demonstrate expenditures relevant to the limitation.

Cause: A process had not been put in place to monitor noncompliance with the limitation.

Effect: Administrative and infrastructure development costs may have exceeded the five percent limit, resulting in noncompliance with federal requirements.

Questioned Costs: Unknown

Valid Statistical Sampling: Not applicable

RECOMMENDATION

2020-067 Develop a process to monitor for compliance with the limit on administrative and infrastructure development costs. Consider modifying existing expenditure tracking to include the calculation of these costs.

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

Finding 2020-068	***(questioned cost only – new finding)***

OPIOID STR – CFDA 93.788
Federal Award Agency: Department of Health and Human Services (HHS), Substance Abuse and Mental Health Services Administration
Federal Award Fiscal Years: 2018 and 2019
Federal Award Numbers: H19TI081701
Administered by: Department of Behavioral Health, Developmental Disabilities and Hospitals (BHDDH)
Compliance Requirement: Allowable Costs/Cost Principles

ALLOWABLE COSTS/COST PRINCIPLES

Expenditures were overstated in the Opioid STR program.

Criteria: 45 CFR Part 75.403, the Uniform Guidance for HHS Awards, states that a cost must be necessary and reasonable.

Condition: BHDDH erroneously recorded expenditures twice in different accounts (both included in the Opioid STR grant). BHDDH intended to fund the expenditures incurred by another State department but, in error, BHDDH duplicated both drawdowns and expenditures.

Cause: The accounting for interagency transactions is complicated and insufficiently controlled. BHDDH has since revised their procedures for recording these transactions but did not correct the overstatement for these expenditures.

Effect: Opioid STR expenditures and drawdowns were overstated.

Questioned Costs: $220,452

Valid Statistical Sampling: Not applicable

RECOMMENDATION

2020-068 Correct the overstatement of Opioid STR grant expenditures – modify federal financial reports as needed.

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

Finding 2020-069 ***(material weakness – new finding)***

HIV CARE FORMULA GRANTS – CFDA 93.917
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: X07HA25685-08-00 and X07HA25685-09-00
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Activities Allowed or Unallowed; Cash Management

ACCOUNTING FOR PHARMACY REBATES

Pharmacy rebates and related expenditures should be accounted for as federal funds consistent with program guidelines and requirements.

Background: The AIDS Drug Assistance Program (ADAP) is a state-administered program authorized under Part B of the Ryan White HIV/AIDS Treatment Modernization Act of 2006. It provides FDA-approved HIV drugs to eligible individuals who have limited or no coverage from private health insurance, Medicaid or Medicare. Pharmacy rebates received from the drug manufacturers are credited to the program and supplement federal funds awarded for the program. Total pharmacy rebates credited to the program during fiscal 2020 totaled $7.9 million.

Criteria: Pharmacy rebates received for the ADAP are considered the same as federal awards and are subject to the same compliance requirements and use restrictions.

Condition: In fiscal 2020, EOHHS accounted for the program rebates in a restricted account rather than a federal account linked to other federal awards for the program. In spending these funds, EOHHS observed the use restrictions consistent with the overall HIV Care Formula Grants; however, inclusion of the $7.9 million of rebate activity and related expenditures (totaling $6.8 million in fiscal 2020) increased the total amount of program expenditures from approximately $5.6 million to $12.4 million. Additionally, rebate funds are required to be used first before the draw of other available federal awards. Approximately $1.1 million of unexpended rebate funds remained in the restricted account at the close of fiscal year 2020.

Rebates received were not included in the calculation of cash position and overall program expenditures pending federal reimbursement, which impacted the determination of cash draw down amounts. Due to the balance of unexpended rebates at the close of the fiscal year, cash drawdowns of grant awards were likely initiated sooner than allowed had the rebates been included in the calculation.

Cause: The account established to account for ADAP drug rebates should have been a federal source account linked to the HIV Care Formula Grants program (CFDA 93.917).

Effect: Total program activity (in prior years) has been understated on the State's Schedule of Expenditures of Federal Awards. Cash position and the determination of drawdowns of federal awards for amounts eligible for and pending reimbursement have been misstated.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-069a Recode the established rebate account to a federal account source code and link (by CFDA number) to other program activity

2020-069b Enhance controls over cash management to ensure rebate funds are used prior to any drawdown of federal awards.

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

Finding 2020-070	***(material noncompliance/material weakness – new finding)***

HIV CARE FORMULA GRANTS – CFDA 93.917
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: X07HA25685-08-00 and X07HA25685-09-00
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

PHARMACY CLAIMS CHARGED TO HIV CARE FORMULA GRANTS WHEN MEDICAID ELIGIBILITY IS ESTABLISHED

Claims for HIV drugs were paid through the AIDS Drug Assistance Program (ADAP) rather than Medicaid when the program participant had established Medicaid eligibility.

Background: The ADAP provides FDA-approved HIV drugs to eligible individuals who have limited or no coverage from private health insurance, Medicaid, or Medicare. HIV drugs are limited to those listed on the ADAP formulary. EOHHS has contracted with the State's Medicaid Management Information System (MMIS) vendor to also process pharmacy claims for ADAP.

Criteria: Allowable HIV drug pharmacy claims are only reimbursable under ADAP when the program participant has limited or no coverage from private health insurance, Medicaid, or Medicare. ADAP should be the payor of last resort. Client co-pays are reimbursable under ADAP when private insurance or Medicare provide the primary pharmacy claim coverage.

Condition: HIV drug pharmacy claims were charged to ADAP during fiscal 2020 for certain program participants who also had concurrent Medicaid eligibility. When program participants are Medicaid eligible, HIV drug pharmacy claims should be paid through Medicaid.

Approximately 217 out of 704 ADAP program participants also had concurrent established Medicaid eligibility during fiscal 2020. Two participant profiles are established within the MMIS – one for ADAP and one for Medicaid. Which program is charged for the HIV drug pharmacy claim depends upon the profile used when the claim is submitted. We estimate that approximately $516,000 was reimbursed through ADAP when the claims should have processed through Medicaid. Pharmacy rebates received would have been similarly misdirected.

The State's MMIS has the capability of recording other third-party insurance available for a Medicaid participant and cost avoiding and/or following a payment hierarchy when multiple sources exist. Because separate profiles are created for ADAP and Medicaid without any linkage, the functionality to first process HIV drug pharmacy claims to Medicaid is not operational.

Cause: EOHHS lacks a comprehensive database of all program participants which includes relevant medical coverage information to effectively restrict enrollment in ADAP (within the State's MMIS) to only those meeting program criteria. Due to the way ADAP participants are established in the MMIS, there is no linkage to other medical coverage information maintained within the same system to ensure that HIV drug pharmacy claims are only paid through ADAP when other medical coverage has been exhausted or is unavailable.

Effect: Unallowable costs were charged to the HIV Care Formula Grants that should have been reimbursed through Medicaid. Pharmacy rebates received for HIV drugs reimbursed through ADAP are overstated.

Questioned Costs: $516,000

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

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.

2020-070b Determine the amount of pharmacy claims paid through ADAP (and related pharmacy rebates) that should have been paid through Medicaid.

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.

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

Finding 2020-071	***(significant deficiency – new finding)***

HIV CARE FORMULA GRANTS – CFDA 93.917
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: X07HA25685-08-00 and X07HA25685-09-00
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

COMPREHENSIVE DATABASE NEEDED TO MANAGE COMPLIANCE ASPECTS FOR ALL PROGRAM PARTICIPANTS

EOHHS lacks a comprehensive database of program participant information to effectively manage specific compliance activities for the HIV Care Formula Grant.

Background: Individuals are determined eligible for program services through a network of provider agencies which are considered subrecipients. Services are customized based on each individual's needs. For example, not all individuals participate in the AIDS Drug Assistance Program (ADAP) if they have other third-party health insurance. Enrollment in ADAP is a requirement for those individuals who obtain third-party health insurance coverage paid through the program. Although the intake process and customization of service delivery is managed through the subrecipient provider agencies, EOHHS administers certain aspects such as the enrollment in ADAP and processing payment for purchased insurance coverage through the State's health insurance exchange.

Criteria: Various program compliance objectives are dependent on complete information for the individual such as the existence and type of insurance coverage or lack thereof. Participation in certain program components is contingent on other eligibility characteristics. Individuals should not be enrolled in ADAP if known to be Medicaid eligible (except for Medicaid/Medicare dual eligible individuals whose copays may be covered by ADAP). Individuals obtaining health insurance paid by the program through the health insurance exchange must be enrolled in ADAP.

Condition: Because intake and eligibility determination are performed at the provider agency level, EOHHS does not currently have a comprehensive database of all program participants to provide effective controls over all program functional areas. Appropriate sensitivity to client confidentiality also contributes to the challenges of connecting program components and documenting compliance requirements and thus much of the program participant information is fragmented.

Cause: Use of two non-integrated computer applications in administering the program (Access database for ADAP and CAREWare for support services) is not sufficiently comprehensive to fully allow EOHHS to demonstrate compliance with all program requirements. EOHHS is in the process of implementing a comprehensive database that is intended to better meet the program's overall goals and objectives.

Effect: Controls over various compliance objectives are ineffective due to lack of complete data for all program participants.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2020-071 Continue implementation of a comprehensive database (Lifia) of program participant information to effectively manage various interdependent compliance objectives.

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

Finding 2020-072	***(significant deficiency – new finding)***

HIV CARE FORMULA GRANTS – CFDA 93.917
Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2019 and 2020
Federal Award Numbers: X07HA25685-08-00 and X07HA25685-09-00
Administered by: Executive Office of Health and Human Services (EOHHS)
Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

EOHHS can improve its monitoring of subrecipient agencies which provide direct services to program participants.

Background: EOHHS contracts with various agencies to conduct intake activities, determine eligibility, and coordinate an array of services allowed under the program for each program participant. Approximately 25% of total program expenditures are sub-awards to provider agencies.

Criteria: 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 (2 CFR 200.331(d) through (f)). In addition, 45 CFR 96.30(a) states that fiscal control and accounting procedures must be sufficient to (a) permit preparation of reports required by the statute authorizing the block grant and (b) permit the tracing of funds to a level of expenditure adequate to establish that such funds have not been used in violation of the restrictions and prohibitions of the statute authorizing the block grant. "A pass-through entity is responsible for: During-the-Award Monitoring – Monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved."

Condition: The most recent single audit reports for subrecipient agencies were not reviewed during fiscal 2020. Other onsite programmatic monitoring was not performed. A communication from the Health Resources and Services Administration's (HRSA) HIV/AIDS Bureau (HAB) acknowledged the impact of the COVID-19 public health emergency and waived the requirement for on-site monitoring but concluded that recipients must continue to monitor the activities of subrecipients to ensure that funding 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.

Cause: Subrecipient monitoring has been performed retrospectively. The COVID-19 public health emergency significantly impacted subrecipient monitoring activities.

Effect: Monitoring procedures may be insufficient to ensure that subrecipients are complying with all program regulations and requirements. Subrecipients may be operating with control deficiencies identified through audits but not resolved through subsequent evaluation of corrective action plans, leading to potential control weaknesses.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2020-072a Resume on-site monitoring of subrecipient activities when permitted and include review of current subrecipient activities during on-site reviews.

2020-072b Enhance timely review of subrecipient audit reports.

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

Corrective Action Plans

(prepared by the State's management)

Finding 2020-001 – Corrective Action Plan

2020-001a – Division of Information Technology leadership continues to agree with the need to implement a commercial off the shelf (COTS) enterprise resource planning (ERP) system in a comprehensive and strategic manner. The Enterprise Applications Strategic Plan is the foundation for Rhode Island's multi-year effort to transform its enterprise technology and business processes to better meet the needs of the State, its residents, and its partners. The State wants to improve efficiencies, integrate multiple systems, automate manual processes, increase the quality and timeliness of data to decision makers and replace and modernize its current enterprise technologies. The objectives of modernizing obsolete enterprise applications will:

- Address audit findings
- Reduce risk
- Enable business improvements, provide expanded functionality, and information for managing
- Address manual processes that are more prone to errors

Anticipated Completion Date: The following dates are directional pending funding approval for the Enterprise Applications Strategic Plan program. Moreover, a systems integrator / software vendor will need to confirm these dates after the Request for Proposal (RFP) is released, an SI/software vendor is selected, and a comprehensive project plan is created:

- HR/Payroll Implemented by 12/31/2022*
- Grants Management Core Agencies 12/31/2021, Remaining Agencies 12/31/2022
- Finance Implemented by 12/31/2024*

**Funding Dependent*

2020-001b – Division of Information Technology leadership continues to seek funding through multiple means to implement the strategic plan. This includes Federal, State, Grants and other means to fully fund the implementation and post implementation support. The funding model was outlined in the strategic plan.

Anticipated Completion Date: June 30, 2021

Contact Person: Alan Dias, Assistant Director
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Finding 2020-002 – Corrective Action Plan

In April 2020, DLT identified an increase in fraudulent unemployment insurance (UI) claims in its system resulting from a nationwide epidemic of criminal instances of identity theft. Immediately, DLT made a variety of digital security updates. Additionally, in May 2020, DLT entered into a contract with a cyber security firm to assist with fraud detection efforts. DLT's relationship with this vendor is ongoing and has continued to mature and improve from the date of the initial contract to the present. The vendor uses state-of-the art technology to help DLT identify UI claims that exhibit suspicious characteristics.

Since the end of June 2020, DLT has implemented specific security updates and digital products to aid DLT staff in identity verification to combat imposter fraud.

In August 2020, a large number of upfront fraud stops were added to DLT's system in both the UI and PUA programs. These stops were implemented to detect and auto-stop fraudulent claims requiring UI claimants to undergo more thorough identity verification prior to payment processing.

In late January 2021, additional auto-stops were added to the UI claims system addressing trends identified by both KGS and DLT staff. These stops include targeting certain characteristics associated with fraudulent claims to meet newly recognized identity fraud activity.

The AS400, through our COBOL programming team, has been able to accommodate each modification implemented throughout the pandemic, whether intended to prevent and detect fraud or to comply with federal legislation extending or enhancing benefits.

DLT will continue to work with its contractors and internal staff to develop ever-increasing controls over the processing of UI claims. Specifically, DLT will continue to develop strategies to detect and deter fraudulent payments in the first instance, before payments are ever processed. DLT's overall fraud strategy will be incorporated into the design of our new UI system which is currently under development. This new system will effectively replace the legacy system and enable more efficient fraud prevention mechanisms to be developed.

The UI and TDI systems were migrated on February 19, 2021 to new IBM i9 AS400 series machines. All hardware, operating systems, and 3rd party software are current and supported. All systems are secured and configured using IRS Pub 1075 and NIST standards. Although the legacy system remains written in COBOL, the ability of the system to process claims is stable, secure, and able to meet the processing needs of the Agency. Many other improvements to the overall security and support of the infrastructure has also occurred in the last 12 months. Please request these details from the Security Team.

The ability to add a brand-new type of claim application, Pandemic Unemployment Assistance (PUA) for contractors and gig workers was quicker to do outside of the legacy system. With a new set of resources focused on PUA claim website task, the existing DoIT programmers have been able to focus on the rest of the State and Federal changes needed to address the new requirements from USDOL on regular UI claims.

Wage verification was never removed from the eligibility process for self-employed and independent contractors. In fact, provisions were made to access AGI from Taxation to support PUA. Wage record access to identify subject wages in the regular UI application has remained in place throughout the pandemic and will continue as such into the future.

Anticipated Completion Date: a) Implementing Fraud – January 31, 2021, but efforts will be ongoing as new fraud schemes present themselves.

b) Implementation of Strategic Plan – June 30, 2021

Contact Persons:

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Finding 2020-003 – Corrective Action Plan

UI will work with Business Affairs and Information Technology (IT) teams to develop programming to identify all payments made within the first sixty (60) days of each fiscal year, or within the time period up to the fiscal year-end deadline specified by the State Controller if sooner, that are attributable to compensable weeks occurring in the prior fiscal year.

For example, on or around August 30, 2021, UI will request a report of all UI payments processed between July 1, 2021 and August 30, 2021, which are attributable to compensable weeks-ending July 4, 2020 through June 26, 2021.

Although any fiscal year may begin and/or end in the middle of a week, the difference in payments processed on the days occurring prior to or later than the actual week-ending dates is negligible.

This annual report will be submitted to the Office of Accounts and Control to accrue the benefits approved and unpaid at fiscal year-end for inclusion in the State's financial statements. A policy memo will be issued to all Administrative Benefits, IT, and Business Affairs leadership staff to ensure this process becomes a known and understood component of each year's fiscal year-end closing process.

Anticipated Completion Date: August 31, 2021

Contact Persons:

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Finding 2020-004 – Corrective Action Plan

2020-004a – EOHHS acknowledges the complexity of the Medicaid program and our financial activities. EOHHS is aware of many of the risks facing the program's financial reporting, including over-reliance on manual payments, and has already taken steps to simplify Medicaid-related financial activities and improve oversight as outlined below. Additionally, State FTEs are closely involved in the process of reviewing encounter and other financial data submitted by the MCOs – these functions are not performed strictly by contracted staff. The steps taken to-date to improve oversight are outlined below:

1. Risk share settlements
   a. MCO risk share settlements are based on MCO submitted reporting and validated against accepted encounter claims in the MMIS. EOHHS recognizes that for this reason MCO reporting would ideally be validated against other sources. This is why, in FY20, the state implemented a requirement that the MCOs report quarterly through a new "Financial Data Reporting System" (FDRS) 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 MCOs must reconcile the information in its FDRS to their NAIC financial statements.

      EOHHS utilizes this FDRS data in rate setting as well as to monitor MCO financial performance throughout the year.

EOHHS began utilizing the FDRS reporting for risk share settlement beginning with the final reconciliation for FY 2019. This allows for the risk share reporting to be validated against other financial reporting and in alignment with rate setting activities.

b. In addition, in SFY21, EOHHS proposed moving our MCOs to full risk capitation which would have eliminated the need for risk share settlements entirely. This was not enacted, and EOHHS did not propose it again in FY22 due to the pandemic and CMS' encouragement of risk corridors. However, EOHHS will move in this direction as soon as is feasible.

2. Settlements with FQHCs
   a. EOHHS recognizes that the FQHC settlements presented numerous risks. FQHC settlements resulted from the fact that the state needed to supplement MCO payments to FQHCs to ensure the FQHCs received their full encounter rate for eligible encounters; the state had to reconcile what the FQHCs had already received versus what remained outstanding, and this amount was paid in manual transactions.
   b. To mitigate this risk, in FY20, EOHHS began requiring the MCOs to pay the full FQHC encounter rate for eligible encounters. As a result, manual payments from the state to the FQHCs will no longer occur.

3. Stop loss programs
   a. EOHHS recognizes that the stop loss payments resulted in additional manual payments, creating risk of error. As a result, in FY22, EOHHS plans to eliminate its Hepatitis C stop loss program and its organ transplant stop loss program. This will eliminate manual payments made by the state to the MCOs. However, stop loss programs will remain where necessary; specifically, there will be a COVID vaccine "non-risk" stop loss program where the state pays the full amount of vaccine administration reimbursement back to the MCO.

4. Limiting manual capitation payments
   a. EOHHS recognizes that retroactive capitation payments can result in additional manual payments, creating risk of error. For premiums paid monthly, the MMIS can systematically correct payments made within a three-month window – retroactively for the prior month, the current month, and prospectively for the future month. For capitation paid daily (RiteCare), corrections can only be systematically made within a two-month window – for the current month and prospectively for the future month. However, within the last year for both program types (daily and monthly) new processes have been incorporated into the MMIS to allow for systematic adjustments to payments retroactively in two scenarios; 1) based on a Newborns Date of Birth and; 2) based on a recipients Date of Death. These two scenarios contributed to the highest number of retroactive adjustments aside from rate changes. Any corrections outside of the systematic adjustment windows or aside from the Newborn and Death causes still must be processed manually unless additional system modifications are done.

      In an effort to limit system modifications but further reduce manual payments, throughout FY20, EOHHS developed an internal MCO contract project charter and workgroup with the express goal of ensuring that our contract amendments and MCO capitation rates would be completed timely and ensure that MCO rates are in the system at the start of the year, or soon thereafter to minimize any manual payments.

      However, in FY21, there was a delay in the state budget enactment that led to a delay in the final FY21 rates that was out of EOHHS' control and resulted in large manual payments.

Note that some states input new fiscal year rates without final state budgets or signed contracts, but EOHHS has assessed that this creates its own risk and that the current approach is preferred.

In addition to the above steps already taken, by June 2021 the agency will work with the Office of the Auditor General to gain a more detailed understanding of the finding to conduct a more targeted formal risk assessment process to determine where additional controls and other data validation procedures are required to improve baseline performance in ensuring accurate financial reporting.

2020-004b – EOHHS' MCO contracts state "The State retains the right to conduct, or cause to be conducted, specific audits. These audits may be conducted upon reasonable notification to the Contractor, and the audits would focus on matters related, but not limited, to: Invoicing by the Contractor for provisions of services; Payment to the Contractor by the State; Compliance with any of the terms and conditions of the Contract or Contract Amendments." This audit finding recommends that the state conduct audits as needed to validate data provided by the MCOs for areas of significant financial impact.

EOHHS utilized this provision in FY20 to determine root cause of a significant shift in the value of NHPRI risk share reporting that occurred in FY19. Specifically, in June 2018, NHPRI reported a risk share receivable of $13.5 million for which EOHHS subsequently paid NHPRI a $10.8 million risk share settlement. As of February 2019, NHPRI revised and adjusted its risk share receivable downward to $548,637 and EOHHS subsequently recouped $10.3 million risk share settlement from NHPRI. The change was driven by overstatement of an estimate of incurred but not reported claims, as well as changes in classification of spending. Identifying these issues resulted in EOHHS validating IBNR projections and implementing the FDRS quarterly reporting and monitoring meetings to ensure consistent interpretation of definitions and that anomalies can be found on a regular basis.

EOHHS will continue to utilize this contract provision as necessary.

EOHHS notes that the Health Plans' controls include the following: annual audited financial statements, including opinions, from external auditors; annual actuarial opinions from external auditors; NAIC and DBR statutory filings, including risk-based capital reports; model audit rule compliance; monthly and annual financial result reviews with senior management, including general ledger account reconciliations; comprehensive financial account analyses; various internal and external systems controls including claims processing, accounts payable, and general ledger systems. UnitedHealthcare and Tufts Health Public Plan conduct System and Organization Controls (SOC)-type audits; UnitedHealthcare is compliant with the Sarbanes-Oxley Act; NHPRI is now fully compliant with the Department of Business Regulations Model Audit Rule. Also, NHPRI retains an outside firm to finalize the company's overall risk assessment, including implementation, and has staff dedicated to ensure on-going MAR compliance.

To further ensure the integrity of the Health Plans' controls and financial reporting, EOHHS' contracts with the health plans require that the external auditors, in their annual report of independent auditors, specifically address their review and testing of the health plans' risk/gain share financial statements and the health plans' various receivables and/or payables to/from EOHHS, as of December 31 of each year. EOHHS also requires that all financial statements provided to EOHHS be accompanied by an attestation document, signed by an officer or senior administrator of the MCO, attesting to the accuracy and completeness of the financial statements. The reports are utilized to estimate EOHHS' outstanding liabilities to the Health Plans for purposes of caseload estimating conference and year-end accruals. The above controls and reporting requirements adhered to by the Health Plans give EOHHS confidence in the financial reporting by the Health Plans.

2020-004c – See response to 2020-004a, which outlines how the state has and will continue to minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.

Anticipated Completion Date: Ongoing

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Finding 2020-005 – Corrective Action Plan

In response to 2020-005b, EOHHS and the fiscal agent implemented in December 2019 a monthly report recapping all Fiscal Agent Control Notes (FACNs) processed that month. EOHHS Finance also maintains a monthly log of all FACNs it approves, capturing all pertinent data, and reconciles this log with the fiscal agent's monthly FACN report. Any discrepancy is promptly researched and resolved.

EOHHS will conduct a review of all financial transaction and financial reason codes utilized by the MMIS when processing payments and recoupments. By mid-2021 EOHHS intends to implement "ServiceNow" with their fiscal agent for the purpose of more formally tracking FACN type requests in addition to system issues, incidents, modifications and other types of requests. 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.

EOHHS understands that one main concern for the auditors with 2020-005a is that in some instances, EOHHS processes FACNs that involve payment or recoupment for the current fiscal year, and payment or recoupment for a prior fiscal year. This makes it difficult to identify individual components of the transactions, and what type of transactions occurred (e.g., whether it was related to stop loss, capitation, risk share settlement). Netting prior period activity with current activity can also distort both the state and federal financial reporting if it is not identified and adjusted to be reflected in the appropriate year.

EOHHS will begin making prior period (non-current year) settlement claims as off-cycle payments (i.e., separate and apart from its regular scheduled MMIS system payout dates). This will allow General Ledger journal entries to be prepared specific to the prior-period payment where the payment type and timeframe can clearly be identified in the Payment Description field.

Finally, EOHHS has worked to reduce the number of manual transactions, as outlined in the corrective action plans in response to finding 2020-005, and we have also made progress in refining the comprehensive reporting.

Anticipated Completion Date: July 1, 2021

Contact Person: Corsino Delgado, Associate Director of Financial Management
Executive Office of Health and Human Services
corsino.delgado@ohhs.ri.gov

Finding 2020-006 – Corrective Action Plan

We will request funds to retain a firm with COSO implementation expertise to assist us in developing and implementing a methodology to document major business process flows and identify the internal controls in each of these major processes. It is expected that this project will span several fiscal years. This initiative should be done in connection with the implementation of the fully integrated ERP system as that project will bring with it the opportunity to embed numerous internal controls in the software applications themselves. Further, existing training materials will be updated, and training will be conducted again.

Anticipated Completion Date: June 30, 2022 (for initial funding decision and training components)

Contact Person: Margaret Carlson, Associate Controller
Department of Administration, Office of Accounts and Control
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Finding 2020-007 – Corrective Action Plan

2020-007a – We agree with this finding. The training presented in 2019 will be updated and enhanced to provide more comprehensive guidance. A SOC Document of Reliance on SOC Report (checklist) has been created to be completed by each of the applicable CFOs and returned to the Office of Accounts and Control along with the SOC Report. The CFO is responsible for the review of the SOC report and the checklist provides Accounts and Controls with a tool to ensure that the entire SOC report has been reviewed by the CFO.

2020-007b – We agree with this finding. Included in the enhanced training for the CFOs, they will be provided information to assist in their review of the complementary user entity (state) controls to ensure that the controls are in place and operating effectively. The Document of Reliance on SOC Report (checklist) provides a section "User Entity Controls" to assist the CFO reviewer in providing that assurance.

2020-007c – We agree with this finding. Included in the enhanced training for the CFOs, will be information to assist in their review of the exceptions and modifications noted in the SOC Reports to ensure they are evaluated in a timely fashion and that proper documentation is provided regarding the impact on the State's control process. The section of the Document of Reliance on SOC Report (checklist) entitled "Exceptions" will assist the CFO reviewer by providing guidance to ensure they review any exceptions or modifications and how these changes/modifications will impact their organization. The completed checklist will provide the Office of Accounts and Control assurance the CFOs are reviewing the SOC report.

Anticipated Completion Date: September 30, 2021

Contact Person: Gail LaPoint, Administrator, Financial Management
Department of Administration, Office of Accounts and Control
gail.lapoint@doa.ri.gov

Finding 2020-008 – Corrective Action Plan

2020-008a – Procedures were implemented in FY 2021 to address this issue by Accounts and Control and DOIT. In FY 2022 DOIT is implementing Data Guardian. This tool is currently deployed to systems with PII data. There is available integrations into Oracle for monitoring of data elements. DOIT needs to confirm the current version of its operating system and Oracle E-Business Suite to be compatible with Data Guardian. Having this in place along with procedures in place in FY 2021 will provide further review of super-user access.

Anticipated Completion Date: Dependent on required upgrades. Estimated November 30, 2021.

2020-008b – A procedure was implemented in FY 2021 that super users need to have a ticket approved by Accounts and Control before access is modified.

Anticipated Completion Date: Completed in FY21.

2020-008c – The Office of Accounts and Control is currently reviewing the processes and procedures for RIFANS access and maintenance of agency hierarchies. Existing internal control weaknesses have been identified and management is in the process of implementing new procedures which will strengthen internal controls.

Anticipated Completion Date: Data Guardian determination of compatibility May 30, 2021. Implementation of Data Guardian dependent of compatibility and what is needed in case of incompatibility.

Contact Persons: Alan Dias, Assistant Director
Department of Administration, Division of Information Technology
alan.dias@doit.ri.gov

Peter Keenan, State Controller
Department of Administration, Office of Accounts and Control
peter.keenan@doa.ri.gov

Finding 2020-009 – Corrective Action Plan

The requirements being developed for the new integrated ERP system will include one for a receivable module which will be used to account for all non-tax related receivables. This will significantly improve controls over these receivables.

Anticipated Completion Date: September 30, 2021 (For requirements documents)

Contact Person: Ben Quattrucci, Financial Reporting Manager
Department of Administration, Office of Accounts and Control
benjamin.quattrucci@doa.ri.gov

Finding 2020-010 – Corrective Action Plan

We agree. The ERP strategic plan that was recently finalized includes both a Grants Management Module and a Time & Attendance Module. These modules, along with the other components of the ERP, will address the control weaknesses discussed above.

Anticipated Completion Date: June 30, 2022 for Grants Management Module and June 30, 2023 for Time & Attendance Module

Contact Person: Peter Keenan, State Controller
Department of Administration, Office of Accounts and Control
peter.keenan@doa.ri.gov

Finding 2020-011 – Corrective Action Plan

The Office of the General Treasurer agrees that our office should assume this duty. We worked to identify all funds on deposit with fiscal agents in FY2019 and began basic quarterly monitoring to ensure compliance with debt covenants. We are in the process of designing a more robust oversight and monitoring program to implement in FY21.

Anticipated Completion Date: June 30 ,2021

Contact Person: Andrew Junkin, Chief Investment Officer
Office of the General Treasurer
andrew.junkin@treasury.ri.gov

Finding 2020-012 – Corrective Action Plan

2020-012a – The existing enterprise DR solution that all DOIT supported agencies leverage will be completely replaced by the end of the calendar year 2021. This past year the infrastructure teams worked with the individual agency assigned IT teams to identify the critical applications and map them to the appropriately identified recovery infrastructure.

The new DR solution will have replication capability for 70% of the total VM environment to address our most critical production applications thus eliminating the effective need for prioritization, as all critical systems identified will be available for use by each individual agency assigned IT team in a greatly shortened time frame compared with the current technology platform.

Aligned with the new DR solution completion time frame, the DOIT Application Development Team leadership will identify which agency stacks should come up in order of priority after the Enterprise CORE services.

2020-012b – DOIT performs annual DR Testing Procedures which was delayed due to COVID last year but then performed in October of 2020. From the data gathering there DOIT, in conjunction with the Agency IT Manager from each unit, will create a template for high level application testing across all participating agencies, and they will keep those individual test plans updated as appropriate and stored within the rest of their DR documentation, so that all participating agencies will have a standard and repeatable test process during the annually scheduled DR tests.

Anticipated Completion Date: December 31, 2021

Contact Person: Cesar Mendoza, Chief of Information Technology
Department of Administration, Division of Information Technology
cesar.mendoza@doit.ri.gov

Finding 2020-013 – Corrective Action Plan

2020-013a – Based upon the success of our pilot and evaluation of a cloud-based change management system as noted in 2020-013b we will address and develop the requirements for and train necessary DOIT support staff.

Anticipated Completion Date: Dependent on 2020-013b

2020-013b – DOIT is currently evaluating a change management/version control software environment for use in the enterprise. Department of Transportation is piloting Azure DevOps for version control and other features. Based on the evaluation, we will make a recommendation for use as our enterprise change management and version control. This will be implemented for existing code base and future code base where system replacements are not eminent. When implementing SAS solutions to replace older applications those applications will undergo the best practice as provided by the vendor for change management.

Anticipated Completion Date: Pilot Completion April 30, 2021

Contact Person: Alan Dias, Assistant Director, Information Technology
Department of Administration, Division of Information Technology
alan.dias@doit.ri.gov

Finding 2020-014 – Corrective Action Plan

2020-014a – All DoIT polices aligning with NIST 800-53 have been updated and will undergo review and revision on an annual basis, and as needed. They can be found on the Enterprise Security Share Point Site, in the 'Current Policies' folder: https://rigov.sharepoint.com/sites/etss-io-security A comprehensive enterprise System Security Plan (SSP) is in development for identification of the procedures for implementation of the enterprise inherited security controls as defined within the published policies.

Anticipated Completion Date: June 2021

2020-014b – With the DoIT adoption of the NIST Risk Management Framework (RMF), DoIT is building a system(s) risk assessment program. This assessment process will be executed in a cyclical fashion; utilizing inputs from audits (internal, and external) and State hosted vulnerability and risk measuring technology and processes. External assessments will be scheduled and conducted on State critical systems.

Anticipated Completion Date: October 2021

2020-014c – The categorization of systems through the implementation of the NIST RMF will provide the ability to prioritize mitigation of identified security risks. A formalized running risk register will be maintained at the enterprise level, and will be created for all assessed systems; with plans of actions and milestones (POAM's) and corrective action plan's (CAP's) developed for each system after the initial, and each recurring system assessment. The completion of this plan is dependent upon the completion of 2020-014b.

Anticipated Completion Date: December 2021

Contact Person: Brian Tardiff, Chief Information Security Officer
Department of Administration, Division of Information Technology
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Finding 2020-015 – Corrective Action Plan

The Division of Taxation agrees with this recommendation and continues to actively work on addressing this finding. Upon detailed review of the public technology solutions available pursuant to the procurement process and a determination that the technology solution would not meet the needs of the agency, the Division of Taxation conducted an internal new requirements gap analysis, created a high-level design to integrate cashiering functions with STAARS (including an audit trail), and is in the process of implementing that design. Additionally, the Division of Taxation is implementing the shifting of certain cashier deposits to the high-volume scanner deposit process, which will reduce the amount and number of deposits made through the cashier.

Anticipated Completion Date: June 30, 2022

Contact Persons:

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Kristin Cipriano, Chief Revenue Agent, Accounting
Department of Revenue, Division of Taxation
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Finding 2020-016 – Corrective Action Plan

2020-016a / 2020-016b – The DMV agrees that a periodic reconciliation of the funds transferred to the DOT is needed and will work to reconcile the funds transferred on a semi-annual and annual basis. We are working to reconcile for the period(s) of July 1, 2020 through December 31, 2020.

2020-016c – The DMV legal counsel reviews all legislation and identifies the key people responsible for implementing it. The legislation is then emailed to key personnel for review and implementation, creating an email chain. The IT team then logs all work and testing into ALM Octane. The DMV provided the Auditor General's office documentation in December 2020.

2020-016d – The DMV started utilizing the Overages and Shortages account to record all manual adjustment for errors such as checks written incorrectly. All manual adjustments for user and customer errors are debited from the Overages/Shortages account. For example, if a check is written incorrectly, we debit the Overages/Shortages account and contact the customer for new payment. When new payment is received, we then credit the Overages/Shortages account.

Anticipated Completion Date: We started utilizing the Overages/Shortages account on July 1, 2020. We are working to complete the first reconciliation of RIMS to RIFANS.

Contact Persons: Paul Dombrowski, Administrator, Finance Management
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Brad Booth, Legal Counsel
Department of Revenue, Division of Motor Vehicles
bradford.booth@dmv.ri.gov

Finding 2020-017 – Corrective Action Plan

2020-017a – Information security is a shared responsibility model, with the AIM serving as the agency information security officer for agency systems and applications. In this model, the AIM is responsible for the implementation of the enterprise security program within the agency, enforcing policies and standards for compliance.

Anticipated Completion Date: June 30, 2021

2020-017b – Sensitive data and systems inventory will be conducted jointly with the DoIT enterprise team through the documentation of systems within System Security Plans (SSP). Additionally, technology such as database protection (Guardium) will assist in this line of effort.

Anticipated Completion Date: July 31, 2021

2020-017c – Access to Sensitive data and systems inventory will be monitored jointly with the DoIT enterprise team through the documentation of systems within System Security Plans (SSP). Additionally, technology such as database protection (Guardium) will assist in this line of effort.

Anticipated Completion Date: July 31, 2021

2020-017d – Incident response process and management is actively executed with the enterprise incident response plan and program. DMV IT staff are trained and participate in real world incident response frequently.

Anticipated Completion Date: August 31, 2021

2020-017e – Systems and access change management process are being implemented at the enterprise level. The full implementation of single sign on across the enterprise will ensure the timely removal and provisioning of access to systems. Additionally, an enterprise privileged access management system is in the process of implementation that will ensure the principle of least privilege is adhered to, with access actively monitored.

Anticipated Completion Date: June 30, 2021

Contact Person: Tim McCarthy, IT Project Manager
Department of Administration, Division of Information Technology
tim.mccarthy@doit.ri.gov

Finding 2020-018 – Corrective Action Plan

2020-018a

Short Term – During FY 2020, RIDOT did work to improve the fund balance procedure. However due to COVID and staff turnover/absences, the fund balance improvements were not made as quickly or in their entirety as the department had hoped. During the fiscal year the fund activity was reconciled by RIFANS line items for all Federal accounts to ensure accuracy and consistency. Any inconsistencies found are adjusted at that time. During late FY 2020 into FY 2021, the focus will be to continue to develop policies and procedures to improve the fund balance reconciliation and ensure the process is compliant with GASB 54 standards. The short-term goal will include implementing the adopted policies and procedures to all Federal fund balance accounts.

Long Term – Once the adopted policies and procedures have been implemented for all Federal fund balance accounts, RIDOT will expand the reconciliation to include all State fund balance accounts. This expansion of the process will ensure all fund balance accounts regardless of funding source are being reconciled monthly.

Anticipated Completion Date: Short Term – December 31, 2021
Long Term – June 30, 2022

2020-018b

Short Term – RIDOT has evaluated its policies and procedures to identify where additional controls can be put in place to ensure accurate identification of accounts payable at fiscal close. RIDOT has enhanced its policies and procedures to include the fiscal year field for an invoice be filled out all year round instead of just at fiscal close time. This will allow the Accounting section to run reports at any time to ensure invoices of $100,000 or greater that were received after the fiscal close reports were run will be included in the accrual entries. This automated process will reduce the risk of errors that occurred with the manual process. A second improvement made in FY 2021 was that the parameters for the second run of fiscal close reports were re-evaluated and changes were made to ensure all necessary invoices will be included on the report and in turn in the accrual entries.

Long Term – RIDOT will research the use of estimates with regards to the fiscal close process. This will take time as it will consist of analysis and research.

Anticipated Completion Date: Short Term – Implemented for FY 2021
Long Term – TBD

2020-018c – RIDOT will revise the fiscal close procedures to ensure clearing accounts are reevaluated at various points throughout the close process including after all accrual entries are posted and after audit adjustments are posted. RIDOT will then do one final accrual entry to address clearing accounts should any accruals be posted in the clearing accounts. RIDOT will also consider posting directly to accurate accounts instead of the clearing accounts where possible.

Anticipated Completion Date: June 30, 2021

2020-018d – RIDOT will evaluate the FMS to RIFANS mapping table to determine if all mapping tables can be streamlined to a consolidated mapping table or if a Master mapping table needs to be developed.

Anticipated Completion Date: December 31, 2021

2020-018e – RIDOT will develop policies and procedures to formalize the review of the draft financial statements. The procedures will ensure the review of the draft financials is documented.

Anticipated Completion Date: December 31, 2021

Contact Person: Loren Doyle, Acting Chief Operating Officer/Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2020-019 – Corrective Action Plan

2020-019a – RIDOT Finance is working with Scoping and Project Management to develop a standard form for infrastructure code verification. The Grants section will also make sure that policies and procedures are updated to ensure there is management concurrence once entered into FMS.

Anticipated Completion Date: June 30, 2021

2020-019b – RIDOT Grants section will update policies and procedures to ensure management review and approval that substantially complete dates are entered into FMS accurately and to ensure the information entered from RIDOT's Schedule of Construction in Progress agrees to FMS.

Anticipated Completion Date: June 30, 2021

2020-019c – RIDOT will review the criteria for impairment of assets and from there develop a policy and a procedure for determining if any of the State's transportation infrastructure assets have been impaired. Finance will coordinate with the necessary sections to develop and implement this policy.

Anticipated Completion Date: December 31, 2021

2020-019d – RIDOT will work to develop a policy and a procedure for removing infrastructure assets that have been replaced or taken out of service. RIDOT will work with Accounts and Control to ensure the appropriate amounts are removed.

Anticipated Completion Date: December 31, 2021

Contact Person: Loren Doyle, Acting Chief Operating Officer/Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2020-020 – Corrective Action Plan

The OPEB Board agrees with the recommendations presented by the Auditor General. The Board will pursue hiring one full-time dedicated staff resource within the State Controller's Office to be responsible for key functions of the OPEB system. The Board believes implementing a stand-alone software application to accumulate and manage plan membership data will be too expensive for the system to finance with authorized administrative funding. However, to address this recommendation, the Board will request this functionality be included in the RFP for the new Enterprise Resource Planning (ERP) system being pursued by the Department of Administration, which is to include a full-service Human Resources module.

Anticipated Completion Date: September 30, 2021 for hiring of new staff; June 30, 2023 for implementation of new ERP system with functionality to manage OPEB membership data.

Contact Persons:

Thomas A. Mullaney, Executive Director/State Budget Officer
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Peter Keenan, State Controller
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Finding 2020-021 – Corrective Action Plan

The Lottery strongly disagrees with the finding of "significant deficiency" related to mobile sports betting and iLottery. More pointedly, there are no specific examples or incidents referenced in Finding 2020-022 where Lottery's reporting was incorrect or inaccurate.

Over the last fiscal year, the Lottery has made substantial enhancements with internal controls in response to the introduction of mobile and online service delivery channels. The Lottery agrees that mobile applications and digital technology require modifications to the control environment to address technological advances and changes related to the mobile environment, and the Lottery has made it a priority to develop these monitoring and oversight procedures as these new systems are operationalized. Further, the Lottery continues to review, modify, and expand such monitoring and oversight as needed based on the evolution of these delivery channels. The operational environment for mobile applications requires procedures different than other Lottery lines of business whereby operational systems, cash collections, reconciliations, and regulatory oversite are performed by separate entities. The traditional model for such functions simply does not translate from an operational standpoint. For example, with iLottery, the fraud, funding, and customer service procedures handled by the systems provider are based on the provider's resources and expertise in the industry, as well as the technological development and deployment of this specific delivery channel. Moreover, all ewallet deposits and withdrawals are through independent, experienced companies with trustworthy reputations.

More importantly, the iLottery and sports betting systems (as well as all of the Lottery's systems) have been – and continue to be – audited from an IT security, system functionality, and financial reporting standpoint internally by the Lottery and externally using industry-leading gaming and IT security auditing firms. Likewise, the Lottery conducts – and monitors compliance through – internal reviews to identify and manage risks, including comprehensive reviews of system controls related to mobile sports betting and iLottery. These internal and external reviews occur on a scheduled basis and utilize industry standards. The Lottery also continuously monitors the gaming contractor's internal and external assessments as these pertain to IT security reviews and assessments.

Given the current fiscal uncertainty with the state budget, it would be unrealistic to believe that the Auditor General's suggestion with respect to additional resources for the internal audit functions will be allocated in the next fiscal year. Nonetheless, the Lottery will continue to adjust and tighten its oversight processes.

In reference to SOC (Service Organization Control) reports, the Lottery provided SOC reports from the major independent companies through which all ewallet deposits and withdrawals are made. The Lottery also provided a SOC report for its gaming system provider for its shared services systems for iLottery. To the extent possible, the Lottery has, and will continue to, pursue service entity reports through the Lottery's contracted sports betting system provider, and any integral entities, but it should be noted that the Lottery does not have contractual relationships with third-party vendors providing services to the system provider, and holds the system provider responsible for the subcontracted services.

With respect to the Auditor General's suggestion that the Lottery should conduct "periodic random sampling of sportsbook odds and final event results," the Lottery does, in fact, conduct such reviews. In particular, with retail, the Lottery tests paid tickets over $10,000, as well as randomly selected tickets, and odds and final event results are the same throughout the system.

Additionally, the Lottery has worked diligently since inception of both sports betting and iLottery to provide complete, accurate, and timely financial reporting from system implementation deadlines and implemented procedures related to system reports and cash reconciliation procedures.

Lastly, the sports betting funding and cash custodial procedures were anticipated to be assumed by Twin River Casinos as of March 2020. However, due to the global COVID-19 pandemic, the Casinos closed and transfer of this function from the Lottery was delayed. The Casinos were shuttered for three (3) months and now are operating at approximately fifty (50%) capacity, with a reduced workforce. The transfer process currently is in progress, and additional procedures will be implemented for mobile sports betting to address daily cash reconciliation to system reports as needed.

Anticipated Completion Date: Ongoing

Contact Person: Mark Furcolo, Executive Director
Rhode Island Lottery
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<u>Auditor's Response:</u>

We acknowledge that these mobile/remote gaming options are new and related control procedures continue to evolve. Despite the contracted nature of the Sportsbook and iLottery gaming functions (including subcontracts), the Lottery ultimately remains responsible for maintaining a comprehensive monitoring process over gaming operations and financial reporting information. The focus of our finding is on the design and implementation of appropriate control procedures rather than a known financial statement misstatement. Our recommendations are reflective of the likely growth in these modes of gaming over the next few years and the need for controls and monitoring procedures that are specific to the unique and complex operational aspects of the games. As a point of reference, the Lottery made a substantial investment in monitoring and oversight procedures with the advent of table games a few years ago, which was in response to the unique operational aspects of those games.

Finding 2020-022 – Corrective Action Plan

The Authority will fund the Operating Reserve provided there is sufficient cash flow.

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 see 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.

Anticipated Completion Date: Undetermined

Contact Person: Daniel McConaughy, Executive Director
Rhode Island Convention Center Authority
daniel.mcconaghy@riccauth.com

Finding 2020-023 – Corrective Action Plan

The District agrees with the finding. The District also agrees with the recommendation.

Management will correct the material weakness by ensuring adequate staffing including training the processes and software involved, appropriate controls related to authorization and review of recorded transactions, and timely recording of transactions and reconciliations.

Anticipated Completion Date: Ongoing

Contact Person: Keree J. Simmons, Director of Finance
Central Falls School District
simmonsk@cfschools.net

Finding 2020-024 – Corrective Action Plan

The District agrees with the finding. The District also agrees with the recommendation.

Management will correct the noted significant deficiencies by hiring a third party to complete an inventory of all capital assets. Management will then incorporate this information into the financial software system.

Anticipated Completion Date: Ongoing

Contact Person: Keree J. Simmons, Director of Finance
Central Falls School District
simmonsk@cfschools.net

Finding 2020-025 – Corrective Action Plan

Corrective action to be taken by Program Manager.

Anticipated Completion Date: Ongoing

Contact Person: Chris Civittolo, Director of 529 Savings Programs
Office of the General Treasurer
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Finding 2020-026 – Corrective Action Plan

Automated Password reset functionality for privileged system users has been implemented and validated in March 2020. Automated Password reset functionality for the client population is scheduled for June 30, 2021.

Enhanced Access Control procedures assure the monitoring of RIBridges privileged user access is granted and terminated in alignment with the applicable AC family security controls for the RIBridges system. Active User reports and Role change reports are distributed monthly to the agencies to support the monitoring effort.

A monthly report has been developed to capture the privileged changes in worker accounts which is reviewed by account managers monthly. Access by the privileged Deloitte and NTT system administrators is managed by the Deloitte technical manager. The state periodically reviews the users that have access to the Oracle database as well as the RIBridges VPN users to assure staff has appropriate access to the infrastructure. A formal process to review the status and activities of the Deloitte system admins for all infrastructure components is under review and will be published in CY2021Q4. The process will meet a pub 1075 requirement for Deloitte to perform an annual attestation that the process is followed, and accounts are reviewed on a semiannual basis.

Anticipated Completion Date: December 31, 2021

Contact Person: Deb Merrill, Information Processing Officer
Department of Administration, Division of Information Technology
deb.merrill@doit.ri.gov

Finding 2020-027 – Corrective Action Plan

DoIT has developed an Information Technology Security and Risk Program Management policy, PM-1 to address security program development and planning for low to moderate risk information technology systems. The purpose of the policy is to establish the statewide security program for Rhode Island State agencies and the state network to 1) protect the state's IT infrastructure and data, 2) provide a consistent framework for system assessment and authorization and 3) establish standards to manage technology, risks, and increase consistency and accessibility. The policy requires the adoption of the National Institute of Standards Technology (NIST) Special Publication 800-37 Guide for Applying Risk Management Framework (RMF) for Federal Information Systems, as the standard for managing information security risk in State IT resources and NIST SP 800-53 as the foundation for identifying and implementing security controls. This policy has been implemented in RIBridges as it is in alignment with the CMS MARS-E v2 security framework which is an extension of the NIST Risk Management Framework for risk category level 2 data. The MMIS also has a System Security Plan that determines the way systems are developed, tested, deployed and operated.

In order to meet the ADP Risk Analysis and System Security Review requirements, the 2021 CMS required Information Security Risk Assessment for RIBridges will be planned to extend the assessment of the MMIS system.

The planned 2021 Information Security Risk Assessment (ISRA) for RIBridges is an overarching assessment of the system security risk and will be extended to consider interdependencies with other systems or business functions that may introduce new threats to the system or business function under review. The UHIP System ISRA Risks and Safeguards Table describes the impacted business function, threat, vulnerability, business impact, controls in place, likelihood and impact of occurrence, resulting risk level and mitigation. The identified vulnerabilities and mitigations will be tracked on the Plan of Action and Milestones submitted to CMS on a quarterly schedule. The ISRA is reviewed annually or when significant system changes occur.

Anticipated Completion Date: December 31, 2021

Contact Person: Deb Merrill, Information Processing Officer
Department of Administration, Division of Information Technology
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Finding 2020-028 – Corrective Action Plan

To enhance review and follow-up on SOC reports, DHS Financial Management will coordinate with the EBT contract manager to evaluate SOC reports findings and to review user entity controls identified in the report. During the annual SOC review, DHS Financial Management will notify EBT contract manager of any findings or deficiencies reported. The contract manager will contact the EBT vendor and review any corrective action plans (CAP) from the SOC report. They will verify that the CAP has been implemented and resolved or if there needs to be additional follow up on any unresolved findings. DHS and the EBT contract manager will additionally review the user entity controls identified in the report.

Anticipated Completion Date: June 2022

Contact Person: Jennifer Pate, Assistant Director, Financial and Contract Management
Department of Human Services
jennifer.pate@dhs.ri.gov

Finding 2020-029 – Corrective Action Plan

Program will request and review all Service Organization Control (SOC) Reports from all applicable vendors to determine if relevant controls have been suitably designed and are operating effectively.

Program will review the past due SOC Reports against the State's Checklist to determine if the service organizations have appropriate control procedures in place to obtain reasonable assurance of compliance with federal laws and regulations and submit to RIDOH Finance for review and submittal to DOA within the month of July 2021.

Program will ensure to request annual SOC Reports, where possible, and review against the State's Checklist to determine if the service organizations have appropriate control procedures in place to obtain reasonable assurance of compliance with federal laws and regulations and submit to RIDOH finance to review and submittal to DOA on an annual basis, as required in the policy.

Anticipated Completion Date: July 31, 2021

Contact Person: Lori Zelano, Chief Financial Officer
Department of Health
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Finding 2020-030 – Corrective Action Plan

DLT has implemented numerous controls and processes designed to identify and mitigate fraudulent claims and continues to do so. DLT's overall fraud strategy will be incorporated into the design of its new UI system currently under development.

Anticipated Completion Date: Ongoing

Contact Person: Kathy Catanzaro, Administrator, Operations Management
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kathy.catanzaro@dlt.ri.gov

Finding 2020-031 – Corrective Action Plan

The impacts of COVID continue to restrict the time the IT programming staff can spend on other assignments. As the claim volume continues to decrease over the next few months, the Administrator of the Benefit Payment Control unit will begin to oversee the process of programming this requirement. UI Business was working closely with DoIT in the months before the COVID crisis to complete programming to incorporate the 15% penalty. This work was obviously deprioritized in favor of the need to program the numerous federal programs and extensions required of all states at the onset of the COVID pandemic. We will return focus to this project when COVID-related projects begin to subside.

Anticipated Completion Date: March 31, 2022

Contact Person: Kathy Catanzaro, Administrator, Operations Management
Department of Labor and Training
kathy.catanzaro@dlt.ri.gov

Finding 2020-032 – Corrective Action Plan

For the period ending June 30, 2020, DLT management was just beginning to understand the impacts of impostor fraud activity on the CARES Act programs. Historically, impostor fraud was insignificant if not almost nonexistent for UI in Rhode Island. The Department did not have a mechanism to report the handful of claims that reported impostor fraud activity prior to the pandemic. Impostor fraud claims significantly increased with the passing of the CARES act, specifically the PUA program. Because there had been no outlined process to address this type of overpayment in the past, decisions were made with the limited resources and no federal guidance received on this topic. The Department had no choice but to quickly adopt alternative methods to flag the imposter fraud claims and overpayments.

While we are confidently aware of the monetary impact these impostor fraud claims have created, the benefit payments associated with these claims have not been included in an adjudication determination resulting in an overpayment of benefits through a traditional determination. Therefore, the benefit payments have not been reported on the 227 report. Additionally, new guidance received on April 13, 2021 provides states with federal instruction on how to properly determine a claim has been impacted and overpaid in association with imposter fraud.

Over the past several months we have worked with our IT staff to create an automated process for flagging and overpaying benefits determined to be made to fraudsters. When this programming is complete the Department will be able to easily identify numbers for the 227 report. UI Leadership and DLT Executive to determine what action the State is required to take in relation with these imposter fraud claims and overpayments.

Anticipated Completion Date: March 31, 2022

Contact Person: Kathy Catanzaro, Administrator, Operations Management
Department of Labor and Training
kathy.catanzaro@dlt.ri.gov

Finding 2020-033 – Corrective Action Plan

2020-033a – The Pandemic Recovery Office instituted tighter internal controls over the approval and use of these funds. Each approval is now documented and recorded in a centralized database, the requesting program staff are notified of this approval and the budget office, grant office and pandemic recovery office have access to view approvals.

2020-033b – The Pandemic Recovery Office instituted a new payroll policy which incorporates the US Treasury criteria to tighten controls over general ledger adjustments and direct charges of payroll and benefits to the pandemic accounts.

Anticipated Completion Date: June 30, 2021

Contact Person: Dorothy Z. Pascale, Director
Department of Administration, Pandemic Recovery Office
dorothy.pascale@audits.ri.gov

Finding 2020-034 – Corrective Action Plan

The Pandemic Recovery Office has delegated the oversight of this function to the program administering the payments. The program continues to monitor and reconcile these payments on a monthly basis. We expect to collect all amounts in accordance with the criteria established under the Cares Act.

Anticipated Completion Date: June 30, 2021

Contact Person: Dorothy Z. Pascale, Director
Department of Administration, Pandemic Recovery Office
dorothy.pascale@audits.ri.gov

Finding 2020-035 – Corrective Action Plan

The deficiency noted in the audit occurred under the department's previous leadership during the COVID-19 pandemic. Since this deficiency was noted, the Department staff have been directed to establish a list of active sole source procurements. The Department will use this list to verify any potential sole source procurements going forward.

Should a proposed vendor not be on the list, the proposed procurement will not occur until sole source policies are followed, including checking to see if the vendor has been debarred or suspended. This list will be maintained by the Contract's manager and will be available to procurement staff.

Anticipated Completion Date: Completed

Contact Person: Paul DiIorio, Director of Accounting
Rhode Island Public Transit Authority
pdiiorio@ripta.com

Finding 2020-036 – Corrective Action Plan

RIPTA obtained the signed Subrecipient Agreement on February 11, 2021 for the subaward active during the 2020 fiscal year. Going forward, RIPTA will follow its subrecipient policies and procedures, including obtaining timely executed grant award notices and subrecipient agreements, as well as keeping well-documented subrecipient monitoring files. The monitoring files will include a reporting schedule and itemized invoices to properly track spending.

Anticipated Completion Date: Completed

Contact Person: Paul DiIorio, Director of Accounting
Rhode Island Public Transit Authority
pdiiorio@ripta.com

Finding 2020-037 – Corrective Action Plan

An internal investigation was conducted after the audit finding. It was discovered that the process developed to generate disbursement notifications was generating three emails for each award item (federal, institutional, state, private, etc.) disbursed to each student daily, resulting in thousands of emails being sent to the outgoing mail server and consequently, creating the potential for a backlog and/or for it to be overloaded.

Code for the process was updated to:

1) Select only those disbursements required by 34 CFR Section 668.165(a) to reduce the volume of unnecessary emails being generated, and
2) Refine the SEND MAIL function to eliminate the redundancy in the email generation component of the process by sending one copy to the recipients' institutional email account and one copy to the Sending Account to for record-keeping purposes.

To ensure continued compliance, an internal auditing process was developed which involved creating two new database tables in the institution's SIS (Oracle PeopleSoft) to track outgoing mail messages and the success/failure of the outgoing email generation process. Tracking provides reporting of send-mail failures in addition to comparative counts of generated outgoing disbursement notification emails versus emails sent by the outgoing email server.

Anticipated Completion Date: Effective Immediately

Contact Person: Bonnie Saccucci, Director-Financial Aid
University of Rhode Island
bsaccucci@uri.edu

Finding 2020-038 – Corrective Action Plan

The College agrees with the finding.

Based on the finding, the Record Office will work to implement a process to be sure graduates are reported to the National Student Clearinghouse within the required time frame. We will work with our Management Information Systems team to create the required queries to check for these students. In addition, we will also need to make sure the students in dual programs that include a certificate, are counted in our queries as there is no policy stating that students need to complete both the degree and certificate in the same semester.

Anticipated Completion Date:	The queries were completed within 4 weeks' time where implementation happened immediately after the first-degree completion submission to the National Student Clearinghouse.
Contact Person:	Tamecka Hardmon, Director of Records Rhode Island College *thardmon_7431@ric.edu*

Finding 2020-039 – Corrective Action Plan

The Community College agrees with the finding. Two of the students reported in this finding were the result of the late R2T4 calculations (Finding number 2020-040). The late determination of these students' unofficial withdraws, in turn, resulted in the late reporting to NSLDS of withdrawal from the Community College.

The Community College has been actively working to improve the timeliness and accuracy of NSLDS reporting. In 2019, a subject matter expert was brought in for a one-week engagement to review the existing processes and recommend improvements. The Enrollment Services team members will continue to monitor enrollment reporting and have also worked with a resource from National Student Clearinghouse to effectively respond to error reports.

Anticipated Completion Date:	Many of the recommended changes were already implemented during the 2019-2020 academic year, and the impact of these enhancements will be fully realized during the 2020-2021 academic year and moving forward.
Contact Person:	Kelly Morrissey, Director of Financial Aid Community College of Rhode Island *kamorrissey@ccri.edu*

Finding 2020-040 – Corrective Action Plan

The Community College agrees with the finding.

The Community College has refined its process for identifying students who are considered "unofficial withdrawals" and are subject to the Return of Title IV funds. The process is run immediately after the grading period each term to ensure that R2T4's are calculated in a timely manner.

Anticipated Completion Date:	The update was implemented within the past year and will continue for future terms.

Contact Person:	Kelly Morrissey, Director of Financial Aid Community College of Rhode Island *kamorrissey@ccri.edu*

Finding 2020-041 – Corrective Action Plan

The State and the Systems Integrator have a plan in place to ensure that full functionality for the TANF program is delivered. Enhancements have been made to the system to correct documentation, including scanning and document availability. Document verification and use of available resources like SSA, new hire, SWICA and the Work Number are available for the field staff to use.

Additional training for the field staff is being conducted to ensure that both documentation and resources are utilized for TANF. Field staff will be asked to verify all documentation during interim and recertifications.

Anticipated Completion Date:	June 2022
Contact Person:	Kimberly Rauch, RIW Administrator Department of Human Services *kimberly.rauch@dhs.ri.gov*

Finding 2020-042 – Corrective Action Plan

The State and Systems Integrator continue to make system & staffing improvements to ensure TANF regulations are followed. A new report, DQ-003, was implemented in July 2018, this was provided to the field to track, call, and place all clients in plans before the end of the current plan. Additionally, new RI Works / TANF training for staff has been implemented, training is for both Eligibility Technicians and Employment & Career Advisors (ECAs).

Supervisors are reviewing cases due to supervisor only approvals. The system requires that supervisors review all “other” hardship cases. Additionally, supervisors have to assign task/cases for workers out of the Worker In Box (WIB). Each supervisor reviews these cases thoroughly to ensure accuracy.

Anticipated Completion Date:	Completed
Contact Person:	Kimberly Rauch, RIW Administrator Department of Human Services *kimberly.rauch@dhs.ri.gov*

Finding 2020-043 – Corrective Action Plan

The State and Systems Integrator teams are working to operationalize income verification for RI Works / TANF and anticipate its implementation during FFY 2022. The immigration status information maintained by the INS interfaces was previously in production. The SSA interface was implemented during FFY 2018. Additional interfaces were activated in December 2019 including SWICA. Furthermore, TANF staff and eligibility staff have had access to “The Work Number” throughout the year for the purpose of additional wage verification. Additional training for the field staff is being conducted to ensure that both documentation and resources are utilized for TANF.

Anticipated Completion Date:	May 2022

Contact Person: Kimberly Rauch, RIW Administrator
Department of Human Services
kimberly.rauch@dhs.ri.gov

Finding 2020-044 – Corrective Action Plan

2020-044a – Financial management has been revising our subrecipient risk assessment procedures with the goal of incorporating consideration of major programs in subrecipient Single Audits and other factors. Due to pandemic-related staff shortages, we were not able to fully communicate new procedures throughout our division, but plan to have the new process implemented by the end of SFY22.

2020-044b – Going forward, DHS will assemble a list of all subrecipients and verify that management decision letters are issued to all subrecipients. Each year, DHS has been making progress toward this goal and will continue to improve this process.

Anticipated Completion Date: June 2022

Contact Person: Jennifer Pate, Assistant Director, Financial and Contract Management
Department of Human Services
jennifer.pate@dhs.ri.gov

Finding 2020-045 – Corrective Action Plan

Due to restrictions imposed by the COVID-19 pandemic, it was impossible to conduct on-site monitoring visits prior to 6/30/20. As discussed and planned with Auditors, the department will conduct on-site monitoring visits of all sub-recipients as soon as COVID restrictions are lifted and sub-recipients are back working in their offices. Even though the Single Audits of 3 or 4 of the 7 sub-recipients include LIHEAP as a major program, the timing of the audits and publishing of the audit report does not result in timely information for monitoring purposes and so it is decided to monitor all sub-recipients regardless of whether LIHEAP has been audited as a major program or not.

Anticipated Completion Date: September 30, 2021

Contact Person: Brad Auger, Principal Human Services Business Officer
Department of Human Services
brad.auger@dhs.ri.gov

Finding 2020-046 – Corrective Action Plan

The Department of Human Services (DHS) distinguishes federal award years in the contracts' Agreement Approval Forms (Bucksheets) and identified earmarkings and award years with the use of naming conventions for invoices. DHS also has established sub-accounts and cost centers within the LIHEAP Line Account to facilitate tracking of award years and earmarkings within the RIFANS system, effective September 15, 2020.

Anticipated Completion Date: September 15, 2020

Contact Person: Brad Auger, Principal Human Services Business Officer
Department of Human Services
brad.auger@dhs.ri.gov

Finding 2020-047 – Corrective Action Plan

In July 2020, Hancock Software upgraded the software that Rhode Island uses to manage the LIHEAP applications, eligibility determination, invoicing, and reporting. Data from FFY 2020 was migrated to the new system, but the FFY 2020 data was not available in some new reports in the upgrade making it difficult to examine the data in a particularized way. The upgraded system offers greater reporting and data exporting options for DHS and the subrecipients. As a result, we are confident that starting with FFY 2021 data, we will have the ability see the data in multiple views and reports ensuring that federal reports are supported by data in Hancock.

DHS will allow more time for the federal report review process so multiple people will review the reports in order to detect issues or inconsistencies prior to submission.

Anticipated Completion Date: December 31, 2021

Contact Person: Deirdre Weedon, Chief, Program Development - LIHEAP
Department of Human Services
deirdre.weedon@dhs.ri.gov

Finding 2020-048 – Corrective Action Plan

The SOC for Hancock software is being developed, and Hancock Software has stated that it will be available by the end of the Summer 2021.

DHS has already initiated work with Hancock Software to imbed an automatically required change in passwords by users. This should be in place by the Fall of 2021.

Anticipated Completion Date: September 30, 2021

Contact Person: Deirdre Weedon, Chief, Program Development - LIHEAP
Department of Human Services
deirdre.weedon@dhs.ri.gov

Finding 2020-049 – Corrective Action Plan

2020-049a – The State has a plan in place to ensure the full functionality of the CCDF program is delivered. Enhancements have been made to the system to correct documentation, including scanning and document availability. Additional training for the field staff will be prioritized to ensure consistency across the CCDF program as it relates to parent earnings and co-shares. Field staff are expected to verify documentation during initial eligibility, as well as at time of recertification and training will be conducted to ensure this understanding is shared across the field and consistent practices are in place to validate income and determine the family co-share.

Additional enhancements have also been made to interfaces used for verification purposes. Training to ensure these interfaces are utilized and documented appropriately will also be prioritized.

Anticipated Completion Date: June 2022

2020-049b – The State has mechanisms in place to track the timeliness of recertifications and the CCDF program staff will follow up with the field when necessary to ensure cases are worked correctly.

Anticipated Completion Date: Completed

Contact Person: Hannah Hansen, Administrator, Child Care
Department of Human Services
hannah.hansen@dhs.ri.gov

Finding 2020-050 – Corrective Action Plan

Cost Allocation Plan (CAP) inputs are provided to Public Consulting Group (PCG), the CAP Consultant, on a quarterly basis. The information is then added into a complex quality analysis program by PCG. This information is broken down into two areas; one for the input and two for quality control assurance review. The information then compares the input numbers provided by DCYF to the Final Grouper Report produced by PCG. The Final Grouper contains the final inputs that are fed into the CAP. This reconciliation process completed each quarter ensures that the cost allocation plan inputs are valid and accurate. DCYF has requested an analysis of this information from PCG each quarter for reconciliation of all inputs.

DCYF has seasoned professionals with many years of cost allocation experience working successfully with the consultant, the Administration of Children and Families, the federal department of Cost Allocation Services, Rhode Island's Office of Health and Human Services, Accounts and Control, and other state agencies, to develop cost allocation methodologies, procure cost allocation services, navigate federal audits, answer inquires, trouble shoot issues and manage operations of the cost allocation plan and for federal grant reporting. It was noted by DCYF that the auditor had many technical questions about the methodologies and internal calculations used in the Allocap Program used by the consultant. To maximize efficiency and mitigate reduction in budgetary resources, DCYF contracted with PCG, for cost allocation support and proper calculation in the plan due to the significant complexities in AlloCAP. If the DCYF staff are required for further and more detailed reviews to ensure better controls and compliance with federal regulations, additional resources may be required to develop this process.

Invoicing for Child Placement Agencies (CPAs) during FY20 included a single invoice for both service costs and administrative costs. CPAs would pay Providers (foster parents) from the services revenue and retain the administrative portion to pay for clinical services and administrative expenses. This made it difficult for auditors to trace the administrative costs to the general ledger. This practice has since been discontinued. The CPA provider is no longer paid for service costs. Payments made to the CPA providers are for administrative costs only. This new invoicing practice will allow for a direct comparison of administrative costs paid to CPA providers and the costs paid on RIFANS. *This process went into effect August of 2020.*

Lastly, DCYF will establish measures to adjust the state's accounting system as a result of the cost allocation process, once the CAP results are available at the close of each quarter. This reconciliation process will begin effective June 30, 2021.

Anticipated Completion Date: August 2020

Contact Person: Leo Fortier, Chief Human Services Business Officer
Department of Children, Youth & Families
leo.fortier@dcyf.ri.gov

Finding 2020-051 – Corrective Action Plan

DCYF will review appropriate timelines regarding the quality control process with our third-party contracted vendors and set a timeline for completion of monthly data reviews. These reviews should be accomplished with a target completion for no later than three months from the completion of the initial eligibility.

DCYF plans to have procedures in place NLT September 1, 2021.

Anticipated Completion Date: September 1, 2021

Contact Person: Lisa McInnis, Principle HSP & SS
Department of Children, Youth & Families
lisa.mcinnis@dcyf.ri.gov

Finding 2020-052 – Corrective Action Plan

DCYF will continue to collaborate with the Courts and enhance internal protocols with the Permanency Units to establish a central filing process/system for all adoption related records.

The Licensing findings predate the current protocols established for verification by DCYF. <u>All cases since 2017 were found to have no issues.</u>

Anticipated Completion Date: June 30, 2021

Contact Person: Lisa McInnis, Principle HSP & SS
Department of Children, Youth & Families
lisa.mcinnis@dcyf.ri.gov

Finding 2020-053 – Corrective Action Plan

EOHHS acknowledges that the maintenance of CHIP eligibility between two systems weakens controls over the overall CHIP eligibility but affirms that the manual procedures in place are sufficient as interim business processes while longer-term system enhancements are being designed and implemented. Further, as you can see below, there are numerous mitigating circumstances surrounding the RIOAG findings.

Of the 10 exceptions noted, only one (1) was related a child not aging out upon turning 19. In this case, system processes correctly identified the individual and put them through the age out process; however, an exception occurred which required manual intervention by staff. In the interim, while that exception task was in the worker queue, the individual remained in the prior age category. The exception pausing a change of eligibility is a standard practice within RIBridges and allows for field staff to correct any exceptions to the automated process. As such, EOHHS rejects this finding as a material weakness.

Of the 10 exceptions noted, 5 are related to verification of self-employment income, which will be addressed by the Beneficiaries, Earnings, and Exchange Record System (BEERS) interface planned for a FY22 RI Bridges release.

Another 2 of the 10 exceptions were reported due to the existence of Third Party Insurance. EOHHS accepts this finding and is working with their eligibility vendor to appropriately identify and classify these circumstances within the eligibility determination.

The exception regarding the failure to update a newborn's SSN was due to an error message from the SSA interface. Since SSA was unable to provide a valid response, the individual's SSN remained unverified until it was manually updated by a worker.

The finding (1) regarding procedures for validating out of state income is valid. EOHHS does not currently have an automated process in place to verify income that is not reported to the Department of Labor and Training via the SWICA interface. However, RI Bridges does validate IRS income data if no records are found in the SWICA interface tables. Understandably, this data validation is delayed as it's only obtained annually.

Anticipated Completion Date: CY22 (BEERs Interface); TBD (CHIP/TPL)

Contact Person: Brian Tichenor, Implementation Director for RIBridges, Medicaid
Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov

Finding 2020-054 – Corrective Action Plan

Controls Over Inpatient Hospital Rate Setting: As OAG suggests, EOHHS should better clarify its current process in the State Plan or confirm with CMS that its current level of review sufficiently satisfies CMS requirements. The language above does not require adjustments be made unless access to quality care is jeopardized or budgetary changes require it. The State last adjusted its DRG relative weights in 2012 and changed a sole policy adjuster for NICU diagnosis codes in 2016. Because the General Assembly has traditionally directed EOHHS how to revise its DRG Base Price, EOHHS' primary consideration has been to budget allocations. EOHHS will contact CMS to confirm current practice is in alignment with the State Plan or put forth a State Plan Amendment to clarify current practice if needed. Although EOHHS can include such a review in a State Plan Amendment, rate changes are still subject to legislative approval.

Anticipated Completion Date: July 2022

Controls Over Nursing Facility Rate Setting: As noted by the OAG finding, the State Plan includes requirements for a triennial rate review that EOHHS has not implemented. Note that federal regulations do not require triennial rate reviews. Because the General Assembly has traditionally set the allowable nursing facility rate increase (i.e., our rates are price-based), EOHHS has not implemented a rate review process. Further, EOHHS notes that as nursing facility is based on RUG-IV, per-diem rates per nursing home resident are adjusted based on resident acuity in the current model to take into account differences in potential acuity- based costs. EOHHS will contact CMS and pursue a State Plan Amendment to clarify current practice by eliminating reference to the rate review process, given that current rate setting process is not cost based.

As noted by the OAG finding, the State Plan says "the state will conduct audits of the financial and statistical records of each participating provider in operation. Audits will be conducted under generally accepted auditing standards and will ensure that providers are reporting under generally accepted auditing standards. Audits include any tests of the provider's records deemed necessary to ascertain that costs are proper and in accordance with Medicaid principles of reimbursement and that personal needs accountability follows existing regulations. The knowing and willful inclusion on non-business-related expenses, non-patient related expenses, or costs incurred in violation of the prudent buyer concept may be subject to criminal and/or civil sanctions. Failure of auditors of EOHHS to identify the above items or their adjustment of same shall not constitute a waiver of any civil or criminal penalty."

Because the rates are not cost-based, there is no need for such audits. 42 CFR § 447.202 notes "The Medicaid agency must assure appropriate audit of records *if payment is based on costs of services* or on a fee plus cost of materials." EOHHS will pursue an amendment to remove the audit requirement from its State Plan given the rates are not cost-based.

Anticipated Completion Date: July 2022

Contact Person: Dezeree Hodish, Assistant Director, Contract and Financial Management
Executive Office of Health and Human Services
dezeree.hodish@ohhs.ri.gov

Finding 2020-055 – Corrective Action Plan

As the "payer of last resort" EOHHS understands the importance of timely and accurate identification of TPL data. Within our MMIS, TPL data is matched to active Medicaid recipients monthly. For FFS claims, if claims are paid before TPL is known to the system, claims payments are recouped or adjusted accordingly. If TPL is known when a claim is adjudicated, the claim with cost avoid.

EOHHS has long relied on their MCO partners to source and maintain their own TPL data. Looking ahead, EOHHS sees this as an area of opportunity and will work to revise MCO partner contract language and associated systems to include a full-circle exchange of all TPL coverages. We are exploring these possible contract changes through the re-procurement process.

Regarding the MCO capitation rates EOHHS currently reduces both the baseline medical experience used to develop the certified capitation rates and the plan's reported medical expense used for year-end contract settlement by the amount of TPL recoveries reported by the health plans. Each health plan formally attests to the accuracy of the reported TPL recoveries included in the FDCR report, which forms the basis for the capitation rate development. EOHHS will initiate discussions with the health plans to develop a process for identifying claims that should not have been paid by each plan for members known by EOHHS to have TPL during each contract period. This is not a simple as disallowing all claims for members with known TPL as suggested by the RIOAG because this would require each plan to re-adjudicate each claim to determine what (if any) portion remains for the MCO to cover after payment by the third party insurer. For example, the MCO would still be responsible for paying the members' out of pocket costs.

Anticipated Completion Date: July 2022

Contact Person: Nicole Nelson, IT Systems Director, Medicaid
Executive Office of Health and Human Services
nicole.nelson@ohhs.ri.gov

Finding 2020-056 – Corrective Action Plan

The requirements that were cited by RIOAG were not included in the Appendix K authority that EOHHS received on May 7, 2020. The Appendix K simply states that "OHHS proposes to pay retainers to all direct care HCBS providers who normally provide services that include personal care, as well as habilitation that includes a component of personal care, based on past paid claims data prior to the COVID-19 emergency. The retainer program will continue until the termination of the emergency declaration, provided, however, that programs may receive payments for any beneficiary who continues to be hospitalized or quarantined after the termination of the emergency. Retainer payments cannot be provided for more than 30 consecutive days." There are no requirements that match those that the RIOAG has mentioned.

On June 30, 2020, CMS wrote in an FAQ document that the requirements mentioned by RIOAG would be included for future retainer payments. As such, the new requirements that RIOAG mentioned above were included in the Appendix K authority that EOHHS received on August 13, 2020. There were two retainer payments and the above responses are for retainer payment one.

BHDDH has been in discussion with the providers to ensure the necessary compliance is obtained to meet the federal regulations provided. There have been several meetings and at this writing, OMB and BHDDH are in the process of supplying the required attestation to the providers for signature. As well, a hardship fund has been created for those that do not feel they can attest to the required items. There will be an offset to future Medicaid funds for the remainder FMAP dollars to return funds.

Anticipated Completion Date: FYE 2021 (offset of funds)

Contact Person: Jennifer White, Chief Financial Officer
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
jennifer.white@bhddh.ri.gov

Auditor Response:

The Office of the Auditor General acknowledges a complex timeline of federal communications regarding retainer payments for Home and Community Based Services. Two series of retainer payments were made in fiscal 2020, the first in April 2020 totaled a Medicaid federal share of $2.8 million subject to the Appendix K authority described above that authorized retainer payments not to exceed 30 days. The second in May 2020 also totaled a Medicaid federal share of $2.8 million and was subject to the provisions of the second referenced Medicaid State Plan amendment which allowed for retainer payments beyond 30-days but also included additional requirements for allowability. The first payment remains questioned due the lack of documentation regarding the provider's loss of revenue. To date, BHDDH has provided no subsequent analysis of provider revenue to substantiate the loss of revenue requirement that was an existing requirement for retainer payments to be allowable even prior to the public health emergency. The second payment also remains questioned due to the noncompliance with the requirement to obtain a provider attestation regarding the receipt of funding from other federal sources (in addition to the "provider revenue loss" documentation) requirement.

Finding 2020-057 – Corrective Action Plan

We have not yet added the PRTF to the ISA. This is planned for later this calendar year. As noted, we do not believe that use of these funds is out of compliance with CMS regulations, but further legal work on the ISA is needed for complete compliance.

The PRTF should be billed directly to the MMIS around August 2021. The Medicaid program continues to work with DCYF on the PRTF and other billing transformations. Given the increased reliance on Medicaid funding throughout the State, EOHHS will also review the legal resources necessary to comply with federal regulations and keep ISAs and other similar agreements up to date for compliance in preparation for the FY 23 budget process.

Anticipated Completion Date: Fall 2021 (PRTF)

Contact Person: Jason Lyon, Administrator for Children's Services, Medicaid
Executive Office of Health and Human Services
jason.lyon@ohhs.ri.gov

Finding 2020-058 – Corrective Action Plan

As recommended, EOHHS will be incorporating NCCI edit requirements into the next round of MCO Procurement contracts.

In terms of inclusion of NCCI in the SOC audit, EOHHS has performed some state outreach and can find no other example where SOC audits included this type of review. Due to the anticipated added expense if EOHHS were to pursue this level of review, we will weigh this decision the start of the next audit period.

Anticipated Completion Date: July 2022 (MCO Contract)

Contact Person: Nicole Nelson, IT Systems Director, Medicaid
Executive Office of Health and Human Services
nicole.nelson@ohhs.ri.gov

Finding 2020-059 – Corrective Action Plan

EOHHS would like to stress the time and effort countless individuals have dedicated to fixing and enhancing the State's Medicaid eligibility system in 2020. During this period, we saw our Medicaid population increase by nearly 45,000 lives and we have maintained minimal essential coverage throughout the PHE. Several of the outcomes we'd hoped to achieve during this year weren't possible due to the shift in focus that was needed to comply with Federal requirements regarding maintenance of health care coverage.

Of the 30 total exceptions uncovered in this review, 12 examples where a result of SWICA data displaying summary records that did not match the SWICA data used in the point-in-time eligibility determinations. In 2019, new audit tables were made available to assist our auditors in viewing data on individual cases. While this SWICA data exists in our database, the point-in-time data is not viewable by the auditors. To make the SWICA history available, additional system modifications will be necessary. JIRA ticket # RIB-137558.

Another 13 exceptions covered in this finding are related to worker errors where manual procedures for working exceptions or updating documentation on cases were not followed. Additional training will be offered in these areas.

5 of the reported exceptions were the result of overdue terminations. EOHHS was on track to clean-up all overdue terminations (approximately 2,000 remaining in February 2020) just as the federally mandated Public Health Emergency (PHE) began. Over the course of FY2020, EOHHS worked with their eligibility system vendor to tighten controls over the Medicaid termination processes including improvements to notice language, termination logic and procedures to fully evaluate all terminations ex parte. The PHE, enacted in March 2020, forced EOHHS to implement several system mitigations that consequently increased the number of eligibility discrepancies. This was a planned and expected outcome, as the continuous coverage requirement prevents the Program from terminating Medicaid eligibility, with the only exceptions being if the member is deceased, moves out of state, or voluntarily requests a withdrawal of their coverage. Also, in response to the PHE, EOHHS ceased executing its annual redeterminations process in May 2020, but ensured all beneficiaries with pending renewal dates (July 1st 2019 – March 19th 2020) were renewed for all eligibility categories.

During FY20, EOHHS continued to make improvements to automatically identify and terminate Medicaid eligibility for deceased individuals. Certain populations (i.e. LTSS) require manual worker interventions to ensure that specific case data is up to date prior to processing the closure due to the death. This may result in lag time between actual date of death and case closure. To mitigate these delays, a new process was implemented within the MMIS to auto-close all eligibility and enrollment segments and retroactively recoup capitation payments upon notification of death.

Anticipated Completion Date: 6 - 12 months following PHE end (overdue terminations)

Contact Person: Brian Tichenor, Implementation Director for RIBridges, Medicaid
Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov

Finding 2020-060 – Corrective Action Plan

In late 2019, timeliness of application processing was identified as an inefficiency, both as an operational/worker process and a systematic ability to accurately monitor the process. LTSS being the largest contributor to untimely application processing in 2019, EOHHS targeted efforts to improve tracking and accurately capture the timeliness metric. In early 2020, improvements to metrics dashboards and worker processing improved LTSS application processing from 16% in February 2020 to 94% as of May 2021, with a dramatically reduced backlog of only 39 LTSS pending applications. Though the improvements in 2020 were focused on LTSS, EOHHS did observe a modest increase in non-MAGI numbers overall, but had no impact on MAGI timeliness, which has remained between 80-90%. EOHHS has scheduled corrections to system logic batch processing and dashboard accuracy for 2021, which should improve timeliness metrics for MAGI, Complex Medicaid, and Emergency Medicaid.

Anticipated Completion Date: Ongoing

Contact Person: Brian Tichenor, Implementation Director for RIBridges, Medicaid
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Finding 2020-061 – Corrective Action Plan

Over the course of FY2020, EOHHS worked with their eligibility system vendor to tighten controls over the Medicaid termination processes including improvements to notice language, termination logic and procedures to fully evaluate all terminations exparte. However, the federally mandated Public Health Emergency, enacted in March 2020, has caused the number of eligibility discrepancies to increase. This is an expected outcome as the continuous coverage requirement prevents RI Bridges from terminating Medicaid eligibility. RIOAG affirms this in their finding. The only exceptions are if the member is deceased, moves out of state, or voluntarily requests a withdrawal of their coverage. As a result of this system mitigation, EOHHS has seen the eligibility discrepancies between the two systems increase from 2,000 in early CY2020 to just over 21,000 individuals in late June 2021. This issue is repeated in finding 2020-059.

Aside from the PHE requirement to maintain coverage for individuals, other areas of discrepancy between the two systems have improved. For example, the list of duplicate cases has been worked down from 1,832 to just 245 remaining to be worked.

Anticipated Completion Date: 6 - 12 months following PHE end (overdue terminations)

Contact Person: Nicole Nelson, IT Systems Director, Medicaid
Executive Office of Health and Human Services
nicole.nelson@ohhs.ri.gov

Finding 2020-062 – Corrective Action Plan

2020-062a - By June 2022 the agency will work with the Office of the Auditor General to conduct a more targeted formal risk assessment process to determine where additional controls and other data validation procedures are required to improve baseline performance in ensuring accurate financial reporting.

2020-062b – MCO contract settlements are based on MCO submitted reporting and validated against accepted encounter claims in the MMIS. EOHHS recognizes that encounter data alone would be more acceptable to the auditor given it is validated as for eligible members and expenses. That said, it is not possible to rely solely on encounter data because many valid medical expenses are not submitted by the health plans as "encounters" (for example, claims recoveries where the claim is not re-adjudicated, reinsurance premiums and reinsurance recoveries, pharmaceutical rebates, among others). In SFY21, EOHHS proposed moving our MCOs to full risk capitation which would have eliminated the need for risk share settlements entirely. This was not enacted, and EOHHS did not propose it again in SFY22 due to the pandemic and CMS' encouragement of risk corridors. However, EOHHS will move in this direction as soon as is feasible and is looking at this option through the MCO procurement process.

In the interim, EOHHS is pursuing the following changes:

- To strengthen oversight of risk share settlement, EOHHS will incorporate additional audit provisions into the settlement process to validate general ledger adjustment items. Specific areas that will be audited include: reinsurance premiums, reinsurance recoveries, pharmaceutical rebates, and claims recoveries. Additionally, EOHHS will require that final settlements are fully reconciled to audited financial statements and annual NAIC financial reporting, which is consistent with current practice for setting the capitation rates. Starting in SFY 2020, plan reported expenses used to develop the capitation rates are reported in a quarterly Financial Data Cost Report (FDCR) and an annual MCO Survey. These reported expenditures are reconciled by each plan to their annual NAIC statements. [check if also includes audited financials].
- To improve the completeness of MCO encounter data, relied upon for rate setting and final settlement, EOHHS will continue to improve adjudication of MCO encounter data to provide a more complete determination of the medical expenditures incurred during managed care contract periods by including in the contract effective July 1, 2021 the following language:

  > *"Contractor is responsible to reconcile Financial Data Cost Report cost allocations and the File Submission Report, which contains the encounter data reporting outlined above. The reported Incurred Expenditures submitted in the File Submission Report must align with the sum of the Direct Paid, Non-State Plan Paid, and Subcapitated Proxy Paid expenditures submitted in the Financial Data Cost Report for each state fiscal year within a 0.1% threshold. The File Submission Report and Financial Data Cost Reports used for this comparison will include the same paid run-out period. Failure to meet threshold will result in financial penalty and/or corrective action by EOHHS."*

2020-062c – EOHHS' MCO contracts state "The State retains the right to conduct, or cause to be conducted, specific audits. These audits may be conducted upon reasonable notification to the Contractor, and the audits would focus on matters related, but not limited, to: Invoicing by the Contractor for provisions of services; Payment to the Contractor by the State; Compliance with any of the terms and conditions of the Contract or Contract Amendments." This audit finding recommends that the state conduct audits as needed to validate data provided by the MCOs for areas of significant financial impact.

EOHHS utilized this provision in FY20 to determine root cause of a significant shift in the value of NHPRI risk share reporting that occurred in FY19. Specifically, in June 2018, NHPRI reported a risk share receivable of $13.5 million for which EOHHS subsequently paid NHPRI a $10.8 million risk share settlement. As of February 2019, NHPRI revised and adjusted its risk share receivable downward to $548,637 and EOHHS subsequently recouped $10.3 million risk share settlement from NHPRI. The change was driven by overstatement of an estimate of incurred but not reported claims, as well as changes in classification of spending. Identifying these issues resulted in EOHHS validating IBNR projections and implementing the FDRS quarterly reporting and monitoring meetings to ensure consistent interpretation of definitions and that anomalies can be found on a regular basis.

EOHHS will continue to utilize this contract provision as necessary. The FY 22 Governor's Recommended budget requests also includes additional resources to help address this finding that we hope is enacted by the General Assembly.

EOHHS notes that the Health Plans' controls include the following: annual audited financial statements, including opinions, from external auditors; annual actuarial opinions from external auditors; NAIC and DBR statutory filings, including risk-based capital reports; model audit rule compliance; monthly and annual financial result reviews with senior management, including general ledger account reconciliations; comprehensive financial account analyses; various internal and external systems controls including claims processing, accounts payable, and general ledger systems. UnitedHealthcare and Tufts Health Public Plan conduct System and Organization Controls (SOC)-type audits; UnitedHealthcare is compliant with the Sarbanes-Oxley Act; NHPRI is now fully compliant with the Department of Business Regulations Model Audit Rule. Also, NHPRI retains an outside firm to finalize the company's overall risk assessment, including implementation, and has staff dedicated to ensure on-going MAR compliance.

To further ensure the integrity of the Health Plans' controls and financial reporting, EOHHS' contracts with the health plans require that the external auditors, in their annual report of independent auditors, specifically address their review and testing of the health plans' risk/gain share financial statements and the health plans' various receivables and/or payables to/from EOHHS, as of December 31 of each year. EOHHS also requires that all financial statements provided to EOHHS be accompanied by an attestation document, signed by an officer or senior administrator of the MCO, attesting to the accuracy and completeness of the financial statements. The reports are utilized to estimate EOHHS' outstanding liabilities to the Health Plans for purposes of caseload estimating conference and year-end accruals. The above controls and reporting requirements adhered to by the Health Plans give EOHHS confidence in the financial reporting by the Health Plans.

Lastly, as noted in our response above, EOHHS will incorporate additional audit provisions into the settlement process to validate general ledger adjustment items. Specific areas that will be audited include: reinsurance premiums, reinsurance recoveries, pharmaceutical rebates, and claims recoveries. Additionally, EOHHS will require that final settlements are fully reconciled to audited financial statements and annual NAIC financial reporting, which is consistent with current practice for setting the capitation rates. Starting in SFY 2020, plan reported expenses used to develop the capitation rates are reported in a quarterly Financial Data Cost Report (FDCR) and an annual MCO Survey. These reported expenditures are reconciled by each plan to their annual NAIC statements.

2020-062d - EOHHs currently employees a consistent and uniform contract settlement process for all health plans . The reconciliation process starts with the calculation of the total capitation payments made to each plan along with the share of those payments attributable to what is referred to as the "medical baseline". The medical baseline is the portion of the certified capitation rates associated with medical expenses and used for purposes of risk share. The final settlement is based upon EOHHS' records of the medical baseline paid to each plan during the contract period compared to reported medical expenses during the same period, which is defined by EOHHS, not the health plans. Further, each plan is afforded the opportunity to include a set of General Ledger Adjustments that are outlined in the MCO contract to capture expenses or recoveries that are not reflected in encounter data.

Lastly, while the plans are currently required under the contract to submit complete and accurate encounter data, EOHHS will work to strengthen this requirement by including in the contract effective July 1, 2021 the following language:

> "*Contractor is responsible to reconcile Financial Data Cost Report cost allocations and the File Submission Report, which contains the encounter data reporting outlined above. The reported Incurred Expenditures submitted in the File Submission Report must align with the sum of the Direct Paid, Non-State Plan Paid, and Subcapitated Proxy Paid expenditures submitted in the Financial Data Cost Report for each state fiscal year within a 0.1% threshold. The File Submission Report and Financial Data Cost Reports used for this*

comparison will include the same paid run-out period. Failure to meet threshold will result in financial penalty and/or corrective action by EOHHS."

Anticipated Completion Date: Ongoing

Contact Person: Charles Plungis, Assistant Director, Financial and Contract Management
Executive Office of Health and Human Services
charles.plungis@ohhs.ri.gov

Finding 2020-063 – Corrective Action Plan

EOHHS has been working with their MMIS vendor to modify their Provider Enrollment functionality to achieve compliance with the CURES Act final rule for screening, enrollment, and revalidation requirements for providers of managed care organizations operating within their program. This effort is large and requires collaboration and alignment with the States MCO Program. EOHHS and their vendor have parsed this larger effort into smaller, more manageable components for this reason.

To date, we've implemented new Provider Search functionality to assist applicants looking for FFS and MCO providers. The search now returns MCO provider affiliation to assist Medicaid beneficiaries when choosing their MCO coverage. Additionally, from a provider enrollment perspective, the system has been extended to allow for full electronic submission of enrollment materials versus requiring submission of paper application components.

In early FY22, the MMIS provider enrollment functionality will be expanded to accept Managed Care provider applications and will have the necessary infrastructure to enroll and revalidate. It's only then that we can start the enrollment procedures. Once enrolled, the MMIS will communicate valid enrollments with each of the Health Plans. Further, the MMIS will be using their enrollment records to validate encounter claims submissions.

Anticipated Completion Date: Implementation August 2021; Enrollment July 2022

Contact Person: Nicole Nelson, IT Systems Director, Medicaid
Executive Office of Health and Human Services
nicole.nelson@ohhs.ri.gov

Finding 2020-064 – Corrective Action Plan

2020-064a – EOHHS support the auditors' goal of direct allocation of expenditures to the program when delivered. EOHHS has researched the system modification needed to align the RI Bridges eligibility systems determination of CHIP eligibility and will continue to seek available runway for this project to implement.

In the meantime, manual adjustments and corrections will still happen. However, EOHHS in the last year has started the practice of reconciling and adjusting financial transactions between Medicaid and CHIP on a quarterly basis rather than at the end of the fiscal year. This allows for more timely and accurate federal reporting of claims.

Anticipated Completion Date: TBD

Contact Person: Nicole Nelson, IT Systems Director, Medicaid
Executive Office of Health and Human Services
nicole.nelson@ohhs.ri.gov

2020-064b – EOHHS will have the HHS agencies CFOs, who report to the EOHHS Director – Finance and Administration, complete a timely reconciliation of their administrative claiming to the state accounting system on a quarterly basis, and attest to the accuracy of the reconciliation in the reports they submit to EOHHS to populate the CMS-64.

Anticipated Completion Date: Fall 2021

Contact Person: Corsino Delgado, Associate Director, Financial Management
Executive Office of Health and Human Services
corsino.delgado@ohhs.ri.gov

Finding 2020-065 – Corrective Action Plan

On October 25, 2018, BHDDH submitted a draft cost allocation plan to the Cost Allocation Services at the US Department of Health and Human Services. The submission requested retroactive approval to July 1, 2018. BHDDH did not receive any feedback from the US Department of Health and Human Services. However, BHDDH was of the understanding that the claiming could continue until feedback had been received as approvals can take several years.

In the summer of 2020, BHDDH engaged an external vendor, Public Consulting Group (PCG) to support the finalization of the Cost Allocation Plan as feedback on the October 25, 2018 submission, had still not been received. On June 30, 2020, BHDDH submitted an updated cost allocation plan to the US Department of Health and Human Services, with a retroactive approval request to April 1, 2020. To date, BHDDH has received an acknowledgement of submission but not a decision determination.

BHDDH intends to continue to work with PCG, as well as the State Medicaid agency on obtaining federal approval for the cost allocation plan and working appropriately to ensure that any prior periods are addressed via retroactive approval or with reconciliation and reallocation.

Anticipated Completion Date: Ongoing

Contact Person: Jennifer White, Chief Financial Officer
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
jennifer.white@bhddh.ri.gov

Finding 2020-066 – Corrective Action Plan

2020-066a – The Executive Offices of Health and Human Services has historically conducted Single Audits to review subrecipients Audited Financial Statements. Behavioral Healthcare, Developmental Disabilities and Hospitals agrees that the Covid 19 public health emergency has altered the implementation of conducting the Single Audit process and this exercise was not carried out in 2020. The Administrator of Fiscal Compliance has reached out to EOHHS to discuss plans to reconvene the Single Audit review team.

Anticipated Completion Date: July 31, 2021

Contact Person: Susan Costa, Administrator Fiscal Compliance
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
susan.costa@bhddh.ri.gov

2020-066b – Behavioral Healthcare, Developmental Disabilities and Hospitals acknowledges that there should be a stronger procedure in place to ensure that subrecipients contracted with other State Departments with whom BHDDH has Memorandum of Understanding are monitored properly. BHDDH will confer with the Legal Department to ensure that there is stronger language in the MOU to include requirements in accordance with guidelines of 45 CFR 75-351 (Subrecipient Monitoring and Management). The MOU will also include an attachment of the Notice of Award.

Anticipated Completion Date: July 31, 2021

Contact Person: Steve Dean, Administrator III
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
steven.dean@bhddh.ri.gov

2020-066c – Behavioral Healthcare, Developmental Disabilities and Hospitals agree that Post Audit monitoring of providers, including eligibility determinations for patients in treatment and recovery programs, was not performed consistently for FY 2020. Several attempts were made to send the unit out into the field but due to the Covid 19 public health emergency and the executive order by the Governor, on-site visits to providers were suspended. BHDDH reinstituted the recovery center and recovery house on-site monitoring of providers as of June 14th, 2021. The Unit is currently working toward the restart of the entire system to ensure that subrecipients are in compliance with contract requirements and Federal regulations.

Anticipated Completion Date: August 31, 2021

Contact Person: Linda Barovier, Administrator III
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
linda.barovier@bhddh.ri.gov

Finding 2020-067 – Corrective Action Plan

Behavioral Healthcare, Developmental Disabilities and Hospitals acknowledges that the Opioid STR agreement issued by the Substance Abuse and Mental Health Services Administration prescribes that no more than five percent of the total grant award may be used for Administrative and Infrastructure development costs. The agency will develop a procedure to ensure compliance with federal regulations set out in the Grant Award as well as the federal register. The Finance Unit will also modify its internal tracking worksheets to demonstrate expenditures to the required limitations.

Anticipated Completion Date: July 31, 2021

Contact Person: Megan Dumont, Principal Accountant
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
megan.dumont@bhddh.ri.gov

Finding 2020-068 – Corrective Action Plan

Behavioral Healthcare, Developmental Disabilities and Hospitals acknowledges that expenditures were erroneously recorded twice in two different accounts. The overstatement of Opioid STR grant expenditures has been corrected. The agency has since revised its procedures for recording interagency transactions to ensure accuracy. The Financial Federal Report will be modified accordingly to reflect the correct expenditures.

Anticipated Completion Date: July 31, 2021

Contact Person: Megan Dumont, Principal Accountant
Department of Behavioral Healthcare, Developmental Disabilities and Hospitals
megan.dumont@bhddh.ri.gov

Finding 2020-069 – Corrective Action Plan

The Ryan White HIV Provision of Care & Special Populations program agrees with this determination and the following steps will be taken: Working with finance team at EOHHS, Controller's Office, and OMB to use activate previously used federal LIS, 2018134, going forward.

Anticipated Completion Date: August 2021

Contact Person: Jessica Gonsalves, Assistant Administrator-Fiscal
Executive Office of Health and Human Services, Ryan White HIV Provision of Care & Special Populations
jessica.gonsalves@ohhs.ri.gov

Finding 2020-070 – Corrective Action Plan

The Ryan White program is working collaboratively with Medicaid to determine options available for tighter controls on HIV Drug claims when a recipient is or becomes eligible for Medicaid. Privacy of this sensitive data remains at the forefront when attempting any procedural modifications. Viable options include both MMIS system changes as well as operational changes from an eligibility and enrollment perspective.

Anticipated Completion Date: SFY 2022

Contact Person: Nicole Nelson, IT Systems Director, Medicaid
Executive Office of Health and Human Services
nicole.nelson@ohhs.ri.gov

Finding 2020-071 – Corrective Action Plan

The EOHHS, Ryan White program has been working with an antiquated ACCESS database for over ten years and has been actively taking steps to address the reporting and participant compliance challenges within this ADAP system. Currently the program has an agreement with AJ Boggs to host and support the program's server for an online platform known as Lifia. The goal of this is to enable the ADAP, Rhode Island Premium Assistance & Benefit Program (RIFAB) and CAREWare (a HRSA sponsored client-data platform) to speak to each other and integrate data in order to satisfy the program's need and alleviate the challenges to collect, retrieve and report required client participation, eligibility and compliance information.

Anticipated Completion Date: August 1, 2021

Step 1: This endeavor with AJ Boggs was initiated with a new contract in November 2020. All new data from the ACCESS database was migrated over to Lifia program in January 2021.

Step 2: Program staff have looked at necessary content fields in Lifia to identify the necessary structure for data collecting, compliance and reporting needs. Currently, the ADAP Manager and two Project Coordinators have been assisting with the review of ease and capability of the platform.

Step 3: The EOHHS PBM, Gainwell has been working with AJ Boggs s the approximate since March 2021, to test the FTP function of the file and the expected completion is by June 30, 2021.

Step 4: AJ Boggs will provide the ability for all Ryan White agencies to utilize the web-based portal by July 30, 2021.

Step 5: AJ Boggs is also working with its subcontractor to migrate ADAP clients into the HRSA data platform of CAREWARE to further enhance compliance and reporting by bridging the gap between ADAP and all support services that clients utilize within the program. This will provide the program an increased method of monitoring all Ryan White participants in a comprehensive manner.

Contact Persons:

Garlete Parker, Administrator for Program Management
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Denise Cappelli, ADAP & RI-FAB Manager
Executive Office of Health and Human Services, Ryan White HIV Provision of Care & Special Populations
denise.cappelli@ohhs.ri.gov

Finding 2020-072 – Corrective Action Plan

EOHHS has consistently conducted annual site visits with its funded agencies every year, however, due to COVID-19 last year, site visits did not occur. Rather, the program checked in with agencies through its Quality Management, Fiscal Invoice reviews, Case Management and Care & Prevention Integrated meetings during this time. Since the program usually reviews agencies a year in the rears. The program will also monitor FY20 along its regular annual site visit as to not have a gap in this procedure. Annual site visits, via ZOOM have been resumed.

Anticipated Completion Date:

All Annual Site Visits have been resumed in 2021 for compliance monitoring. The final date for agency reviews is July 15, 2021 for the completion of all funded agencies. The program will incorporate its notes on FY 20 that were taken during the site visits and include the information in the agency site visit report along with site visit reviews in 2021. The program will also follow-up on any missing agency audit reports and enhance its timely review by increasing the request of required audit reports in a more timely manner.

Contact Persons:

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Jessica Gonsalves, Assistant Administrator-Fiscal
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Summary Schedule of Prior Audit Findings

(prepared by the State's management)

Summary Schedule of Prior Audit Findings
Table of Prior Findings by Federal Program

Program Title	CFDA Number	Findings included in Previous Single Audit Reports
Financial Statements	N/A	2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007, 2019-008, 2019-009, 2019-010, 2019-011, 2019-012, 2019-013, 2019-014, 2019-015, 2019-016, 2019-017, 2019-018 2019-019, 2019-020, 2019-021, 2019-022, 2019-023, 2019-024, 2019-025, 2019-026, 2019-027, 2019-028, 2019-029, 2019-030, 2019-031, 2019-032, 2019-033, 2019-034, 2019-035, 2019-036
Supplemental Nutrition Assistance Program (SNAP) Cluster:		
Supplemental Nutrition Assistance Program (SNAP)	10.551	2019-037, 2019-038, 2019-039, 2019-040
State Administrative Matching Grants for SNAP	10.561	
Child Nutrition Cluster:		
School Breakfast Program	10.553	2018-044
National School Lunch Program	10.555	
Special Milk Program for Children	10.556	
Summer Food Service Program for Children	10.559	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	2019-041, 2019-042
Unemployment Insurance	17.225	2019-043
Highway Planning and Construction Cluster:		
Highway Planning and Construction	20.205	2018-049
Recreational Trails	20.219	
Federal Transit Cluster:		
Federal Transit Capital Investment Grants	20.500	2018-055, 2019-044, 2019-045
Federal Transit Formula Grants	20.507	
State of Good Repair Grants Program	20.525	
Bus and Bus Facilities Formula Program	20.526	
Performance Partnership Grants	66.605	2019-046
Student Financial Assistance Cluster:		
Federal Supplemental Education Opportunity Grants	84.007	2017-060
Federal Work-Study Program	84.033	
Federal Perkins Loan Program – Federal Capital Contributions	84.038	
Federal Pell Grant Program	84.063	
Federal Direct Student Loans	84.268	
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379	
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	93.342	
Nursing Student Loans	93.364	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	2018-078
Temporary Assistance for Needy Families	93.558	2018-057, 2019-037, 2019-038, 2019-047, 2019-048, 2019-049, 2019-050, 2019-051
Low-Income Home Energy Assistance Program	93.568	2019-052, 2019-053, 2019-054, 2019-055

Summary Schedule of Prior Audit Findings
Table of Prior Findings by Federal Program

Program Title	CFDA Number	Findings included in Previous Single Audit Reports
CCDF Cluster:		
Child Care and Development Block Grant	93.575	2019-037, 2019-038, 2019-048, 2019-051, 2019-056
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	
Children's Health Insurance Program	93.767	2019-037, 2019-038, 2019-057, 2019-059, 2019-060, 2019-061, 2019-062, 2019-064, 2019-067, 2019-068
Medicaid Cluster:		
State Medicaid Fraud Control Units	93.775	2018-069, 2019-037, 2019-038, 2019-058, 2019-059, 2019-060, 2019-061, 2019-062, 2019-063, 2019-064, 2019-065, 2019-066, 2019-067, 2019-068
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	
Medical Assistance Program	93.778	
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2018-076, 2018-078

Finding 2017-060 – CFDA 84.007; 84.033; 84.038; 84.063; 84.268; 84.379; 93.342; 93.364
(Reported Initially in Finding 2015-046)

Community College of Rhode Island – The Federal government requires the College to report student enrollment changes to the National Student Loan Data System ("NSLDS") within sixty days. Out of a sample of forty students with enrollment status changes, four students' changes were not reported in a timely manner to the NSLDS.

2017-060 We recommend that the Community College review and update its policies and procedures for transmitting information to the National Student Clearinghouse on enrollment changes.

Status: Not Implemented. See Finding 2020-039 for current year update and recommendation.

Finding 2018-044 – CFDA 10.553; 10.555; 10.556; 10.559 *(Reported Initially in Finding 2013-030)*

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

2018-044 Improve the functionality of the software used to account for USDA-Donated Foods to ensure compliance with federal regulations.

Status: Partially Implemented. The Department of Corrections plans to implement a new inventory system with bar code scanning. The target date for using this new system is August 1, 2021.

Finding 2018-049 – CFDA 20.205; 20.219 *(Reported Initially in Finding 2006-033)*

RIDOT should further enhance its quality assurance program to ensure that required materials tests are performed and documented consistent with federal regulations and RIDOT policy.

2018-049a Update the Procedures for Uniform Record Keeping (PURK) manual to include all current policies and procedures. Maintain and distribute a completed and updated PURK manual electronically.

Status: Implemented.

Finding 2018-055 – CFDA 20.500; 20.507; 20.526

Rhode Island Public Transit Authority – RIPTA has internal control policies and procedures in place to ensure compliance with reporting requirements. RIPTA's internal control procedure to ensure compliance with these requirements is the signature of the Executive Director of Finance and Budget indicating the review and approval of financial reports prior to submission to the FTA. During our testing of controls, we noted that one of the twenty-three financial reports selected was not approved by the Executive Director of Finance and Budget. We also noted one instance where the financial report, was filed with an immaterial error.

2018-055 We recommend that RIPTA ensure the financial reports are approved by the Executive Director of Finance and Budget prior to submission and that supporting documentation agrees to the financial report submitted. We also recommend that more care be taken when entering data to the FTA reporting system.

Status: Implemented.

Finding 2018-057 – CFDA 93.558 *(Reported Initially in Finding 2017-065)*

Operation of the RIBridges benefit system affected the availability and reliability of data needed to prepare timely and accurate federal reports.

2018-057a Ensure consistent and timely operation of the departmental cost allocation system to allow appropriate allocation of shared costs to multiple federal programs including TANF. Report administrative expenditures consistently based on the data resulting from the approved cost allocation plan system.

2018-057b Continue efforts to improve the reliability of RIBridges data reporting to allow timely and accurate federal reporting of TANF case data.

2018-057c Reconcile the benefits paid via the EBT system, RIBridges and RIFANS at least monthly.

Status: Implemented.

Finding 2018-069 – CFDA 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 supports. 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. Questioned Cost Only finding applicable to 2018.

Finding 2018-076 – CFDA 93.959

BHDDH can improve its controls over the process to demonstrate and document that it complied with maintenance of effort requirements for the Substance Abuse Block Grant.

2018-076 Maintain adequate supporting documentation for meeting maintenance of effort requirements. Ensure that these amounts are properly supported by the State accounting system.

Status: Implemented.

Finding 2018-078 – CFDA 93.243; 93.959

BHDDH can enhance its monitoring of subrecipients as required by federal program requirements.

2018-078a Enhance the coordination of overall subrecipient monitoring procedures to ensure compliance with federal requirements by sub-grantees. Design procedures for tracking monitoring results and communicating issues identified.

2018-078b Develop a uniform standard for documentation required from subrecipients to support requests for reimbursement.

2018-078c Ensure contracts and subaward documentation contains all the required elements at the time of award to allow compliance by subgrantees.

2018-078d Coordinate with EOHHS to ensure all subrecipients are identified to allow collection and review of applicable single audit reports.

Status: Implemented.

Finding 2019-001 – Financial Statement Finding *(Reported Initially in Findings 2016-001 and 2016-021)*

The State recently completed a strategic plan to coordinate needed replacements/enhancements to its key statewide financial and administrative systems. Implementation and funding of the strategic plan is essential to ensure that critical legacy financial systems, such as the payroll system, which pose a business continuity risk, will be available to support State operations.

2019-001 Implement the comprehensive strategic plan to address the business continuity risks, deficiencies in controls over financial reporting and operational inefficiencies identified in the State's current financial systems.

Status: Partially Implemented. See Finding 2020-001 for current year update and recommendations.

Finding 2019-002 – Financial Statement Finding *(Reported Initially in Finding 2016-010)*

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.

2019-002a Evaluate and document control processes to meet the financial reporting objectives for the Medicaid program. Delineate those responsibilities delegated to contractors and how those responsibilities are integrated in the overall control structure.

2019-002b Improve financial oversight of the MCOs as a basis for enhancing program compliance objectives and enhancing data available for financial reporting purposes.

Status: Partially Implemented. See Finding 2020-004 for current year update and recommendations.

Finding 2019-003 – Financial Statement Finding *(Reported Initially in Finding 2017-008)*

The Executive Office of Health and Human Services (EOHHS) authorized in excess of $188 million in system payouts and manual disbursements in fiscal 2019, representing provider advances, payments to managed care organizations for contract settlements and/or non-claims based financial activity, and other program disbursements. The reporting and internal control processes relating to these types of disbursements are manual and external to other established control procedures. Such amounts are not easily identified or quantified by the Medicaid Management Information System (MMIS).

2019-003a Consider alternatives to issuing system payouts and manual disbursements through the State fiscal agent when possible.

2019-003b Develop comprehensive reporting for system payouts and manual disbursements to improve oversight and monitoring by EOHHS.

Status: Partially Implemented. See Finding 2020-005 for current year update and recommendations.

Finding 2019-004 – 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.

2019-004a Commit additional resources to training and implementation materials to ensure that departments and agencies are adequately documenting their internal control structures to reflect an understanding of its required elements as prescribed by the revised framework.

2019-004b Implement an internal control assessment and documentation effort to coincide with the implementation of a fully integrated ERP system.

Status: Not Implemented. See Finding 2020-006 for current year update and recommendations.

Finding 2019-005 – Financial Statement Finding

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

2019-005a Enhance training and monitoring to ensure compliance with newly implemented SOC report evaluation procedures.

2019-005b Ensure that relevant complimentary user entity (State) controls identified by service organizations are also in place and operating effectively.

2019-005c Ensure exceptions and auditor report modifications included in SOC reports are evaluated timely and documented regarding the impact on the State's overall control procedures.

Status: Partially Implemented. See Finding 2020-007 for current year update and recommendations.

Finding 2019-006 – Financial Statement Finding

The processes followed for periodic physical inventories of capital assets and the evaluation of inventory results can be enhanced to ensure that accurate capital asset records are maintained.

2019-006a Include staff from Office of Accounts and Control on the team performing each cyclical, departmental capital asset inventory.

2019-006b Enhance review and inquiry for material capital assets reported as not found before assets are removed from the State's capital asset inventory records.

Status: Partially Implemented. – Issue not reported as a significant deficiency in internal control for fiscal year 2020.

Finding 2019-007 – Financial Statement Finding

The State did not comply with its spending hierarchy policy when multiple funding sources existed for a single activity.

2019-007 Develop controls to ensure departments and agencies comply with the hierarchy of spending resources policy. Provide additional training and guidance to departmental and agency users as required.

Status: Implemented.

Finding 2019-008 – Financial Statement Finding *(Reported Initially in Finding 2018-006)*

Controls can be enhanced within the accounting system to better track the distinct components of fund balance required for presentation in the fund level financial statements.

2019-008a Continue to modify fiscal closing procedures within the RIFANS accounting system to support the presentation of fund balance components.

2019-008b Review and reassess established reconciliation processes to validate the change in fund balance components between fiscal years.

Status: Implemented.

Finding 2019-009 – Financial Statement Finding *(Reported Initially in Finding 2018-007)*

Policies need to be further enhanced to guide the manner in which costs are charged to and reimbursed from the Information Technology internal service fund.

2019-009 Develop policies consistent with the State's accounting policies and generally accepted accounting principles to provide for consistent recognition of revenue and expense to ensure the internal service fund operates on as close to a break-even model as possible.

Status: Partially Implemented – Issue not reported as a significant deficiency in internal control for fiscal year 2020.

Finding 2019-010 – Financial Statement Finding *(Reported Initially in Finding 2015-008)*

The State can enhance certain system access controls within the RIFANS statewide accounting system.

2019-010a Enhance current procedures for reviewing the activities of "super users" (system administrators) on a scheduled basis to ensure that additions, modifications, and deletions initiated by them are appropriate. Assess the potential for systemic changes when completing the State's strategic plan for designing and implementing a fully-integrated ERP system.

2019-010b Implement policies regarding "super users'" modification of their own access and authorization.

2019-010c Improve controls over RIFANS access by ensuring consistent use of the reporting functions and by modifying existing procedures to ensure that all changes are being properly authorized and reflected in agency hierarchies and system workflows.

Status: Partially Implemented. See Finding 2020-008 for current year update and recommendations.

Finding 2019-011 – Financial Statement Finding *(Reported Initially in Finding 2015-003)*

Statewide accounting controls over receivables should be enhanced.

2019-011a Explore options to enhance statewide general ledger controls over receivables. Ensure all balances referred to the CCU for collection have been reflected in the RIFANS general ledger and financial statements.

2019-011b Eliminate use of the separate bank account maintained for the CCU collections.

Status: Not Implemented. See Finding 2020-009 for current year update and recommendations.

Finding 2019-012 – Financial Statement Finding *(Reported Initially in Finding 2017-007)*

The form and content of the State's annual operating budget should be enhanced to facilitate alignment with the specific funds used to account for activities and to provide more effective planning, management and monitoring tools.

2019-012a Improve the presentation of the budget amounts for transportation activities. Consider changes in the level of detail and include all transportation activity.

2019-012b Modify how the Lottery operations are included in the annual budget by including a separate pro forma operating statement supporting the net transfer to the General Fund.

2019-012c Include fund information within the budget to facilitate recording the budget in the accounting system and preparing budget-to-actual comparisons.

Status: Not Implemented. – Issue not reported as a significant deficiency in internal control for fiscal year 2020.

Finding 2019-013 – Financial Statement Finding *(Reported Initially in Finding 2015-004)*

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) claimed expenditures on federal reports are consistent with amounts recorded in the State's accounting system.

2019-013 Implement controls to ensure that the allocable share of federal program expenditures is consistent with grant limitations. Reassess the current FGIS process with the goal of enhancing compliance and effectiveness.

Status: Partially Implemented. See Finding 2020-010 for current year update and recommendation.

Finding 2019-014 – Financial Statement Finding *(Reported Initially in Finding 2017-010)*

Responsibility for monitoring the investment activity and other compliance aspects of funds on deposit with a fiscal agent (trustee) should be vested with the Office of the General Treasurer.

2019-014 Complete implementation of effective oversight and monitoring responsibilities for funds on deposit with fiscal agents.

Status: Not Implemented. See Finding 2020-011 for current year update and recommendation.

Finding 2019-015 – Financial Statement Finding

The State can enhance controls by assigning all bank account reconciliations to the Office of the General Treasurer Business Office – Reconciliation Team.

2019-015 Assign the bank to general ledger reconciliation process for RITBA, CCU, and short-term investment accounts to the Office of the General Treasurer Reconciliation team.

Status: Implemented.

Finding 2019-016 – Financial Statement Finding

The State can enhance controls over cash disbursements by ensuring authorized signers on State bank accounts are current.

2019-016 Maintain current authorized signers for all State bank accounts and make timely notification and adjustments when personnel changes occur.

Status: Implemented.

Finding 2019-017 – Financial Statement Finding

The State must ensure faithful performance bonds are maintained for key public officials performing critical treasury functions.

2019-017 Maintain current public official bonds when personnel changes occur in the Office of the General Treasurer.

Status: Implemented.

Finding 2019-018 – Financial Statement Finding

The Department of Labor and Training (DLT) Business Affairs Office should improve procedures to ensure that accurate receivable balances are maintained and reported to the Office of Accounts and Control for financial reporting purposes.

2019-018 Monitor accounts receivable balances, including recoveries, so that accurate balances can be maintained and submitted to Accounts and Control for financial reporting purposes.

Status: Implemented.

Finding 2019-019 – Financial Statement Finding

The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery testing.

2019-019a Formalize the identification and prioritization of major applications within disaster recovery tests at the State's designated disaster recovery site.

2019-019b Establish a repeatable level of application testing and incorporate business continuity planning within periodic disaster recovery testing.

Status: Partially Implemented. See Finding 2020-012 for current year update and recommendations.

Finding 2019-020 – Financial Statement Finding

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.

2019-020a Develop and implement procedures detailing specific requirements for program change control and disseminate and train DoIT support staff in its proper execution.

2019-020b 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: Not Implemented. See Finding 2020-013 for current year update and recommendations.

Finding 2019-021 – Financial Statement Finding *(Reported Initially in Findings 2016-011, 2017-019, 2017-020, and 2018-026)*

The State can enhance its enterprise-wide security policies and procedures and communication of these policies and procedures with State agencies. Additionally, the State can enhance its ongoing security posture by periodically performing risk assessments to identify if mission critical systems comply with IT policies and procedures.

2019-021a Continue to update IT security policies and procedures to ensure such policies and procedures conform to current standards and address all critical systems security vulnerabilities.

2019-021b Perform risk assessments at least once every three years with the results documented and communicated to management for action. Contract for the performance of IT security compliance reviews and make use of available Service Organization Control reports to extend IT security monitoring of critical systems.

2019-021c Prepare a plan that prioritizes significant system security risks with the goal of achieving compliance with DoIT's formalized system security standards for all significant State systems.

Status: Partially Implemented. See Finding 2020-014 for current year update and recommendations.

Finding 2019-022 – Financial Statement Finding *(Reported Initially in Finding 2016-015)*

Processing functionalities within the Division of Taxation's STAARS system result in a volume of returns held in suspense pending resolution. This complicates financial reporting estimates due to the uncertain effect of returns that had not fully processed at fiscal year end.

2019-022a Continue to utilize advanced analytical tools to (1) prioritize resolution efforts for items included on the posted exception report, and (2) potentially apply a system resolution to groups of returns to reduce the number of returns requiring staff intervention.

2019-022b Perform additional analysis at fiscal close to identify unusual items requiring immediate correction, reduce the overall volume where possible, and to support year-to-year comparison of the volume of suspended returns pending clearance by category.

Status: Implemented.

Finding 2019-023 – Financial Statement Finding *(Reported Initially in Finding 2016-019)*

Monitoring of STAARS system user access rights can be further enhanced to ensure access is consistent with and appropriate for each employee's responsibilities. User access rights should be modified timely when responsibilities change and terminated immediately when terminating employment.

2019-023 Complete a thorough review of system access for all STAARS users to ensure user access is appropriately limited and consistent with each user's specific job function and responsibilities.

Status: Implemented.

Finding 2019-024 – Financial Statement Finding *(Reported Initially in Finding 2017-018)*

Controls should be improved over the counter tax collections accepted at the Division of Taxation by upgrading the cashiering technology and integrating that functionality into the Division's STAARS system.

2019-024 Complete the planned application implementation and related technology upgrades used to process counter payments at the Division of Taxation and ensure the cashiering application is integrated to the Division's STAARS system.

Status: Not Implemented. See Finding 2020-015 for current year update and recommendation.

Finding 2019-025 – 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 IST Fund.

2019-025a Strengthen and document control procedures over the fees collected by the Division of Motor Vehicles (DMV) and transferred to RIDOT to ensure compliance with RI General Law Chapter 39-18.1. Implement monitoring procedures to assess the reasonableness of revenue amounts collected by the DMV for deposit in the IST Fund.

2019-025b Perform a reconciliation between RIFANS and RIMS on a monthly and annual basis to ensure the data in RIMS supports the revenue recorded in RIFANS.

2019-025c Establish a process and control structure to document the DMV's review of the General Laws related to changes in its fee structure and ensure any changes are properly made to RIMS and any relevant excel files used to support the recording of revenue into RIFANS.

2019-025d Establish new accounts to record overages and shortages. Record the actual deposit date in the RIMS deposit date field.

Status: Not Implemented. See Finding 2020-016 for current year update and recommendations.

Finding 2019-026 – Financial Statement Finding *(Reported Initially in Finding 2018-028)*

A comprehensive system security plan should be implemented to guide timely consideration of all critical system security requirements.

2019-026a Complete the development, review and approval of the System Security Plan and once implemented, assess compliance with the designated security program.

2019-026b Establish a senior information security officer function to manage security oversight.

2019-026c Implement procedures to classify and inventory sensitive data within the RIMS database.

Status: Partially Implemented. See Finding 2020-017 for current year update and recommendations.

Finding 2019-027 – Financial Statement Finding *(Reported Initially in Finding 2018-027)*

The Department of Revenue – Division of Motor Vehicles should finalize and test a Business Continuity Plan (BCP) to ensure that critical business processes can continue during a time of emergency or disaster.

2019-027 Finalize and test a Business Continuity Plan covering critical DMV operations and focusing specifically on RIMS system functionalities.

Status: Implemented.

Finding 2019-028 – Financial Statement Finding *(Reported Initially in Finding 2015-015)*

Controls can be enhanced over the presentation of financial statements to ensure consistent and accurate reporting of fund activity in accordance with generally accepted accounting principles.

2019-028a Ensure the transactions identified through the analysis of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of fund balance components on the financial statements and general ledger. Ensure a complete reconciliation of activity by funding source to the fund balance components included on the financial statements is performed.

2019-028b Re-assess policies, procedures and controls to identify and record accounts payable at fiscal close with the aim of streamlining and simplifying where possible. Consider increased use of estimates where appropriate.

2019-028c Enhance fiscal closing procedures to ensure all expenditures recorded in clearing accounts are properly allocated to the correct accounts by fiscal year end. Consider whether recording accrual entries to the clearing accounts is appropriate.

2019-028d Generate an accounts payable aging report on a periodic basis and document the reasons for older invoices being unpaid.

2019-028e Improve controls over the FMS to RIFANS mapping table by ensuring all FMS accounts have an associated RIFANS account.

2019-028f Accumulate collection history for billed toll receivables and develop an appropriate allowance for uncollectible amounts for financial reporting purposes.

Status: Implemented: d & f. Partially Implemented: b & c. Not Implemented: a & e. See Finding 2020-018 for current year update and recommendations.

Finding 2019-029 – 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 identify impaired infrastructure assets as well as removing infrastructure costs when assets are retired or replaced.

2019-029a Enhance controls over the recording of transportation infrastructure assets by documenting RIDOT's related policies, procedures and controls. Document the policies, procedures and control over the RIDOT Infrastructure Report to RIFANS reconciliation and simplify the reconciliation to ensure completeness.

2019-029b Enhance controls over the identification of infrastructure in RIFANS by including the RIDOT project number in the RIFANS project code field.

2019-029c Enhance controls over the assignment of the project infrastructure code, by documenting the project management - scoping team's code assignment.

2019-029d Enhance controls over the identification of projects determined to be substantially complete. Include the infrastructure code and substantially complete date for projects in the FMS hierarchy.

2019-029e Enhance controls over the accuracy of amounts reclassified from construction in progress to infrastructure including designating the infrastructure code classification.

2019-029f Document consideration of whether any of the State's transportation infrastructure has been impaired consistent with GAAP criteria.

2019-029g Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service.

Status: *Implemented: a. Partially Implemented: c, d & e. Not Implemented: b, f & g. See Finding 2020-019 for current year update and recommendations.*

Finding 2019-030 – Financial Statement Finding *(Reported Initially in Finding 2015-026)*

Rhode Island Convention Center Authority – During the year ended June 30, 2019, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures.

The fiscal year 2019 Renewal and Replacement requirement included in the 2018 Series A Bonds was funded in August 2019.

2019-030 We recommend that the Authority fund the Operating Reserve and make required deposits to the Renewal and Replacement Fund related to the parking facility adjacent to the Garrahy Courthouse prior to May 15th each year.

Status: *Not Implemented. See finding 2020-022 for current year update and recommendation.*

Finding 2019-031 – Financial Statement Finding *(Reported Initially in Findings 2015-021 and 2015-022)*

Central Falls School District – Material adjustments to year-end balances and current year activity were necessary for the financial statements to be fairly presented in accordance with generally accepted accounting principles.

2019-031 A comprehensive plan to coordinate all District financial accounting recording and reporting activities is in the process of being developed and implemented. This plan should include the development of a comprehensive policies and procedures manual; adequate staffing including training of all staff as to both the processes and the software involved; appropriate controls related to authorization and review of recorded transactions; timely recording of transactions, reconciliations and reviews of reconciliations so as to detect and correct errors in a timely manner, and a comprehensive review of the District's organizational structure to ensure adequate levels of supervision and clear reporting paths for all staff involved.

Status: *Partially Implemented. Improvements have been made, but not totally resolved. See finding 2020-023 for current year update and recommendation.*

Finding 2019-032 – Financial Statement Finding *(Reported Initially in Finding 2015-025)*

Central Falls School District - The District does not have procedures for maintaining the capital asset records on a perpetual basis or for taking a physical inventory of these assets. In addition, the District does not have a system in place for identifying capital assets acquired with federal grant funds.

2019-032 We recommend that the District implement an integrated software package that will enable capital assets to be recorded when the asset is acquired rather than being captured at year end. We further recommend that the capital asset inventory be updated to include the location of the asset and a code to identify all assets that are acquired with federal funds. Management should utilize this capital asset inventory listing, as well as the controllable asset listing, to conduct periodic inventories of the assets.

Status: Partially Implemented. Improvements have been made, but not totally resolved. See finding 2020-024 for current year update and recommendation.

Finding 2019-033 – Financial Statement Finding

Rhode Island Health and Educational Building Corporation - Revenue recognized in the SBACF for the year ended June 30, 2019 was understated by $1.224 million. A proposed adjustment to the financial statements and underlying accounting records was provided to management for recording this year-end accrual, and management has agreed to record the entry to correct the matter.

2019-033 We recommend that personnel at RIDE and the Corporation ensure that timely and effective communication of all financial matters required to be reflected in the SBACF financial statements occur on an ongoing basis, with periodic reconciliations of inter-entity activity being performed on at least a quarterly basis, and a formal agreement on state appropriation revenue being prepared at each year-end date. Such procedures will mitigate the risk that errors relating to funding transfers and inter-entity activity will occur without being corrected in a timely manner.

Status: Implemented.

Finding 2019-034 – Financial Statement Finding

ERSRI should implement planned revisions to the plan accounting process employed by the custodian to enhance the precision over the distribution of investment income and expense to the participating plans.

2019-034 Implement planned revisions to the plan accounting process employed by the custodian to enhance the precision over the distribution of investment income and expense to the participating plans.

Status: Implemented.

Finding 2019-035 – Financial Statement Finding *(Reported Initially in Finding 2018-031)*

The Employees' Retirement System can improve accounting for investment expenses.

2019-035a Formalize the investment income and expense processes that are external to the investment custodian and result in amounts recorded on the financial statements. Enhance monitoring and review of these processes.

2019-035b Integrate certain investment accounting functions that are now external to oversight of the System's Chief Financial Officer with the System's other accounting functions.

Status: Partially Implemented.

Finding 2019-036 – 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. A unified database or computer application is needed to maintain membership data for each of the State's OPEB plans. 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.

2019-036a Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled.

2019-036b 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.

2019-036c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.

2019-036d Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

Status: Not Implemented. See Finding 2020-020 for current year update and recommendations.

Finding 2019-037 – CFDA 10.551; 10.561; 93.558; 93.575; 93.596; 93.767; 93.775; 93.777; 93.778

Controls over the RIBridges eligibility and benefit system are inadequate to ensure that user access is limited to only authorized individuals and such access is consistent with each user's specific scope of duties. Additionally, automated password change controls were not operational, and therefore, users were not required to change passwords at required intervals.

2019-037a Grant, modify, and terminate access for all RIBridges users through the same uniform process (DHS hotline).

2019-037b Ensure the automatic system prompt for password reset functionality is operational to require password resets at intervals consistent with State and federal policy. Eliminate the practice of deferring password resets during high-volume open enrollment periods.

2019-037c Strengthen and formalize the overall monitoring of RIBridges access to ensure access is granted appropriately, terminated timely, and consistent with each individual's scope of duties.

2019-037d Evaluate the access control management process and the report elements so that privilege changes and attempted changes are captured and evaluated for appropriateness. In addition, implement a process by which the State can periodically check that the Deloitte Security Administrator and Deloitte employee privilege changes and actions are appropriate.

Status: Not Implemented. See Finding 2020-026 for current year update and recommendations.

Finding 2019-038 – CFDA 10.551; 10.561; 93.558; 93.575; 93.596; 93.767; 93.775; 93.777; 93.778
(Reported Initially in Finding 2015-069)

EOHHS, DHS and the Division of Information Technology must enhance systems security oversight over systems used to administer multiple federally funded programs to fully comply with federal regulations relating to ADP risk and system security review. The plan must be sufficiently comprehensive and include timely reaction to and consideration of identified security issues and risk factors.

2019-038a Enhance compliance with federal ADP Risk Analysis and System Security Review requirements by creating a comprehensive, integrated plan for RIBridges and the MMIS. Coordinate the efforts of EOHHS, DHS, DoIT, and contractors in meeting these objectives.

2019-038b Ensure that the formalized plan includes a comprehensive risk assessment for both systems, critical controls deemed effective in mitigating those risks, and specific monitoring procedures to ensure the effective operation of those policies and procedures, including reliance on external contract services when required.

Status: Partially Implemented. See Finding 2020-027 for current year update and recommendations.

Finding 2019-039 – CFDA 10.551; 10.561 *(Reported Initially in Finding 2017-042)*

RIBridges does not currently meet all the functional requirements of an automated data processing system as outlined in federal SNAP regulations.

2019-039 Continue efforts to ensure that RIBridges meets all the functionalities of an ADP system for SNAP as required by federal SNAP regulations. Complete required corrective actions stipulated by the federal Food and Nutrition Service.

Status: Implemented.

Finding 2019-040 – CFDA 10.551; 10.561 *(Reported Initially in Finding 2017-043)*

RIBridges was not producing reports in fiscal 2019 to allow daily reconciliation of electronic benefits authorized and disbursed and to ensure accurate and timely completion of federal reports. DHS can improve its review and consideration of service organization control reports for vendors performing elements of the EBT process.

2019-040a Complete efforts to ensure that the RIBridges systems development vendor implements all designed system features including those for the SNAP benefit issuance and reconciliation requirements.

2019-040b Enhance review and follow-up, as necessary, on SOC reports provided by vendors to evaluate the effectiveness of controls over external components of the EBT systems. Document consideration of relevant user entity controls identified within the SOC reports.

Status: Partially Implemented. See Finding 2020-028 for current year update and recommendation.

Finding 2019-041 – CFDA 14.228

The Office of Housing and Community Development (OHCD) should improve procedures to ensure federal reports are retained and adequately supported by underlying records.

2019-041 Enhance procedures for maintaining adequate documentation to ensure that federal reports are properly submitted and accurately reflect underlying information.

Status: Partially Implemented. Implementation continues with completion in fiscal 2022.

Finding 2019-042 – CFDA 14.228

Tracking and monitoring of locally-held program income generated by Community Development Block Grants (CDBG) activities should be enhanced by OHCD.

2019-042 Strengthen procedures for tracking program income generated and retained by CDBG subrecipients sufficient to ensure that amounts are used in accordance with federal regulations.

Status: Partially Implemented. Implementation continues with completion in fiscal 2022.

Finding 2019-043 – CFDA 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 UC account when the overpayment was the result of the employer failure to respond timely or adequately to a request for information.

2019-043 Adopt procedures to: (1) impose and collect a 15% penalty on benefit overpayments of claimants who commit fraud (RIGL 28-42-62.1(a)(4)) and (2) prohibit providing relief to an employer account when an overpayment is the result of the employer's failure to respond timely or adequately to a request for information by the State agency (RIGL 28-43-3(2)(viii)).

Status: Not Implemented. See Finding 2020-031 for current year update and recommendation.

Finding 2019-044 – CFDA 20.500; 20.507; 20.525; 20.526

RIDOT subrecipient monitoring procedures need to be enhanced to ensure that funds are used by subrecipients in compliance with FTA program laws and regulations.

2019-044a Obtain and review Federal Transit Cluster subrecipient audit reports and issue management decisions, as applicable, for findings related to pass-through awards to the subrecipient.

2019-044b Ensure contracts and subaward documentation contain all the required elements at the time of award to ensure compliance with subgrantees.

Status: Implemented: a. Partially Implemented: b. RIDOT has developed a draft MOU that incorporates all elements identified in the corrective action. The draft is under review with the MBTA. While an extension of the expiring RIDOT/MBTA operating agreement recently took precedent, MBTA has more recently committed towards moving he MOU towards signature. RIDOT estimates completion by the end of May 2021.

Finding 2019-045 – CFDA 20.500; 20.507; 20.525; 20.526

RIDOT contracting procedures need to be enhanced to ensure contracts with vendors and subrecipients comply with State procurement regulations and FTA program laws and regulations.

2019-045 Enhance controls over FTA procurements by processing through the Office of Contract and Procurement within RIDOT which has established procedures to ensure compliance with procurement and suspension and debarment requirements. Ensure all documentation relative to Buy America and the Suspension and Debarment certifications is maintained.

Status: Implemented.

Finding 2019-046 – CFDA 66.605

DEM can enhance controls over time and effort reporting to ensure payroll cost allocations and reimbursements for the Performance Partnership Grants are adequately supported.

2019-046a Maintain electronic scan copies of original signed timesheets at DEM to support charges against Federal awards.

2019-046b Enhance controls to ensure hours reported by employees are properly reflected in the DEM cost accounting system and RIFANS. Periodically reconcile hours reported on timesheets to cost accounting/RIFANS and record adjustments as necessary.

Status: Implemented.

Finding 2019-047 – CFDA 93.558 *(Reported Initially in Finding 2017-064)*

The State did not comply with TANF eligibility requirements during fiscal 2019 due to control deficiencies and inconsistent case documentation in RIBridges.

2019-047a Continue efforts to ensure that all required eligibility compliance requirements are operational within RIBridges.

2019-047b Enhance controls to ensure all required documentation to support eligibility determination, including sufficient historical case data, is retained in the electronic case record and/or supported by scanned documentation.

Status: Partially Implemented. See Finding 2020-041 for current year update and recommendations.

Finding 2019-048 – CFDA 93.558; 93.575; 93.596

DHS reversed transfers between the TANF and Childcare programs. The reversal crossed federal fiscal years, resulting in report changes and duplication of reported expenditures.

2019-048 Consider reporting effects before reversing previously recorded transfers. Correct reports as needed.

Status: Implemented.

Finding 2019-049 – CFDA 93.558 *(Reported Initially in Finding 2017-066)*

DHS can improve the timely update and/or development of new employment plans for clients upon the expiration of an existing plan.

2019-049 Improve the timeliness of updating or establishing new employment plans upon the expiration of an existing plan. Sanction clients not in compliance with their employment plans, and close cases after three months of non-compliance.

Status: Partially Implemented. See Finding 2020-042 for current year update and recommendation.

Finding 2019-050 – CFDA 93.558 *(Reported Initially in Finding 2017-067)*

The State did not comply with the Income Eligibility and Verification System requirements in fiscal 2019. RIBridges does not currently meet that required functionality.

2019-050 Implement the federally required data interfaces within the RIBridges eligibility system to meet the IEVS TANF program requirement.

Status: Partially Implemented. See Finding 2020-043 for current year update and recommendation.

Finding 2019-051 – CFDA 93.558; 93.575; 93.596

DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

2019-051a Modify subrecipient risk assessment procedures to include consideration of whether program was tested as a major program in subrecipient Single Audits and other factors such as the continuity and capability of subrecipient management and volume of program activity.

2019-051b Issue management decision on findings related to federal programs administered by DHS as required by 2 CFR 200.521.

Status: Not Implemented. See Finding 2020-044 for current year update and recommendations.

Finding 2019-052 – CFDA 93.568 *(Reported Initially in Finding 2018-063)*

DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with LIHEAP laws and regulations.

2019-052 Modify subrecipient risk assessment procedures to include consideration of whether LIHEAP was tested as a major program in subrecipient single audits and other factors such as the continuity and capability of subrecipient management and volume of program activity.

Status: Not Implemented. See Finding 2020-045 for current year update and recommendations.

Finding 2019-053 – CFDA 93.568

DHS must enhance controls regarding the allocation of expenditures to multiple available grant awards/periods to ensure compliance with earmarking, period of performance and reporting compliance requirements for LIHEAP.

2019-053 Restore use of unique RIFANS accounts (line sequences) to identify/track each unique LIHEAP grant award, thereby demonstrating compliance with earmarking, period of performance and reporting requirements.

Status: Partially Implemented. See Finding 2020-046 for current year update and recommendation.

Finding 2019-054 – CFDA 93.568 *(Reported Initially in Findings 2015-053 and 2017-063)*

Available documentation was insufficient to adequately support the data cited within Annual Report on Households and the LIHEAP Performance Data Form.

2019-054a Ensure the data in the Hancock LIHEAP system is complete and accurate.

2019-054b Ensure the federal reports are supported by the reporting from the Hancock LIHEAP system.

Status: Not Implemented. See Finding 2020-047 for current year update and recommendations.

Finding 2019-055 – CFDA 93.568

DHS should ensure controls are adequately designed and operational within the computer application utilized by the State to administer LIHEAP at local community action agencies.

2019-055a Require the vendor supporting the LIHEAP computer application to have a SOC examination performed to provide assurance on the operating effectiveness and data integrity of the application. Alternatively, monitoring and assessment procedures could be performed by DHS and the State's Division of Information Technology.

2019-055b Adhere to the State's Enterprise-wide guidelines and require individuals with access to LIHEAP's Hancock system to change their passwords every 90 days. Employees with privileged access to the system should change their password every 60 days.

Status: Not Implemented. See Finding 2020-048 for current year update and recommendations.

Finding 2019-056 – CFDA 93.575; 93.596 *(Reported Initially in Finding 2017-068)*

RIBridges controls over eligibility determinations, income validation and calculation of required parent cost-sharing amounts require strengthening for the CCDF Cluster programs.

2019-056a Ensure RIBridges consistently and correctly calculates cost-sharing amounts for parents and providers.

2019-056b Complete a plan to ensure all designed system controls over CCDF eligibility, parent co-shares, and provider payments are fully operational.

2019-056c Perform recertifications at least every twelve months.

Status: Partially Implemented. See Finding 2020-049 for current year update and recommendation.

Finding 2019-057 – CFDA 93.767 *(Reported Initially in Finding 2014-067)*

The State did not comply with CHIP eligibility requirements during fiscal 2019 due to control deficiencies and inconsistent case documentation in RIBridges.

2019-057a Address and correct the RIBridges system deficiencies which result in material noncompliance with federal regulations regarding CHIP eligibility.

2019-057b Perform timely reconciliations between total CHIP claimed amounts and detailed supporting documentation.

2019-057c Identify ineligible CHIP costs and return to the federal grantor.

Status: Not Implemented. See Finding 2020-053 for current year update and recommendations.

Finding 2019-058 – CFDA 93.775; 93.777; 93.778 *(Reported Initially in Findings 2014-067 and 2015-060)*

The State did not materially comply with Medicaid eligibility requirements due to significant weaknesses in case documentation and deficient operation of controls over program eligibility during fiscal 2019.

2019-058a Address and correct the RIBridges system deficiencies which result in material noncompliance with federal regulations regarding Medicaid eligibility.

2019-058b Formalize and implement a plan to ensure all designed system controls (PEV and redetermination) over eligibility are fully operational and well documented in the system.

2019-058c Improve RIBridges' documentation of critical eligibility components to ensure that it can adequately document federal compliance with recipient eligibility requirements (including better case history supporting eligibility determinations made over time).

2019-058d Develop and implement a policy regarding allowable limits on deductions to reported income for MAGI based eligibility determinations.

2019-058e Identify ineligible Medicaid program costs and return to the federal grantor.

Status: Partially Implemented. See Finding 2020-059 for current year update and recommendations.

Finding 2019-059 – CFDA 93.767; 93.775; 93.777; 93.778 *(Reported Initially in Finding 2010-080)*

The effectiveness of the MEQC program as an overall control over Medicaid eligibility determinations is diminished by continued RIBridges functional limitations and limited staffing allocated to the activity.

2019-059a Enhance RIBridges functionalities and documentation to facilitate timely and effective MEQC testing (and similar eligibility testing performed in conjunction with the Single Audit and PERM requirements).

2019-059b Ensure timely correction of RIBridges system deficiencies highlighted through the MEQC process to ensure compliance with federal eligibility requirements for Medicaid and CHIP.

2019-059c Dedicate additional trained MEQC personnel to ensure compliance with case review requirements under the newly submitted MEQC program planning document.

Status: Implemented.

Finding 2019-060 – CFDA 93.767; 93.775; 93.777; 93.778 *(Reported Initially in Finding 2017-073)*

The State is not complying with timely determination of Medicaid eligibility requirements particularly for applicants requiring long-term care services and supports. Processing Medicaid applications for long-term care services in RIBridges continues to be problematic resulting in delays in determining eligibility and necessitating continued advances to long-term care service providers.

2019-060 Implement RIBridges functionality improvements to ensure compliance with federal regulations governing the timely determination of Medicaid eligibility.

Status: Partially Implemented. See Finding 2020-060 for current year update and recommendation.

Finding 2019-061 – CFDA 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). According to EOHHS internal statistics as of June 30, 2019, the MMIS reported 12,720 recipients active in MMIS but not active in RIBridges. In addition, 189 individuals were eligible in RIBridges but not eligible in the MMIS. This impacts controls to ensure payments are only made on behalf of eligible individuals and has resulted in duplicate capitation payments being made to managed care organizations. Additionally, in instances where eligibility is not successfully communicated to the MMIS, provider claims and capitation will not be paid for eligible individuals.

2019-061a Identify and resolve the underlying causes of eligibility data discrepancies between the MMIS and RIBridges systems.

2019-061b Determine the necessary corrective action and resources needed to eliminate the current backlog of system exceptions and future mismatches between the two systems.

Status: Not Implemented. See Finding 2020-061 for current year update and recommendations.

Finding 2019-062 – CFDA 93.767; 93.775; 93.777; 93.778 *(Reported Initially in Finding 2009-086)*

EOHHS lacks strong oversight procedures regarding fiscal monitoring and contract settlement for its managed care organizations (MCOs). Capitation payments to MCOs represent approximately 60% of Medicaid benefit expenditures. EOHHS needs to develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period. More stringent audit and financial monitoring procedures should be employed.

2019-062a Develop a comprehensive risk assessment and monitoring plan to ensure that managed care expenditures are validated and settled each contract period.

2019-062b Improve the adjudication of MCO encounter data to provide a more complete determination of the medical expenditures incurred during managed care contract periods. Disallow any costs from the contract settlement process that cannot be fully adjudicated.

2019-062c Require an independent audit of selected controls employed by the MCOs as well as the overall medical and administrative costs measured under the contracts.

2019-062d Enforce a consistent contract settlement calculation protocol for all MCOs.

Status: Not Implemented. See Finding 2020-062 for current year update and recommendations.

Finding 2019-063 – CFDA 93.775; 93.777; 93.778 *(Reported Initially in Finding 2017-079)*

EOHHS needs to reassess all activities considered surveillance utilization review services (SURS) performed within the Medicaid program to comply with federal regulations and amend the State Plan to accurately reflect the State's current practices. With the majority of medical services now being performed by managed care organizations (MCO), formalized procedures should include consideration of new regulations regarding Medicaid managed care activities.

2019-063 Reassess and formally document the State's comprehensive activities designed to materially comply with federal requirements relating to SURS.

Status: Implemented.

Finding 2019-064 – CFDA 93.767; 93.775; 93.777; 93.778

The State is not currently in compliance with federal regulations for the screening, enrollment, and revalidation of providers used in managed care organization (MCO) networks. Although many of these providers are also enrolled as Medical Assistance Providers, the new regulations mandate that States screen, enroll, and periodically revalidate all managed care network providers.

2019-064 Implement procedures to comply with federal regulations for the screening, enrollment and revalidation of providers used in managed care organization networks.

Status: Not Implemented. See Finding 2020-063 for current year update and recommendations.

Finding 2019-065 – CFDA 93.775; 93.777; 93.778

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals administration costs were allocated to the Medicaid program through a departmental cost allocation plan that was not federally approved.

2019-065 Seek reimbursement for Medicaid administration costs pursuant to federally approved cost allocation plans/methodologies.

Status: Partially Implemented. See Finding 2020-065 for current year update and recommendations.

Finding 2019-066 – CFDA 93.775; 93.777; 93.778

Improvements in policies and procedures related to Medicaid claiming for patients at Eleanor Slater Hospital are needed to ensure compliance with federal requirements.

2019-066a Conclude the external review of BHDDH billing practices with respect to compliance with the IMD exclusion and services provided to forensic patients.

2019-066b Adopt a policy, for inclusion in the Medicaid State Plan, regarding the frequency of measurement of the IMD exclusion ratio and related policies for determining the primary diagnosis of patients at the Eleanor Slater Hospital. Include applicable monitoring procedures to be employed by EOHHS, as the State Medicaid agency, to ensure the allowability of Medicaid reimbursement.

Status: Partially Implemented. Efforts are ongoing to restore Medicaid billing.

Finding 2019-067 – CFDA 93.767; 93.775; 93.777; 93.778

The Department of Children Youth and Families (DCYF) did not utilize updated residential time study results when allocating payments for residential placements to the Medical Assistance Program.

2019-067a Enhance monitoring over interagency agreement requirements significant to overall Medicaid program compliance. Specifically, EOHHS must monitor compliance with DCYF's determination of the Medicaid reimbursable portion of residential services contracts.

2019-067b Update and utilize allocation percentages of residential services contracts based on annual time study results. DCYF should improve contractor training of time study completion by contractor employees to ensure that consistent and reliable results are achieved through the time study survey.

Status: Implemented.

Finding 2019-068 – CFDA 93.767; 93.775; 93.777; 93.778

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

2019-068a Eliminate untimely adjustment of expenditures between Medicaid and CHIP by increasing direct allocation of expenditures to the proper program when distributed.

2019-068b Correct federal reports for prior period adjustments not yet reflected on the CMS 64 and CMS 425 Reports for Medicaid and CHIP programs.

Status: Not Implemented. See Finding 2020-064 for current year update and recommendations.