

STATE OF RHODE ISLAND
SINGLE AUDIT REPORT
Fiscal Year End June 30, 2022



David A. Bergantino, CPA, CFE
Auditor General

State of Rhode Island
General Assembly
Office of the Auditor General



Office of the Auditor General

State of Rhode Island - General Assembly

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May 17, 2023

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, 2022. 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) COVID-19 federal assistance received by the State to address the effects of the global pandemic, (2) key statistics about federal assistance received by the State over the last decade, (3) the federal programs audited in fiscal 2022 as major programs, and (4) audit findings related to the financial statements and the administration of federal programs.

I would like to express our appreciation to the many individuals that cooperated with and assisted us in the conduct of our audit.

Respectfully submitted,

David A. Bergantino, CPA, CFE
Auditor General

State of Rhode Island – Fiscal 2022 – Single Audit Highlights

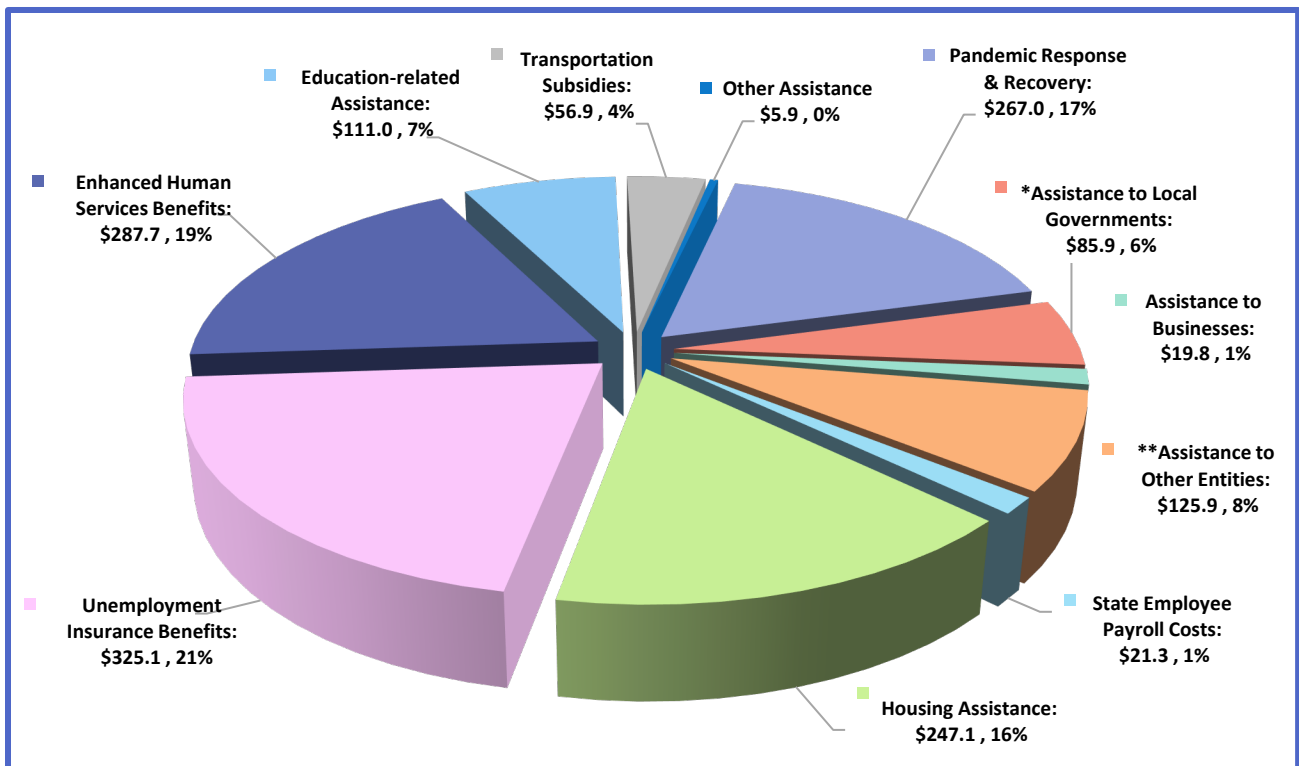
The annual Single Audit is required by federal law and regulation as a condition of continued federal assistance. The report includes the State's financial statements, a detailed schedule of federal award expenditures and our reports outlining internal control deficiencies and noncompliance relating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

Unprecedented amounts of federal assistance continued to be expended in fiscal 2022. Expenditures of federal awards totaled \$6.9 billion in fiscal 2022, of which approximately \$1.6 billion was COVID-related. Total expenditures in 2022 decreased from 2021 by \$1.5 billion, which was largely attributable to reductions in Unemployment Insurance benefits expanded during the pandemic. Some COVID funding was received from new federal programs created in response to the pandemic while other awards resulted from the expansion or modification of existing federal programs. The major sources of COVID-19 related funding available during fiscal 2022 and expenditures through June 30, 2022, are detailed below:

COVID-19 related Federal Assistance:	Fiscal 2022 Expenditures
Unemployment Insurance Benefits	\$ 325,129,131
Coronavirus Relief Fund (CRF)	47,992,082
Emergency Rental Assistance Program	240,368,808
Coronavirus State and Local Fiscal Recovery Funds	52,054,213
FEMA Disaster Assistance (Stafford Act)	236,371,022
Epidemiology and Laboratory Capacity	38,176,314
Enhanced Federal Medicaid Assistance Percentage (FMAP) for Medicaid	161,415,466
Child Care and Development	73,941,082
Pandemic EBT (cash benefits in lieu of in-school meals provided to students)	43,987,479
Education Stabilization Fund	199,509,397
Other COVID-19 related assistance	134,700,965
Total	\$ 1,553,645,959

Eligibility and benefit provisions for many programs were modified in response to the pandemic to either facilitate the application for benefits, continue eligibility that existed pre-pandemic, or enhance benefits available through the programs. An extensive array of services to individuals and costs to support pandemic response efforts were reimbursed under these programs as shown in the chart below:

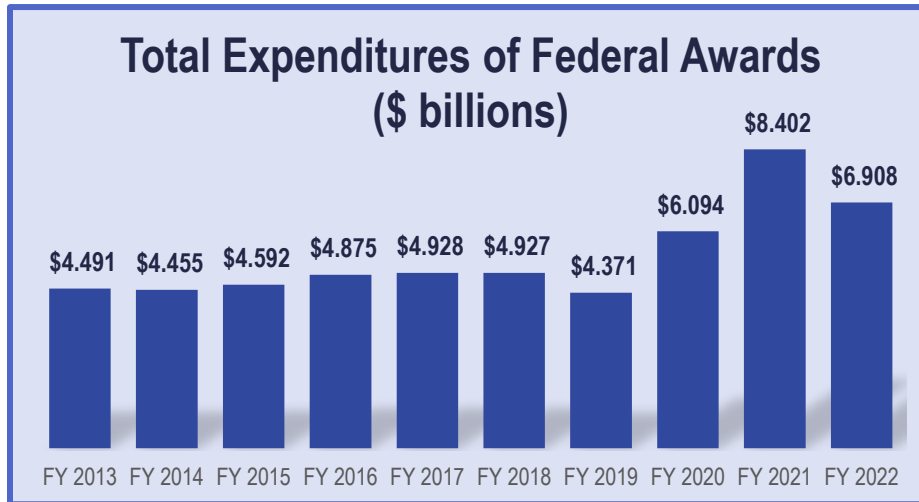
Federal COVID-Related Program Expenditures by Category (\$ in millions)



* \$74.0m provided for educational aid. ** \$73.6m provided for pandemic response/recovery; \$18.2m provided for educational aid.

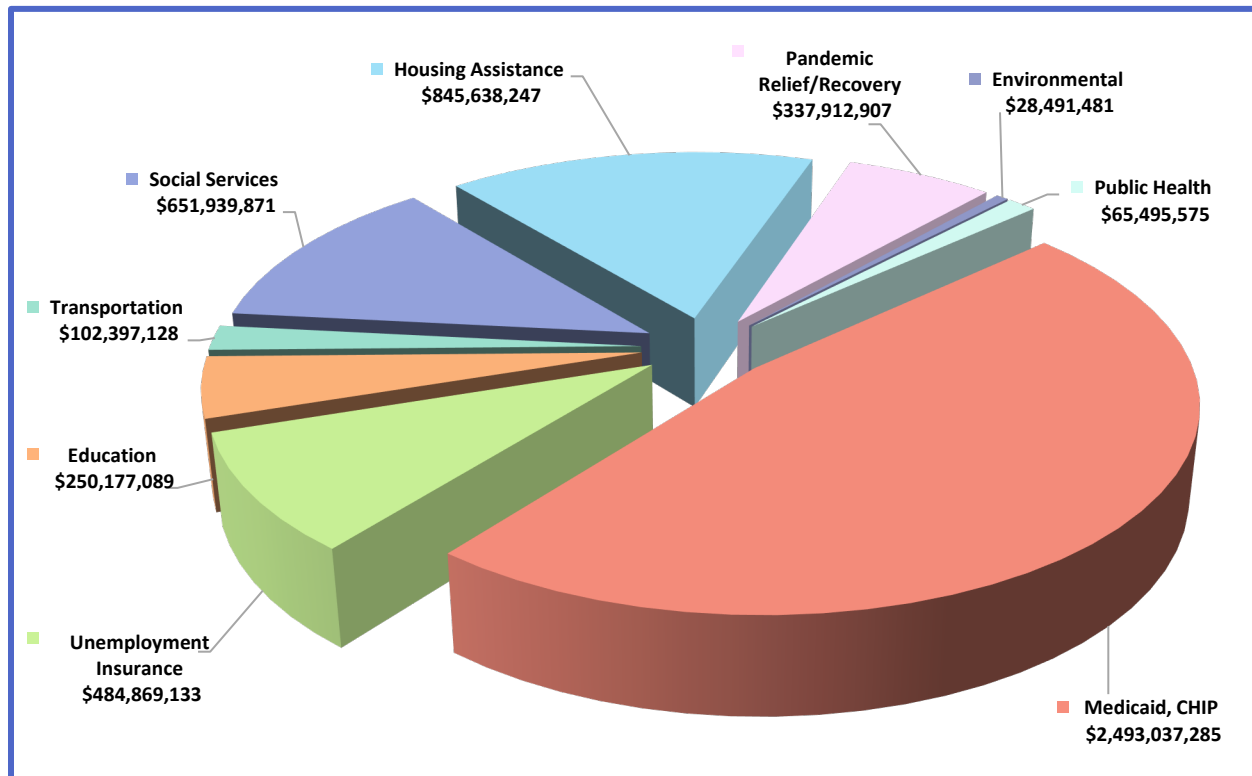
State of Rhode Island – Fiscal 2022 – Single Audit Highlights

The following graph details the changes in total expenditures of federal awards as reported in the State's *Single Audit Reports* for fiscal years 2013 to 2022. In fiscal years 2020 through 2022, the significant increase was due to COVID-19 federal assistance. In fiscal 2019, the decrease in total expenditures of federal awards largely resulted from the return of federally guaranteed student loans to the federal government.



Federal assistance consists of both direct cash and noncash awards (e.g., loan and loan guarantee programs and donated food commodities). Federal assistance is received under a wide variety of approximately 500 individual programs. Many programs are jointly financed with federal and state funding. Medicaid continues to be the single largest program with fiscal 2022 expenditures totaling approximately \$3.5 billion - the federal government shared \$2.4 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 2022 Federal Award Expenditures Tested as Major Programs – Summarized by Program Type



State of Rhode Island – Fiscal 2022 – Single Audit Highlights

The Single Audit Report includes 75 findings as summarized in the following table.

Summary of findings included in the 2022 Single Audit Report			
	Primary government	Component units	Total
Findings related to the financial statements			
Other reporting – GAS / material weakness in internal control	1		1
Material weaknesses in internal control	9	4	13
Significant deficiencies in internal control	16	5	21
Material noncompliance		1	1
Findings related to the administration of federal programs			
Material noncompliance / material weaknesses in internal control	7		7
Material weaknesses in internal control	7	2	9
Significant deficiencies in internal control	19	2	21
Other reportable matters	2		2
Total	61	14	75

Audit Findings Summary

Financial Statement Findings

The State has begun implementing a comprehensive Enterprise Resource Planning (ERP) system to replace and enhance key statewide financial and administrative systems. The scope and complexity of this implementation and the required resources and disciplined project management needed to ensure success should not be underestimated. The implementation should focus on ensuring a successful outcome through effective management of critical risks. The State should specifically minimize customization of the cloud-based ERP solution being employed and the amount of disparate IT solutions that it attempts to integrate into its full ERP design. Such changes can often limit the desired integration of the ERP system and significantly complicate the maintenance and support of the system going forward.

This effort is intended to address long-standing issues which negatively impact controls over operations and financial reporting resulting from the need for (1) increased investment in information technology to keep pace with citizen expectations, (2) rapid technology advancements, (3) meeting federal program compliance mandates, and (4) addressing business continuity risks.

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, 2022. 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. Findings repeated from prior years are identified as such.

Controls within the systems used to process unemployment insurance claims are insufficient to prevent fraudulent unemployment insurance benefit payments, especially the Pandemic Unemployment Assistance benefits. While decreased from the prior year with expanded pandemic benefits ending in September 2021, the Department of Labor and Training (DLT) still identified significant amounts of fraudulent benefits paid to claimants. The State's system for payment of unemployment insurance claims and collection of employment taxes is outdated and needs further modernization.

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, complex managed care contract settlement provisions, new State initiatives, and continued challenges relating to the State's integrated human services eligibility system (RIBridges). Medicaid is the State's single largest activity - representing nearly 37% of the State's General Fund expenditures. The State will need to ensure that the design of the next Medicaid Management Information System will provide the functionalities needed to enhance controls over program operations and fiscal oversight.

Fiscal closing procedures at the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals need improvement to ensure the completeness and accuracy of reported accruals at 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 its

State of Rhode Island – Fiscal 2022 – Single Audit Highlights

design and operation. Internal controls safeguard public resources and support accurate financial reporting. The State should commit to providing additional training and implementation materials to assist departments and agencies in documenting their internal control. An internal control assessment and documentation effort should be implemented.

The State 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.

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity is accurately reported to the proper Assistance Listing Number and amounts passed through to subrecipients are appropriately classified and reported.

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.

A significant number of material audit adjustments were required during our audit of the State's fiscal 2022 financial statements. Material audit adjustments are indicative of weaknesses in controls over the preparation of financial statements.

The complexity of Treasury operations has increased substantially over the years without significant modifications to the State's investment in technology and personnel to support those efforts and to ensure internal control best practices are maintained.

There is an excessive volume of journal entries recorded within the accounting system. This volume weakens controls over the appropriate authorization and classification of expenditures and limits transparency regarding the underlying transactions.

The State needs to improve its documentation of processes relating to the preparation of the government-wide financial statements.

The processes followed for periodic physical inventories of capital assets and the evaluation of inventory results can be improved to ensure that accurate capital asset records are maintained.

Within the Intermodal Surface Transportation Fund, 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.

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 dispose of recorded infrastructure assets when retired or replaced.

The State updated its current cyber security readiness and has begun to identify risk mitigation priorities and the resources needed to implement necessary corrective action. The State does not currently have sufficient resources dedicated for the size and complexity of State operations and risk mitigation is not progressing quickly enough.

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 State's current practices for periodic logical access and privilege reviews at both the application and network levels need improvement. Practices for database logging and monitoring at the database level also need improvement.

In addition to findings that impact Statewide controls over financial reporting and information security, our report includes findings specific to the Rhode Island Lottery, Employees' Retirement System of Rhode Island, and Rhode Island State Employees' and Electing Teachers OPEB System.

Our report includes control deficiencies and material noncompliance reported by the independent auditors of the discretely presented component units included within the State's financial statements. Their accounting and control procedures are generally independent of the State's control procedures.

Federal Program Findings

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

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

State of Rhode Island – Fiscal 2022 – Single Audit Highlights

The federal programs tested as major programs (see following table) for the fiscal 2022 Single Audit were selected based on the methodology required in the Uniform Guidance. Our audits of major programs included procedures to (1) gain an understanding of controls established to ensure compliance and (2) test the effectiveness of those controls, and (3) assess compliance with requirements specific to each program.

2022 Major Programs
Pandemic EBT Food Benefits (P-EBT)
Supplemental Nutrition Assistance Program (SNAP) Cluster
Mortgage Insurance Homes
Section 8 Project-Based Cluster
Unemployment Insurance
Airport Improvement Program
Federal Transit Cluster
Highway Safety Cluster
Coronavirus Relief Fund
Emergency Rental Assistance Program
Homeowner Assistance Fund
Coronavirus State and Local Fiscal Relief Funds
Clean Water State Revolving Fund (CWSRF) Cluster
Title I Grants to Local Education Agencies
Education Stabilization Fund
Immunization Cooperative Agreements
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)
Temporary Assistance for Needy Families (TANF)
Child Care and Development Fund (CCDF) Cluster
Children’s Health Insurance Program (CHIP)
Medicaid Cluster
Disaster Grants – Public Assistance (Presidentially Declared Disasters)

For fiscal 2022, the federal funds received in response to the global pandemic continued. The unprecedented volume and need to use the funds in an expedited manner also continued in fiscal 2022. Funding in fiscal 2022 began to change focus from managing the public health emergency to addressing the recovery needs associated with the severity and duration of the pandemic.

Additionally, multiple federal programs had overlapping objectives, which led to significant reallocation of costs as federal requirements were continually modified and the State’s strategic COVID response efforts were implemented and refined. These factors continue to impact controls over compliance with federal requirements for several programs tested as major programs in fiscal 2022.

The following are highlights of findings relating to the State’s compliance with federal regulations and related internal control deficiencies that require corrective action to prevent future noncompliance from occurring.

Unemployment Insurance – Controls over the processing of unemployment insurance claims were ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. Controls were also ineffective to ensure compliance with the documentation of self-employment income for the Pandemic Unemployment Assistance program.

Expanded pandemic unemployment benefits continued during fiscal 2022 (through September 2021) exceeding \$300 million. DLT estimated another \$10 million in fraudulent claims were paid in fiscal 2022 prior to the end of expanded benefits in September 2021.

The federal government required (effective in December 2020) stricter documentation requirements of income provisions for self-employed individuals; however, most claimants did not provide the required documentation and benefits continued.

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 account when the overpayment was the result of the employer’s failure to respond timely or adequately to a request for information.

Medicaid Cluster and Children’s Health Insurance Program (CHIP) – The State did not materially comply with CHIP eligibility requirements during fiscal 2022. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

The State is not currently in compliance with federal regulations requiring States to implement certain program integrity safeguards when administering Medicaid managed care programs. Federal program integrity requirements including required audits of managed care organization (MCO) financial and encounter data have not been implemented by the State.

The State is not currently in material compliance with federal regulations for the screening, enrollment, and revalidation of providers used in 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.

Capitation payments to MCOs represent approximately 60% of Medicaid benefit expenditures. EOHHS needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

The State should improve controls relating to the identification of third-party (TPL) insurance coverage to ensure that, when appropriate, Medicaid is the payor of last resort by (a) ensuring that TPL reported in the MMIS is accurate and up to date, and (b) ensuring that MCOs are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance.

State of Rhode Island – Fiscal 2022 – Single Audit Highlights

Controls need to be improved to ensure that critical external data interfaces are operating as designed within the RIBridges system.

Federal benefit programs for healthcare, cash assistance and childcare – The Executive Office of Health and Human Services, the Department of Human Services, 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.

Child Care and Development Fund Cluster – RIBridges controls over eligibility determinations, income validation, and calculation of required parent cost-sharing amounts require strengthening for the CCDF Cluster programs. Controls to improve the documentation of eligibility, specifically, need improvement to support compliance with federal regulations.

Temporary Assistance for Needy Families – The State can improve compliance with TANF eligibility requirements, specifically by ensuring consistent documentation of eligibility components within RIBridges.

Highway Safety Cluster – The Department of Transportation needs to improve internal controls to ensure compliance with Level of Effort – Maintenance of Effort (MOE), Earmarking, Period of Performance, Federal Reporting, and Subrecipient Monitoring federal requirements. Documentation supporting compliance with federal requirements was found lacking for the above compliance requirements.

Pandemic-related Federal Assistance Grants – The State implemented an administrative assessment on certain pandemic-related federal programs without seeking and receiving federal approval for the allocation of the costs. The assessment was designed to eventually fund the State's costs of administering new federal programs relating to the COVID-19 public health emergency. Questioned costs were identified, as this assessment was charged to pandemic-related federal awards without the methodology being approved by the federal government (a requirement of Uniform Guidance cost principles).

Coronavirus Relief Fund – Monitoring of certain project expenditures was not sufficient to ensure that awarded CRF funding complied with the State's project approval.

Epidemiology and Laboratory Capacity – The Department of Health lacked sufficient documentation of subawards (subrecipient agreements) to support the allocation of subrecipient payments to the ELC program.

Title I Grants to Local Education Agencies – The Department of Elementary and Secondary Education did not ensure the Local Education Agencies (LEAs) have the required written methodology to allocate state and local funds to each Title I school and to ensure that the school receives all of the state and local funds it would otherwise receive if it were not receiving Part A funds.

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

Federal Funding Accountability and Transparency Act (FFATA) – Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

Education Stabilization Fund – Rhode Island College and the University of Rhode Island need to improve their policies and procedures to ensure compliance with federal grant reporting requirements.

Federal Transit Cluster – The Rhode Island Public Transit Authority did not account for CARES Act operating expense reimbursements in accordance with generally accepted accounting principles and did not adequately document CARES Act operating expense reimbursements.

Recommendations were made to improve controls and enhance compliance by the Rhode Island Public Transit Authority in their use of Federal Transit Cluster funds.

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

Condensed Table of Contents

	<u>Page</u>
A. Basic Financial Statements	
Independent Auditor’s Report on the Basic Financial Statements and Supplementary Schedule of Expenditures of Federal Awards	A-1
Management’s Discussion and Analysis.....	A-5
Basic Financial Statements	A-29
Notes to Basic Financial Statements	A-47
Required Supplementary Information.....	A-181
B. Schedule of Expenditures of Federal Awards	
Schedule of Expenditures of Federal Awards	B-1
Notes to the Schedule of Expenditures of Federal Awards.....	B-21
C. Auditor’s Reports	
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	C-1
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance	C-4

**Condensed Table of Contents
(continued)**

	<u>Page</u>
D. Schedule of Findings and Questioned Costs	
Section I – Summary of Auditor’s Results.....	D-1
Section II – Financial Statement Findings.....	D-4
Section III – Federal Award Findings and Questioned Costs Table of Findings by Major Program.....	D-43
E. Corrective Action Plans – (Prepared by the State’s Management).....	E-1
F. Summary Schedule of Prior Audit Findings – (Prepared by the State’s Management).....	F-1

Financial Statements



Basic Financial Statements

Table of Contents

	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	A-1
MANAGEMENT’S DISCUSSION AND ANALYSIS	A-5
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	A-29
Statement of Activities.....	A-31
Fund Financial Statements	
Balance Sheet – Governmental Funds	A-32
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position.....	A-33
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	A-34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities.....	A-35
Statement of Net Position – Proprietary Funds.....	A-36
Statement of Revenues, Expenditures, and Changes in Fund Net Position – Proprietary Funds	A-37
Statement of Cash Flows – Proprietary Funds.....	A-38
Statement of Fiduciary Net Position – Fiduciary Funds	A-40
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	A-41
Component Unit Financial Statements	
Combining Statement of Net Position	A-42
Combining Statement of Activities.....	A-46
Notes to the Basic Financial Statements	A-47

Basic Financial Statements

Table of Contents (continued)

Page

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund..... A-181

Budgetary Comparison Schedule – Intermodal Surface Transportation Fund A-185

Budgetary Comparison Schedule – Rhode Island Capital Plan A-186

Notes to the Required Supplementary Information – Budget and Actual..... A-190

Schedule of State’s Proportionate Share of the Net Pension Liability – Employees’
 Retirement System – State Employees – Governmental Activities..... A-192

Schedule of State’s Proportionate Share of the Net Pension Liability – Employees’
 Retirement System – State Employees – Business-Type Activities..... A-193

Schedule of State’s Proportionate Share of the Net Pension Liability – Employees’
 Retirement System – State Share – Teachers (Special Funding Situation) A-194

Schedule of State Contributions – Employees’ Retirement System – State
 Employees – Governmental Activities A-195

Schedule of State Contributions – Employees’ Retirement System – State
 Employees – Business-Type Activities A-196

Schedule of State Contributions – Employees’ Retirement System – State
 Share – Teachers (Special Funding Situation) A-197

Schedule of Changes in Net Pension Liability and Related Ratios – State Police
 Retirement Benefits Trust A-199

Schedule of Changes in Net Pension Liability and Related Ratios – Judicial
 Retirement Benefits Trust A-200

Schedule of Changes in Net Pension Liability and Related Ratios – RI Judicial
 Retirement Fund Trust..... A-201

Schedule of Changes in Net Pension Liability and Related Ratios – State Police
 Retirement Fund Trust..... A-202

Schedule of State Contributions – State Police Retirement Benefits Trust A-203

Schedule of State Contributions – Judicial Retirement Benefits Trust..... A-204

Schedule of State Contributions – RI Judicial Retirement Fund Trust..... A-205

Schedule of State Contributions – State Police Retirement Fund Trust A-206

Schedule of Changes in Total Pension Liability – Judicial Non-Contributory
 Retirement Plan A-208

Notes to the Required Supplementary Information – Pensions A-209

Basic Financial Statements

Table of Contents (continued)

Page

REQUIRED SUPPLEMENTARY INFORMATION (continued)

Schedules of State’s Proportionate Share of the Net OPEB Liability – State
Employees – Governmental Activities A-213

Schedules of State’s Proportionate Share of the Net OPEB Liability – State
Employees – Business-Type Activities A-214

Schedules of State’s Proportionate Share of the Board of Education Plan Net
OPEB Liability A-215

Schedule of State Contributions – State Employees – Governmental Activities..... A-216

Schedule of State Contributions – State Employees – Business-Type Activities..... A-217

Schedule of State Contributions to Board of Education Plan A-218

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Teachers Plan A-220

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios – Judges Plan A-221

Schedule of Changes in Net OPEB Liability and Related Ratios – State Police Plan..... A-222

Schedule of Changes in Net OPEB Liability (Asset) and Related Ratios –
Legislators Plan A-223

Schedule of State Contributions – Teachers Plan A-224

Schedule of State Contributions – Judges Plan..... A-225

Schedule of State Contributions – State Police Plan..... A-226

Schedule of State Contributions – Legislators Plan..... A-227

Notes to Required Supplemental Information – Other Postemployment Benefits A-228



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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 Audited Financial Statements

Opinions

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 (State), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The following components of the State's basic financial statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the governmental activities, the business-type activities, the aggregate discretely presented component units, the Convention Center Authority major fund, and the aggregate remaining fund information, are based solely on the reports of the other auditors:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 5% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 32% of the assets and deferred outflows and less than 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool - an investment trust fund, and the HealthSource RI, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 26% of the assets and 1% of the revenues, including additions, of the aggregate remaining fund information; and
- the discretely presented component units of the State. These entities collectively represent 100% of the total assets and revenues of the aggregate discretely presented component units.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(V) to the financial statements, the State adopted Government Accounting Standards Statement No. 87, *Leases*, with a transition date of July 1, 2021. This statement requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules and Reporting; and information about the State's Pension Plans, and Other Postemployment Benefit Plans, comprising the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The accompanying *Schedule of Expenditures of Federal Awards* (Section B) 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling

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

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.

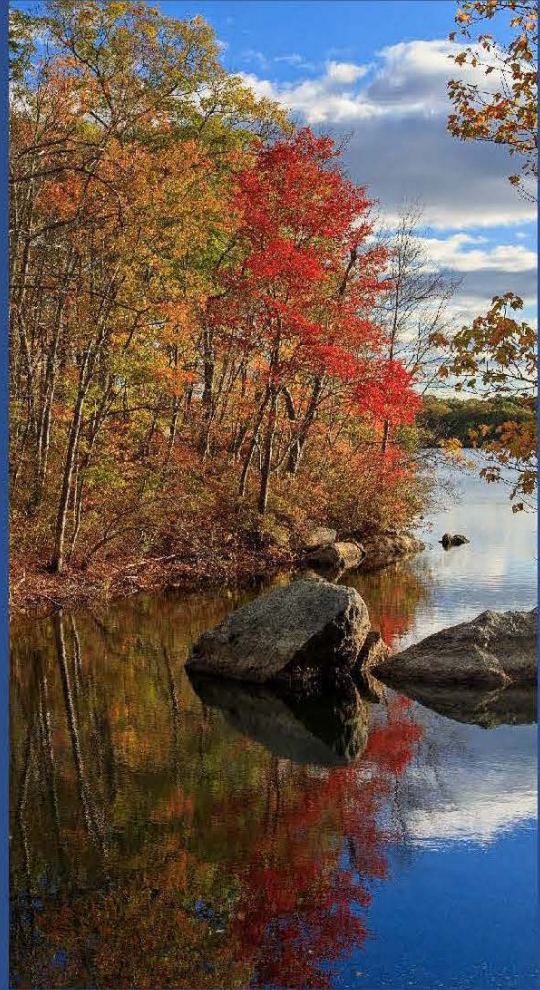
Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2023 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State's internal control over financial reporting and compliance.



David A. Bergantino, CPA, CFE
Auditor General
January 31, 2023

Management's Discussion and Analysis



State of Rhode Island

Fiscal Year Ended
June 30, 2022



As managers of the State financial records, we offer readers of the State of Rhode Island Annual Comprehensive Financial Report (ACFR) this narrative overview and analysis of the financial activities of the State for the fiscal year ended June 30, 2022. We present this information in conjunction with the information included with our letter of transmittal, which can be found preceding this narrative, and with the State's financial statements which follow. To gain a thorough understanding of the State financial condition, we encourage readers to consider the information presented here in conjunction with the financial statements, notes and required supplemental information which follow this narrative document. All amounts unless otherwise indicated are expressed in thousands.

Financial Highlights - Primary Government

Government-wide Financial Statements

- **Net Position:** The total assets plus deferred outflows of resources of the State were greater than total liabilities plus deferred inflows of resources at June 30, 2022 by \$1.6 billion. This amount is presented as "net position" on the Statement of Net Position for the Total Primary Government. Of this amount, \$1.8 billion was reported as restricted net position, \$4.3 billion as net investment in capital assets, and \$4.5 billion was reported as a deficit unrestricted net position.
- **Changes in Net Position:** The net increase to the primary government net position of \$1.2 billion, was attributable to an increase in governmental activities of \$1.1 billion and an increase to net position of \$121.3 million during the fiscal year for business-type activities. The increase to governmental activities was largely due to the positive operating surplus of \$549.4 million within the RI Capital Plan (RICAP). The increase to the business-type activities was primarily due to the Employment Security Fund operating at a \$111.3 million surplus during fiscal 2022.

Governmental Funds

- As of the close of the current fiscal year, governmental funds reported a combined ending fund balance of \$2.6 billion, an increase of \$693.6 million compared with the previous fiscal year.
- As of June 30, 2022, the General Fund reported an ending fund balance of \$983.7 million, an increase of \$86.5 million (9.64%) as compared to the prior year fund balance.
- Total General Fund expenditures were \$846.1 million greater than fiscal 2021 due to greater spending across a number of categories the most significant of which are discussed below.
 - The year-over-year increase of approximately \$92.5 million to the General Government is primarily attributable to the \$61.9 million advanced payment of pension payment deferrals from 1991 and 1992.
 - The year-over-year increase of \$521.2 million in Health and Human Services function includes an expenditure increase of \$515 million within the Medicaid program. The continuous coverage requirements to maintain eligibility for the Family First Coronavirus Relief Act (FFCRA)-enhanced Federal Medical Assistance Percentage (FMAP) has resulted in the growth of the total number of beneficiaries, resulting in the year over year increase.

Proprietary Funds

- Rhode Island Lottery transferred \$388.6 million to the General Fund to support general revenue expenditures during the fiscal year, an increase of \$86.8 million in comparison with the previous fiscal year. However, the transferred amount remained reduced from the pre-pandemic fiscal 2019 transfer of \$397.3 million.

- Unemployment benefits processed through the Employment Security Fund totaled \$451.0 million, a decrease of approximately \$1.6 billion over fiscal year 2021. The benefit decrease was attributable to the cessation of enhanced employment benefits authorized under the Coronavirus Aid, Relief, and Economic Security Act. Federal grants funded \$311.3 million of the benefits paid in fiscal 2022, a decrease of \$1.4 billion from fiscal 2021. The Employment Security Fund ended the fiscal year with a net position of \$342.6 million, an increase of \$111.3 million from the prior fiscal year.
- The Rhode Island Convention Center Authority ended the fiscal year with a deficit net position of \$22.5 million. This was an increase of \$8.9 million to the net position when compared with the prior year restated balance. The Authority has historically had a negative net position. The amount of debt related to capital assets has exceeded the net book value of the capital assets and the depreciable life of the assets are shorter than the related debt repayment terms which promotes this negative position.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the State of Rhode Island's basic financial statements. The State's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the State through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the State of Rhode Island.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the State's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the State's financial status as a whole.

The two government-wide statements report the State's net position and how it has changed. Net position is the difference between the total of the State's assets and deferred outflows of resources and the total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the State's financial condition.

- The **Statement of Net Position** presents all the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as "net position". Over time, increases and decreases in the government net position may serve as a useful indicator of whether the financial position of the State is improving or deteriorating.
- The **Statement of Activities** presents information indicating how the government net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenues and expenses for some items are reported in this statement that will not result in cash flows until future fiscal periods - for example, uncollected taxes and earned but unused vacation leave. Additionally, this statement presents a comparison between direct expenses and program revenues for each function of the government.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) discretely presented component units.

- The governmental activities include most State basic services such as public safety, parks and recreation, and general administration. Taxes, intergovernmental transfers, and federal grants finance most of these activities.

- The business-type activities are those that the State charges customers to provide. These include the operations of the Rhode Island Lottery, Rhode Island Convention Center Authority, and the Employment Security Trust Fund.
- The discretely presented component units are entities that are legally separate from the State, but for which the State is financially accountable. These entities are listed in Note 1. The financial information for these entities is presented separately from the financial information presented for the primary government.

Fund Financial Statements

The fund financial statements provide a more detailed look at the State's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Rhode Island uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, (General Laws). All of the funds of the State can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. These are explained below:

- **Governmental funds:** The majority of basic services are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus is 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 expended in the near future to finance the State's programs.

Governmental funds include the general fund, special revenue, capital projects, debt service, and permanent funds. Generally accepted accounting principles (GAAP) designate the general fund as a major fund, the criteria for determining if any of the other governmental funds are major funds are detailed in Note 1 C. Each major fund is presented in a separate column on the governmental funds balance sheet and statement of revenues, expenditures and changes in fund balances. The remaining governmental funds are combined in a single aggregated column on these financial statements. Individual fund data for each of these non-major governmental funds can be found in the other supplementary information section of this ACFR.

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.

- **Proprietary funds:** Services for which the State charges customers a fee are generally reported as proprietary funds. The State maintains two categories of proprietary funds - enterprise funds and internal service funds (ISFs). Enterprise funds report activities that provide supplies and services to the general public. 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 (ISFs) are reported as governmental activities on the government-wide statements, since the services they provide predominantly benefit governmental activities. The (ISFs) are reported within the basic proprietary fund financial statements in a single combined column. Individual fund data is

provided in the form of combining statements and can be found within the supplementary information section of this ACFR.

- **Fiduciary funds:** Resources accounted for as fiduciary funds are held for the benefit of parties outside the State government. Fiduciary funds are not included in the government-wide financial statements because the resources of these funds are not available to support the State's programs. These funds, which include the pension and other post-employment benefits trusts, an external investment trust, private-purpose trusts and custodial funds, are reported using accrual accounting. Individual fund data for fiduciary funds can be found at the supplementary information section of this ACFR.

Discretely Presented Component Units

Discretely presented component units are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. These discretely presented component units serve or benefit those outside of the primary government. The State distinguishes between major and non-major component units. The criteria for distinguishing between major and non-major component units are discussed in Note 1 B.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided on 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 pension and other post-employment 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

This section includes the combining financial statements for non-major governmental funds, internal service funds and fiduciary funds. It can be found immediately following the Required Supplementary Information section.

Government-Wide Financial Analysis

Net Position

Net position may serve as a useful indicator of a government's financial position. The State's combined net position for governmental and business-type activities totaled \$1,583.8 million at the end of fiscal 2022, compared to a net position of \$342.9 million for the prior fiscal year. Governmental activities reported a unrestricted deficit net position of \$4,493.5 million.

A portion of the State's net position reflects its investment in capital assets less any related outstanding debt that was needed to acquire or construct the assets. The State uses these capital assets such as land, buildings, equipment and infrastructure to provide services to its citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources.

Additionally, a portion of the State's net position represents resources that are subject to external use restrictions.

State of Rhode Island Net Position as of June 30, 2022 and 2021
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 5,140,524	\$ 4,639,013	\$ 441,292	\$ 286,594	\$ 5,581,816	\$ 4,925,607
Capital assets	5,183,257	4,957,871	147,272	157,631	5,330,529	5,115,502
Total assets	10,323,781	9,596,884	588,564	444,225	10,912,345	10,041,109
Deferred outflows of resources	571,643	712,407	8,532	11,697	580,175	724,104
Long-term liabilities outstanding	5,940,537	6,944,261	182,635	208,570	6,123,172	7,152,831
Other liabilities	2,742,871	2,927,800	79,998	66,642	2,822,869	2,994,442
Total liabilities	8,683,408	9,872,061	262,633	275,212	8,946,041	10,147,273
Deferred inflows of resources	928,651	273,477	33,985	1,573	962,636	275,050
Net position (deficit):						
Net investment in capital assets	4,315,804	4,049,759	(27,576)	(29,662)	4,288,228	4,020,097
Restricted	1,461,030	709,429	345,148	231,685	1,806,178	941,114
Unrestricted	(4,493,469)	(4,595,435)	(17,094)	(22,886)	(4,510,563)	(4,618,321)
Total net position (deficit)	\$ 1,283,365	\$ 163,753	\$ 300,478	\$ 179,137	\$ 1,583,843	\$ 342,890

As indicated above, the State reported a deficit balance in unrestricted net position of \$4.5 billion as of June 30, 2022. 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 the pension plans for which it has funding responsibility. In addition, the State has recognized the net other post-employment benefit (OPEB) liability or asset for the retiree health care plans for which it has funding responsibility. Recognition of these liabilities has had a significant adverse impact to unrestricted net position. At June 30, 2022 the net pension liability related to governmental activities was \$2.8 billion and the net pension liability related to business-type activities was \$16.6 million. In addition, the net OPEB liability related to governmental activities was \$209.2 million and the net OPEB liability related to business-type activities was \$2.1 million.

Another significant contributing factor creating the deficit to unrestricted net position is the use of general obligation bond proceeds (which are reported as debt of the primary government) for 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 Rhode Island Health and Educational Building Corporation (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, the Consent Decree and Final Judgment. The bonds are secured solely by and are payable solely from the tobacco receipts sold to the TSFC. Other monies of the TSFC do not constitute a general, legal, or moral obligation to the State or any political subdivision thereof and the State has no obligation to satisfy any deficiency or default of any payment of the bonds. As of June 30, 2022 approximately \$551.0 million of principal and \$151.9 million of accreted interest are included in the State calculation of debt.
- Historic Tax Credit Bonds - The R.I. Commerce Corporation (RICC), on behalf of the State, issued revenue bonds under the Historic Structures Tax Credit Financing Program. The bonds do not constitute a debt, liability, or obligation to the State or any political subdivision thereof. The State is obligated under a Payment Agreement to make payments to the trustee. This obligation is subject to annual appropriations by the General Assembly. The proceeds of the bonds are being used to provide funds for redemption of Historic Structures Tax Credits. As of June 30, 2022, approximately \$71.7 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 COPS is subject to and dependent upon annual General Assembly appropriations. As of June 30, 2022, approximately \$110.1 million of net obligations are outstanding.

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

Changes in Net Position

Governmental Activities

The State's overall net position related to governmental activities increased by almost \$1,119.6 million for fiscal 2022.

Total revenues and transfers of \$11.3 billion increased by \$1.07 billion compared to fiscal 2021. This increase to revenue primarily resulted from a significant influx of federal assistance (reported as operating grants) to help the State respond to the pandemic. Tax revenues increased by a total of \$669.6 million during fiscal 2022 with personal income and sales and use taxes increasing \$380.4 million and \$161.7 million respectively, over the prior year.

The State's expenses, which cover a wide range of services, increased by \$0.7 billion. The increase was largely attributed to pandemic related expense in the General Government and Health and Human Services activities.

The increase in Health and Human Services expenses of \$477.3 million is attributable to several health and human services programs. The increase to Medical Assistance program (Medicaid) is due to the

continuous coverage requirement to maintain eligibility for the Family First Coronavirus Relief Act (FFCRA)-enhanced Federal Medical Assistance Percentage (FMAP). Other social service programs that experienced additional spending are Supplemental Nutrition Assistance Program (SNAP), Low Income Heating Energy Assistance (LIHEAP), childcare stabilization grants and childcare provider support.

General Government expenses increased by approximately \$147.2 million during fiscal 2022 over the prior year. The increase is largely attributable to a number of programs associated with the recovery from the global pandemic, examples of this are: payments to municipalities (\$131 million), and advanced payment of pension payment deferrals from 1991 and 1992 (\$61.9 million).

Business-Type Activities

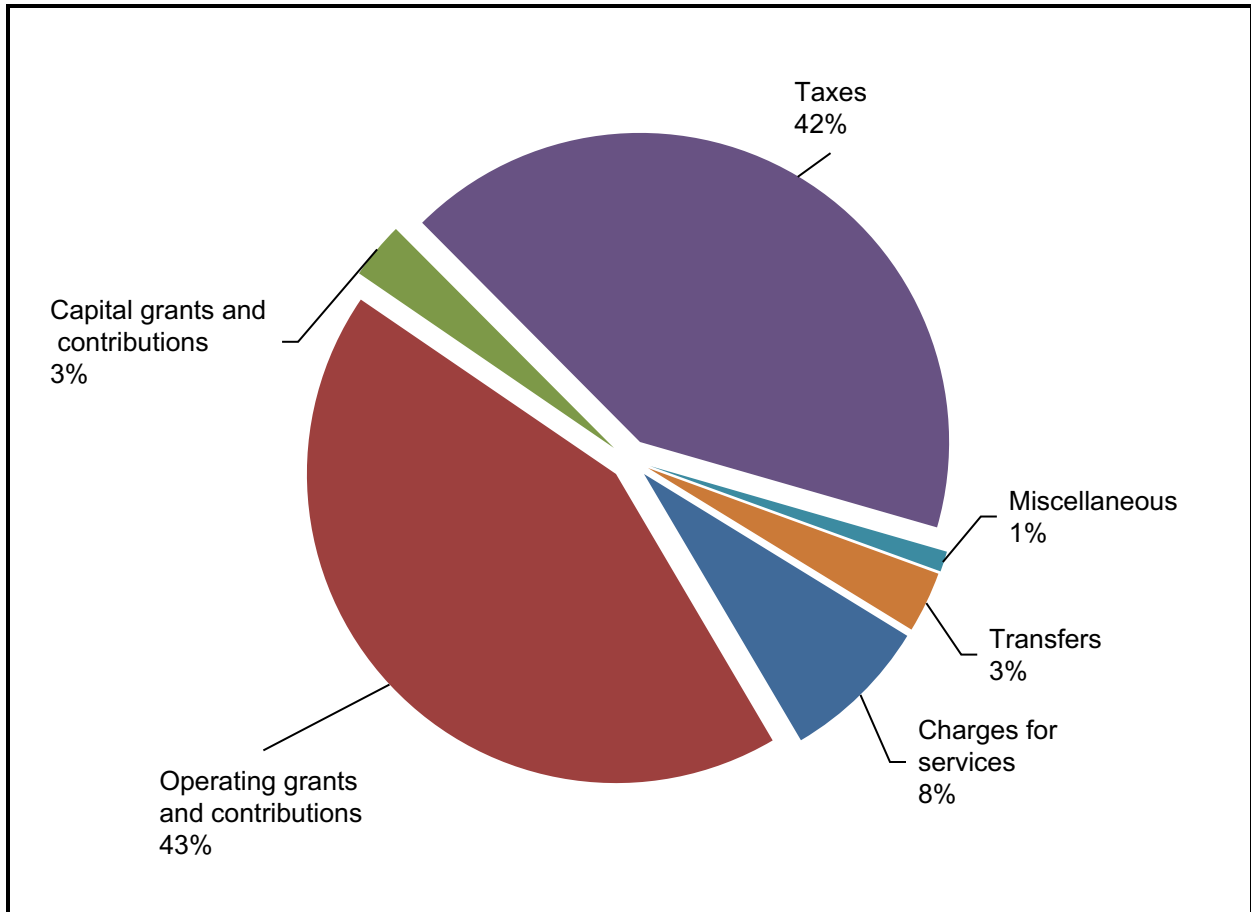
- The Employment Security Fund net position increased as a result of decreased benefits paid as compared to prior year. Benefits paid from the fund totaled \$0.5 billion and total operating revenues were \$0.6 billion which included \$0.3 billion of federal grants to fund these benefits.
- The RI Lottery's transfer to the General Fund was up 28.8% compared to fiscal 2021. There was strong growth in Video Lottery Terminals, sports betting and table game activities due to both casinos being fully operational for the entire fiscal year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Charges for services	\$ 871,130	\$ 735,112	\$ 1,700,596	\$ 1,305,481	\$ 2,571,726	\$ 2,040,593
Operating grants and contributions	4,822,534	4,697,836	311,317	1,693,345	5,133,851	6,391,181
Capital grants and contributions	335,376	282,976	—	—	335,376	282,976
General revenues:						
Taxes	4,813,492	4,143,930	—	—	4,813,492	4,143,930
Interest and investment earnings	6,026	3,110	350	156	6,376	3,266
Miscellaneous	120,875	109,667	8,046	15,271	128,921	124,938
Gain on sale of capital assets	1,439	8,326	—	—	1,439	8,326
Total revenues	<u>10,970,872</u>	<u>9,980,957</u>	<u>2,020,309</u>	<u>3,014,253</u>	<u>12,991,181</u>	<u>12,995,210</u>
Program expenses:						
General government	1,546,983	1,399,797	—	—	1,546,983	1,399,797
Health and human services	5,436,751	4,959,473	—	—	5,436,751	4,959,473
Education	1,977,247	1,929,835	—	—	1,977,247	1,929,835
Public safety	627,380	610,263	—	—	627,380	610,263
Natural resources	125,582	96,158	—	—	125,582	96,158
Transportation	400,677	375,266	—	—	400,677	375,266
Interest and other charges	96,490	98,595	—	—	96,490	98,595
Lottery	—	—	1,040,555	773,867	1,040,555	773,867
Convention Center	—	—	47,523	33,499	47,523	33,499
Employment Security	—	—	451,040	2,058,867	451,040	2,058,867
Total expenses	<u>10,211,110</u>	<u>9,469,387</u>	<u>1,539,118</u>	<u>2,866,233</u>	<u>11,750,228</u>	<u>12,335,620</u>
Excess (deficiency) before transfers	759,762	511,570	481,191	148,020	1,240,953	659,590
Transfers (net)	359,850	275,840	(359,850)	(275,840)	—	—
Change in net position	<u>1,119,612</u>	<u>787,410</u>	<u>121,341</u>	<u>(127,820)</u>	<u>1,240,953</u>	<u>659,590</u>
Net position (deficit) - Beginning	163,753	(609,814)	179,137	306,186	342,890	(303,628)
Cumulative effect of prior period adjustments	—	(13,843)	—	771	—	(13,072)
Net position (deficit) - Beginning, as restated	<u>163,753</u>	<u>(623,657)</u>	<u>179,137</u>	<u>306,957</u>	<u>342,890</u>	<u>(316,700)</u>
Net position (deficit) - Ending	<u>\$ 1,283,365</u>	<u>\$ 163,753</u>	<u>\$ 300,478</u>	<u>\$ 179,137</u>	<u>\$ 1,583,843</u>	<u>\$ 342,890</u>

Chart 1 depicts the State's sources of revenues from Governmental Activities for the fiscal year ended June 30, 2022.

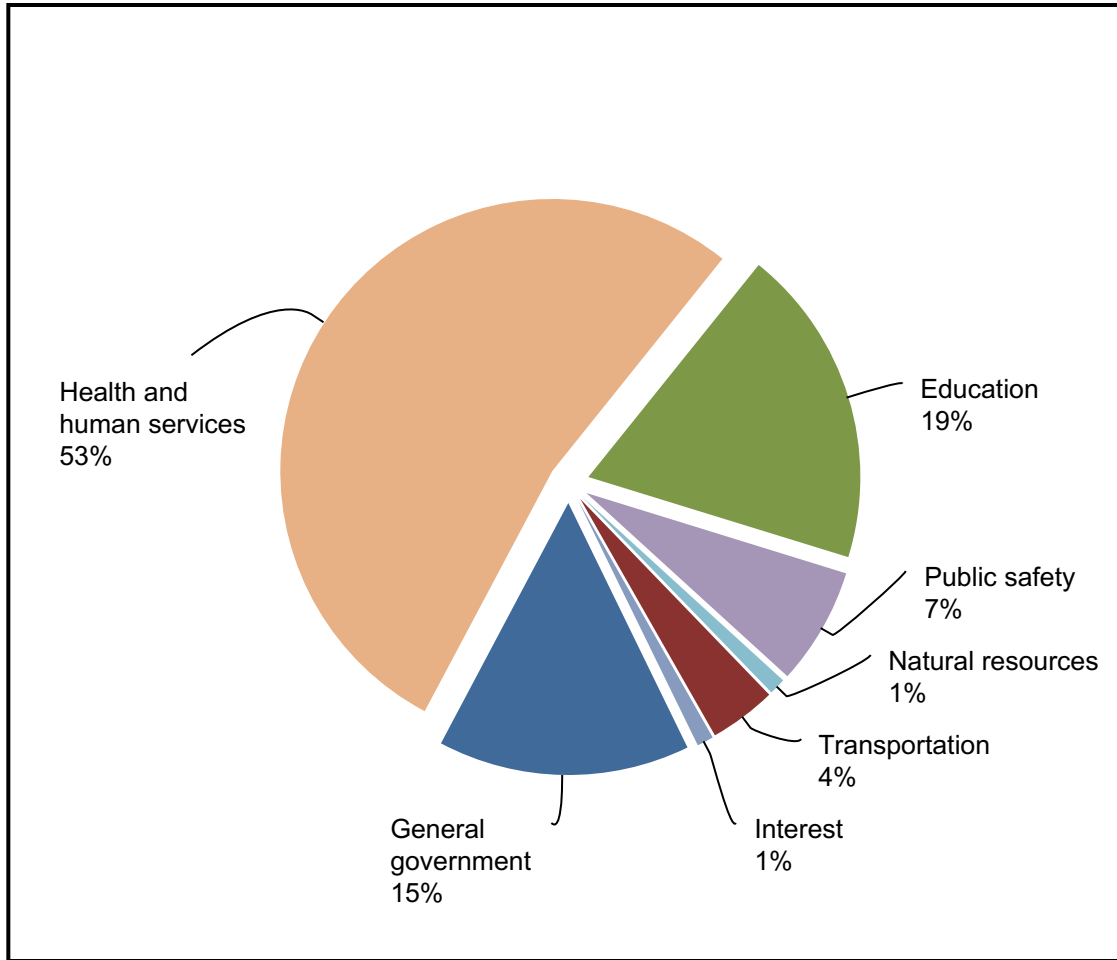
Chart 1 - Revenues and Transfers - Governmental Activities



The relative mix of revenue and transfers by source for governmental activities remained fairly consistent during fiscal 2022 versus the prior fiscal year. Taxes continued to represent one of the largest sources of revenue at 42% of the total followed by Operating grants and contributions at 43%. The proportion of total revenue derived from operating grants and contributions increased in fiscal 2022 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, 2022.

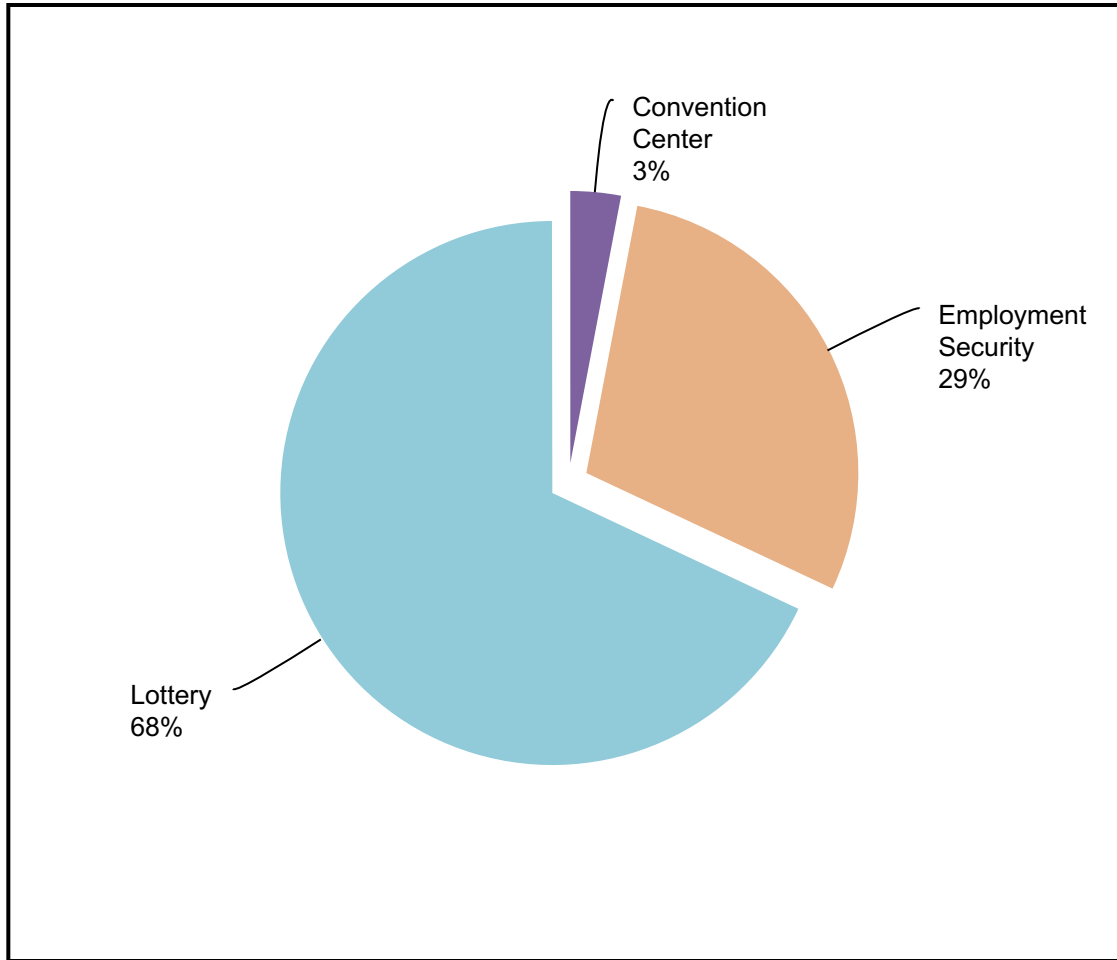
Chart 2 - Program Expenses - Governmental Activities



The relative mix of program expenses for governmental activities remained about the same in fiscal 2022 as for the prior fiscal year.

Chart 3 depicts the program expenses related to Business Type Activities during the fiscal year ended June 30, 2022.

Chart 3 - Program Expenses - Business Type Activities



There was a decrease in Employment Security over prior fiscal year due to the cessation of pandemic supplemental benefits. The increase to Lottery expenses is consistent with fully functional operations.

Financial Analysis Funds

As noted earlier, the State uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the State's governmental funds is to provide information about near-term inflows, outflows, and balances of spendable resources. Such information is useful when assessing the State financing requirements. At the end of the current fiscal year, the governmental funds reported a combined ending fund balance of approximately \$2.6 billion, an increase of \$693.6 million from June 30, 2021. A breakdown of the components follows (expressed in thousands):

	2022	2021	2022 vs 2021 Change	Percent
Governmental Funds				
Non-spendable	\$ 1,497	\$ 1,712	\$ (215)	(12.6)%
Restricted	1,939,645	1,204,880	734,765	61.0 %
Unrestricted				
Committed	112,119	50,403	61,716	122.4 %
Assigned	32,378	292,564	(260,186)	(88.9)%
Unassigned	476,914	319,425	157,489	49.3 %
Total	<u>\$ 2,562,553</u>	<u>\$ 1,868,984</u>	<u>\$ 693,569</u>	37.1 %

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

- Non-spendable fund balance - amounts that cannot be spent because they are either (a) not in spendable form, for example: fund balance associated with inventories, or (b) legally or contractually required to be maintained intact.
- Restricted fund balance - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by constitutional provisions or by law through enabling legislation enacted by the General Assembly.
- Committed fund balance - amounts that can only be used for specific purposes determined by the enactment of legislation by the General Assembly, and that remain binding unless removed in the same manner. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- Assigned fund balance - amounts that are constrained by stated intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor.
- Unassigned fund balance - within the General Fund, the residual classification for amounts not contained in the other classifications. Other than the General Fund, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Significant changes in fund balance:

- Restricted - net increase of \$734.8 million is primarily related to RICAP fund balance legislatively approved for various capital projects.

- Committed - net increase of \$61.7 million is primarily attributable to a increase 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.
- Assigned - net decrease of \$260.2 million is primarily resulted from a decrease in the amount of assigned fund balance allocated to fund the subsequent year's budget.
- Unassigned - net increase of \$157.5 million is primarily due to more favorable General Revenue operating results during fiscal 2022.

General Fund

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

	2022	2021	2022 vs 2021 Change	Percent
Non-spendable	\$ 1,323	\$ 1,538	\$ (215)	(14.0)%
Restricted	461,970	276,172	185,798	67.3 %
Unrestricted				
Committed	11,790	8,135	3,655	44.9 %
Assigned	31,720	291,985	(260,265)	(89.1)%
Unassigned	476,914	319,425	157,489	49.3 %
Total	<u>\$ 983,717</u>	<u>\$ 897,255</u>	<u>\$ 86,462</u>	9.6 %

Revenues and other sources of the General Fund totaled \$10.4 billion in fiscal 2022, an increase of \$1.0 billion or 10.1% 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):

	2022	2021	Increase (decrease) from 2021	
			Amount	Percent
Revenues				
Taxes:				
Personal income	\$ 1,984,975	\$ 1,606,554	\$ 378,421	23.6 %
Sales and use	1,685,487	1,524,014	161,473	10.6 %
General business	617,121	496,345	120,776	24.3 %
Other	61,929	61,165	764	1.2 %
Subtotal	<u>4,349,512</u>	<u>3,688,078</u>	<u>661,434</u>	17.9 %
Federal grants	4,744,086	4,649,167	94,919	2.0 %
Restricted revenues	398,431	305,523	92,908	30.4 %
Licenses, fines, sales, and services	407,799	378,662	29,137	7.7 %
Other general revenues	68,954	66,626	2,328	3.5 %
Subtotal	<u>5,619,270</u>	<u>5,399,978</u>	<u>219,292</u>	4.1 %
Total revenues	<u>9,968,782</u>	<u>9,088,056</u>	<u>880,726</u>	9.7 %
Other sources				
Transfer from Lottery	388,642	301,803	86,839	28.8 %
Other transfers	56,551	65,941	(9,390)	(14.2)%
Total revenues and other sources	<u>\$ 10,413,975</u>	<u>\$ 9,455,800</u>	<u>\$ 958,175</u>	10.1 %

Significant Drivers of Revenue

The State's unemployment rate fell to 4.3% in fiscal 2022, according to S&P Global, down 4.1 percentage points from the 8.4% rate realized in fiscal 2021. The fiscal 2022 unemployment rate is the lowest fiscal year unemployment rate since 2019. Nominal personal income growth eased to 1.9% in fiscal 2022 from 5.6% growth in fiscal 2021. Fiscal 2021 personal income had been boosted by various stimulus and unemployment programs related to the pandemic.

The robust labor market contributed to strong personal income taxes collections in fiscal 2022. Fiscal 2022 personal income taxes increased 23.6% from fiscal 2021 levels. Personal income tax withholding payments rose to \$1.5 billion in fiscal 2022, up 15.4% compared to fiscal 2021. Final personal income tax payments on tax returns increased 13.7% in fiscal 2022 compared to the prior year (a figure which includes the entirety of the State's elective pass-through entity tax). However, fiscal 2021 final payments were artificially boosted by the shift of the tax year 2019 due date from April 2020 to July 2020. Adjusting for this, fiscal 2022 final payments grew 59.8%, likely due to strong economic and market performance

General sales and use tax revenues posted an increase by 10.6% in fiscal 2022 over fiscal 2021. The strong increase in fiscal 2022 sales and use tax was likely attributable to simultaneous inflation in consumer goods and wages, along with some continued spending of savings accumulated during the pandemic through cost savings and stimulus payments. Counter to this trend, fiscal 2022 use tax payments paid at the time of registration of a new motor vehicle decreased by 3.6%, down from a 34.8% rate of growth between fiscal 2020 and fiscal 2021. The relatively weaker performance of sales tax on new vehicles was likely due to supply chain issues.

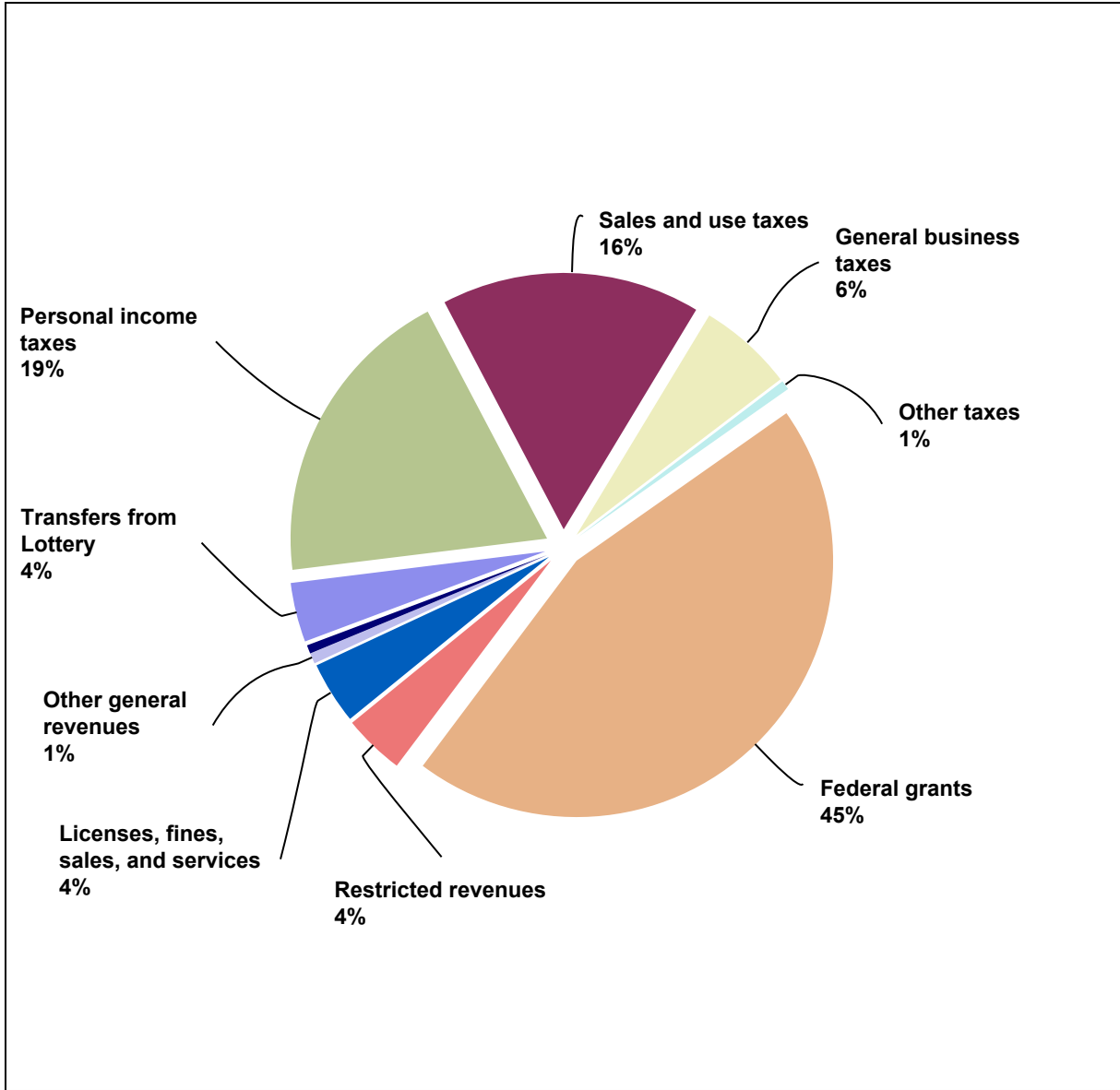
General business tax revenues increased by 24.3% in fiscal 2022, driven by large gains in business corporation taxes, of 42.6%.

Other taxes increased by 1.3% from fiscal 2021. The slow growth is attributable to estate and transfer tax revenues, which declined \$3.7 million, or 8.6%, from fiscal 2021. However, this loss was offset by an increase in realty transfer tax revenues which rose 24.5% over fiscal 2021 levels, indicating ongoing strength in the housing market.

Finally, the R.I. Lottery's transfer to the General Fund was up 28.8% for fiscal 2022 compared to fiscal 2021. This performance is largely driven by strong growth in Video Lottery Terminals (VLT or slot machine) receipts, which increased by 39.4%, and table game activity, which grew by 57.4%, due to both casinos being fully operational for the entire fiscal year for the first time since FY 2019. This also includes strong growth of 46.5% in remote sports betting.

Chart 4 illustrates the fiscal 2022 General Fund Revenue and transfers.

Chart 4 - Revenues and Other Sources - General Fund



Expenditures and transfers out totaled \$10.3 billion in fiscal 2022, an increase of \$1.4 billion, or 15.5%, 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):

	2022	2021	Increase (decrease) from 2021	
			Amount	Percent
General government	\$ 1,233,846	\$ 1,141,313	\$ 92,533	8.11 %
Health and human services	5,446,643	4,925,442	521,201	10.58 %
Education	1,965,268	1,839,019	126,249	6.87 %
Public safety	653,607	587,243	66,364	11.30 %
Natural resources	112,029	85,374	26,655	31.22 %
Debt Service:				
Principal	155,990	139,023	16,967	12.20 %
Interest	60,261	64,095	(3,834)	(5.98) %
Total expenditures	9,627,644	8,781,509	846,135	9.64 %
Transfers out	704,158	164,963	539,195	326.86 %
Total expenditures and transfers out	<u>\$ 10,331,802</u>	<u>\$ 8,946,472</u>	<u>\$ 1,385,330</u>	15.48 %

Significant Drivers of Expenditures

The year-over-year increase of approximately \$92.5 million to the General Government function is primarily attributable to the advanced payment of pension payment deferrals from 1991 and 1992 totaling \$61.8 million.

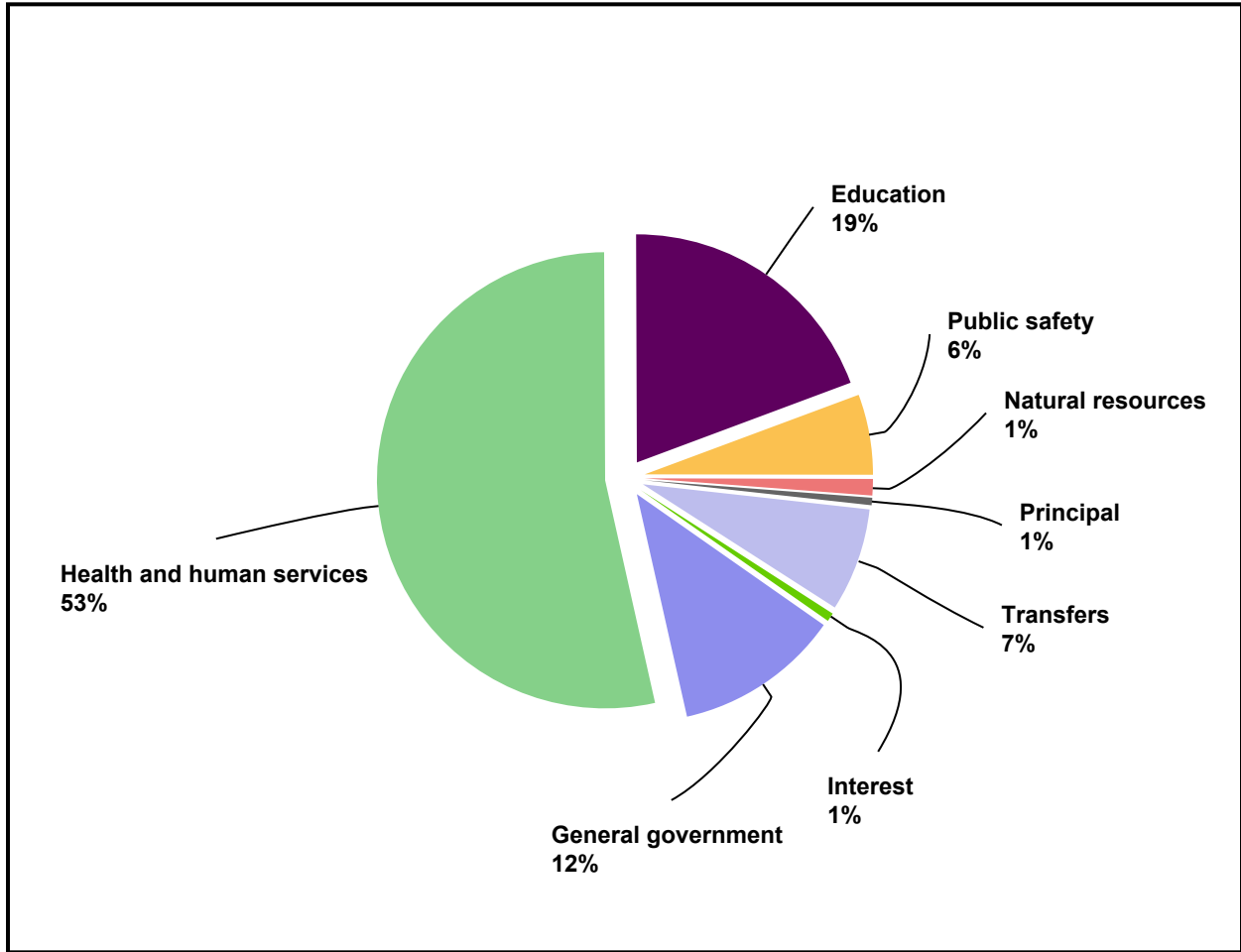
The year-over-year increase of \$521.2 million in health and human services functions spending is attributable to the continued impact of the pandemic and related economic recovery efforts to the State social services programs, predominantly Medicaid. Continuous coverage requirements to maintain eligibility for Medicaid benefits resulted in an increase to enrollment and program costs.

The year-over-year increase to the Education function expenditures of \$126.2 million is primarily the result of \$38 million more in additional funding for education aid to local school districts and state schools via the education aid funding formula; a \$3.9 million increase to the State's contribution to teacher retirement costs, and a net increase of \$21.6 million to state support for Rhode Island's public higher education institutions. Also driving this year-over-year education function increase is a net increase of \$65.4 million in federal grants for the National School Lunch program.

A significant portion of the year-over-year increase to the Natural Resources function expenditures of \$26.7 million is attributable to a \$22.0 million transfer to the Rhode Island Infrastructure Bank to finance the state match for federal clean and drinking water programs.

Chart 5 depicts the General Fund expenditures and other uses for fiscal 2022.

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):

	2022	2021	Increase (decrease) from 2021	
			Change	Percent
Restricted	\$ 222,694	\$ 223,404	\$ (710)	(0.32)%
Unrestricted				
Committed	99,878	41,835	58,043	138.74 %
Assigned	658	579	79	13.64 %
Total	\$ 323,230	\$ 265,818	\$ 57,412	21.60 %

The net increase of \$58.0 million in the committed portion of the unrestricted fund balance resulted from multiple factors including an increase in the RI Highway Maintenance Account. The increase in the RI Highway and Maintenance Account is a result of carryforward used primarily for State Match to Federal

projects. For FY22, RI Highway Maintenance funds were dedicated for multi-years therefore creating a carryforward into the next fiscal year. All funding is allocated in the 10-year transportation improvement plan for projects.

General Fund Budgetary Highlights - General Revenue Sources

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

A stronger-than-expected economic and market recovery, most notably evidenced by tax year 2021 personal income tax payments resulted in a significant increase of \$386.7 million between the original budget and the final budget. General revenue appropriations increased from the original budget by \$942.0 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, 2022

	Original Budget	Final Budget	Actual*	Final Budget vs. Actual Variance
Revenues and other sources:				
Taxes:				
Personal income	\$ 1,656,600	\$ 1,940,800	\$ 1,985,923	\$ 45,123
General business	518,400	576,800	617,121	40,321
Sales and use	1,610,000	1,644,800	1,685,487	40,687
Other taxes	60,800	59,000	61,928	2,928
Departmental revenue	419,200	427,000	433,131	6,131
Other sources:				
Lottery transfer	393,300	389,600	388,642	(958)
Unclaimed property	14,700	16,100	21,425	5,325
Miscellaneous	11,300	16,900	10,586	(6,314)
Total revenues and other sources	<u>4,684,300</u>	<u>5,071,000</u>	<u>5,204,243</u>	<u>133,243</u>
Expenditures and other uses:				
General government	669,129	1,398,736	1,272,836	(125,900)
Health and Human services	1,723,808	1,884,019	1,790,358	(93,661)
Education	1,595,332	1,604,254	1,599,254	(5,000)
Public safety	513,549	531,843	503,806	(28,037)
Natural resources	48,993	73,913	73,684	(229)
Total expenditures and other uses	<u>4,550,811</u>	<u>5,492,765</u>	<u>5,239,938</u>	<u>(252,827)</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ 133,489</u>	<u>\$ (421,765)</u>	<u>\$ (35,695)</u>	<u>\$ 386,070</u>

*See Notes on the General Fund Budgetary Comparison Schedule

The majority of the revenue variance noted in the table above is accounted for by personal income tax, business corporation tax, and sales and use tax; the variance totaling approximately \$126.1 million. For personal income tax, which was revised between the original and final budget by \$284.2 million, actual collections exceeded this final budget amount by an additional \$46.9 million. Most of this strength came in the form of increased final income tax payments, likely due to increased capital gains during tax year 2021. The strong labor market and wage inflation also lead to increased income tax withholding.

Actual fiscal 2022 general business taxes ended the year \$40.3 million above the final enacted budget and \$98.7 million more than the original budget. Strong corporate profits led to the highest-ever year for business corporation tax, which was revised upward by \$45.2 million between the original and the final budget but still exceeded final budget estimates by \$33.4 million. Sales and use and excise tax revenues received in fiscal 2022 were \$40.7 million more than estimated sales and use tax revenues included in the fiscal 2022 final budget. Consumers, fueled by excess savings accumulated during the pandemic, continued to substitute consumption of services (generally non-taxable) with increased good purchases (general taxable).

The actual fiscal 2022 Lottery transfer to the General Fund was \$4.7 million below fiscal 2022 original budget and \$1.0 million below the fiscal 2022 estimated in the final budget. This surplus to the original budget was across all types of gaming activity, demonstrating the continued recovery of the State's Lottery operations since the beginning of the pandemic.

The positive expenditure variance for the General Government function of approximately \$125.9 million was primarily due to the pre-financing of multi-year projects in the final enacted budget that while appropriated, are not recorded expenditures in the General Fund, including \$50.0 million for a new Enterprise Resource Planning system, \$25.0 million for a housing production fund, \$17.0 million for a new child welfare IT system, and \$8.0 million in various other IT projects, for a total of \$100.0 million. Expenditures for these projects are anticipated to begin in FY 2023.

Additionally, the final enacted budget included general revenue appropriations for certain COVID-19 pandemic-related expenses categorized as general revenue expenses in anticipation of Federal Emergency Management Agency (FEMA) reimbursements in fiscal 2023. Actual expenditures pending FEMA reimbursement were less than what was assumed in the final enacted budget resulting in a positive variance of \$7.2 million, \$5.3 million of which was experienced in the Department of Administration and \$1.9 million in the Executive Office of Commerce.

The remaining positive variance is attributable to operating surplus across multiple agencies in the General Government function, the largest of which was \$9.3 million in the General Assembly. The General Assembly typically ends the fiscal year with a surplus, which under Rhode Island law is re-appropriated to fiscal 2023. The Department of Labor and Training concluded fiscal 2022 with a surplus totaling \$1.2 million, largely attributable to unexpended state appropriations for various workforce development initiatives, most notably within the Real Jobs Rhode Island program.

The positive variance of \$93.7 million in the Health and Human Services function is primarily attributable to a positive variance of \$28.9 million experienced in the Medical Assistance (Medicaid) program at the Executive Office of Health and Human Services. This surplus reflects lower aggregate caseload expenditures than were estimated as part of the final enacted budget; the relative variance represents only 2.9% of appropriated program general revenue financing.

Finally, operating surplus occurred within several major health and human services agencies, including the Department of Children Youth and Families (\$24 million) and the Department of Human Services (\$10.5 million), offset by a negative variance in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (\$6.7 million). The positive variance in the Department of Children Youth and Families is attributable to the estimated caseload for Child Welfare expenditures exceeding actual expenditures by \$18.0 million and \$8.0 million of turnover savings from higher than anticipated vacant positions. The positive variance in the Department of Human Services is attributable to \$5.9 million of turnover savings from higher than anticipated vacant positions, and a \$1.2 million positive variance for grants for co-pay waivers for home care and adult day care for adults diagnosed with Alzheimer's Disease and related Dementia. The negative variance in the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals is largely attributable to higher than anticipated costs for the operations of the Eleanor Slater Hospital system.

The positive variance to the Education function of approximately \$5.0 million is driven by a surplus of \$4.8 million in the Department of Elementary and Secondary Education. Approximately \$0.8 million of this surplus stem from savings in both the Early Childhood Demonstration and the Multilingual Learners “categorical” aid programs, due largely to decreased enrollment demand during the ongoing COVID-19 pandemic. Additionally, a favorable variance of \$3.2 million is evidenced in the Teacher Retirement program, which finances 40% of the employer cost of annual retirement contributions for public school teachers enrolled in the Employees’ Retirement System of Rhode Island (ERSRI). While this surplus reflects lower aggregate fiscal 2022 ERSRI billings than were estimated as part of the final enacted budget, the relative variance represents only 2.6% of appropriated program financing.

The positive expenditure variance of \$28.0 million in the Public Safety function is mostly attributable to \$17.5 million of turnover savings from higher than anticipated vacant positions across the function of government, which is primarily comprised of \$8.2 million in the Department of Corrections for vacant Correctional Officer positions, \$7.8 million in the Department of Public Safety for vacancies in the Rhode Island State Police and Security Services programs, and \$1.1 million in the Office of the Attorney General. As with the other functions of government, the final enacted budget included general revenue appropriations for certain COVID-19 pandemic-related expenses categorized as general revenue expenses in anticipation of Federal Emergency Management Agency (FEMA) reimbursements in fiscal 2023. Actual expenditures pending FEMA reimbursement were less than what was assumed in the final enacted budget resulting in a \$1.7 million positive variance, \$1.6 million of which was experienced in the Rhode Island Emergency Management Agency. Finally, the Judiciary ended the year with a surplus of \$4.5 million, which under Rhode Island law is carried forward to fiscal 2023.

Capital Assets and Debt Administration

Capital Assets

The State investment in capital assets for its governmental and business-type activities as of June 30, 2022 amounts to \$5.3 billion, net of accumulated depreciation of \$4.2 billion. This investment in capital assets includes land, buildings, improvements, equipment, infrastructure, computer systems, and construction in progress. The total increase in the State investment in capital assets for the current fiscal year was approximately 4.2% of net book value. This increase is primarily related to investments for the construction and rehabilitation of highways and bridges as well as other infrastructure, and new buildings.

Actual expenditures to purchase or construct capital assets were \$481.4 million for the year. Of this amount, \$352.5 million was used to construct or reconstruct highways. Depreciation charges for the year totaled \$285.1 million.

State of Rhode Island Capital Assets as of June 30, 2022 and 2021 (Expressed in Thousands)						
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2022	2021	2022	2021 (restated)	2022	2021 (restated)
Capital assets not being depreciated or amortized						
Land	\$ 400,695	\$ 395,488	\$ 46,808	\$ 46,808	\$ 447,503	\$ 442,296
Works of Art	5,358	4,385	—	—	5,358	4,385
Intangibles	186,230	183,456	—	—	186,230	183,456
Construction in progress	849,943	704,362	839	2,799	850,782	707,161
Total capital assets not being depreciated or amortized	1,442,226	1,287,691	47,647	49,607	1,489,873	1,337,298
Capital assets being depreciated or amortized						
Land improvements	8,331	8,331	—	—	8,331	8,331
Buildings	882,128	891,818	281,736	277,708	1,163,864	1,169,526
Building improvements	565,263	529,424	—	—	565,263	529,424
Equipment	377,556	371,266	50,948	51,318	428,504	422,584
Intangibles	344,315	344,315	—	—	344,315	344,315
Intangibles: Right to Use	93,927	—	1,401	—	95,328	—
Infrastructure	5,471,857	5,273,433	—	—	5,471,857	5,273,433
	7,743,377	7,418,587	334,085	329,026	8,077,462	7,747,613
Less: Accumulated depreciation or amortization	4,002,346	3,748,407	234,460	221,002	4,236,806	3,969,409
Total capital assets being depreciated or amortized	3,741,031	3,670,180	99,625	108,024	3,840,656	3,778,204
Total capital assets (net)	\$ 5,183,257	\$ 4,957,871	\$ 147,272	\$ 157,631	\$ 5,330,529	\$ 5,115,502

Additional information about the State's capital assets can be found at Note 5 to the financial statements.

Debt Administration

According to the State's Constitution, the General Assembly has no power to incur State debts in excess of \$50 thousand without the consent of the people (voters), except in the case of war, insurrection or invasion, or to pledge the faith of the State to the payment of obligations of others without such consent.

At the end of the current fiscal year, the State governmental activities had total bonded debt outstanding of \$2.5 billion, of which \$1.3 billion is general obligation debt, \$586.9 million is special obligation debt and \$551.0 million is debt of the blended component units. Additionally, accreted interest of \$151.9 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 total bonded debt decreased by \$55.3 million during fiscal 2022. This decrease consists of a \$34.9 million increase in general obligation debt, a decrease of \$60.2 million in special obligation debt, and a decrease of \$30.0 million in the blended component unit debt.

The general obligation debt is supported by the full faith and credit of the State. Other obligations subject to annual appropriation by the R.I. General Assembly totaling \$175.0 million and \$1.2 billion are supported by pledged revenue. These obligations are discussed in the financial statement Notes 7 and 13.

In October 2021, the State issued \$135 million of general obligation bonds with interest rates from 1.12% - 5.00%, maturing from 2022 through 2041. The total premium paid on these bonds was \$8.9 million. In accordance with certain bond statutes, net premiums of \$2.8 million were transferred to RI Infrastructure Bank to provided municipalities with low-cost financial assistance for road and bridge projects and \$4.9 million was transferred to the Rhode Island Capital Plan Fund.

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, 2022 amounted to \$441 million; other obligations that are authorized but unissued totaled \$208.8 million and are described at Note 7 of the financial statements. State long-term debt information can also be found in the notes to the financial statements of this report.

Economic Outlook and Fiscal 2023 Budget

The first quarter report for fiscal 2023 prepared by the State Budget Office contains estimates of annual expenditures based upon analysis of expenditures through the first quarter, as well as caseload and medical assistance expenditure estimates and revenue estimates adopted at the November 2022 Caseload and Revenue Estimating Conferences. The fiscal 2023 balance, based upon these assumptions, is estimated to reflect a \$610.0 million general revenue surplus at year end in the General Fund.

The first quarter report for fiscal 2023 reported expenditures revised downward by \$76.4 million, primarily in the Human Service functional area. There was a decrease of \$88.3 million of expenditures within various programs subject to the November 2022 Caseload Estimating Conference. Additional changes recommended by the Governor to the fiscal 2023 enacted appropriations, including changes to adopted revenues, were incorporated in the supplemental appropriations bill, which was submitted to the General Assembly on January 19, 2023.

The November Revenue Estimating Conference's estimates reflect recent revenue trends and expected collections based upon the current economic forecast. Consensus estimates of general revenue receipts were increased by \$358.9 million, up from \$4.90 billion to \$5.26 billion compared with the enacted fiscal 2023 estimate. The largest factor is an expected increase to taxes of \$284.4 million. The transfer from the Rhode Island Lottery is also expected to increase by \$30.9 million. Departmental receipts are expected to be \$30.0 million higher than the enacted budget, largely due to increased interest payments on the State's General Fund.

Conditions Expected to Affect Future Operations

American Rescue Plan - State Fiscal Recovery Funding

Funding to the State from the American Rescue Plan Act's State Fiscal Recovery funds will allow large-scale, sustainable investments in the climate, blue and green economies, workforce, public health care, housing, and more. The 2023 budget proposal includes a wide array of proposals to use these funds to begin investing in the State's recovery from the pandemic and provides important resources to assist the State in managing the continuing challenges of the on-going pandemic. Use of the funding has been appropriated by the General Assembly. The significance of the amount of recovery funding represents an unprecedented opportunity to make significant investments designed to benefit the State's overall economy for several years.

Lottery Revenue

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

- *Changes in gaming technology* – Lottery continues to utilize new gaming technology to expand product offerings. For example, the fiscal year 2023 enacted budget allowed Lottery to increase the average payouts on instant games to remain competitive with other states.

- *Competition from casinos in nearby states* – Efforts to compete effectively with casino offerings in nearby states will undoubtedly persist and continue to involve enhanced player incentives and ensuring new games and gambling options are offered to patrons. In September 2021 Connecticut began to offer sports betting at the state's casinos and soon followed by online sports betting. Massachusetts' governor signed sports betting legislation into law in August 2022, with operations expected to start sometime in 2023.

In June 2021, the Rhode Island General Assembly enacted legislation authorizing the State Lottery Division to extend contracts for services and products with IGT Global Solutions Corporation (IGT) through June 30, 2043. The State Lottery Division may amend the IGT master contract to June 30, 2043, including agreements related to online gaming, the video lottery central computer system, the video lottery technology provider license, instant tickets and related vending machine agreement, and the website services agreement. Of most significance, the executed contract extensions will require IGT to pay up front payments in fiscal years 2023 and 2024 of \$13.5 million each year to be the exclusive provider to the Division of its products and services under the contract; amend the online lottery agreement rates of compensation (online and instant games); and obligate IGT to capital investment, employment, and compensation pay requirements.

The legislation also authorizes the State Lottery Division to agree to contract extensions through June 30, 2043 with the Bally's Corporation (owner and operator of the Lottery's licensed gaming facilities) or an affiliate (Bally's) in exchange for constructing a 50,000 square foot addition to the Lincoln Gaming Facility and leasing commercial space in the City of Providence. The extension would mandate a \$100 million investment by Bally's relating to the Lincoln expansion and improvements. In addition, the Bally's extension will require Bally's to enter into a Joint Venture with IGT for the right to be the exclusive Technology Provider of video lottery terminals (VLT) from the date of the Joint Venture to June 30, 2043.

These contracts were executed on February 17, 2022.

Pension Benefits

The State's financial statements include the net pension liability for the various defined benefit pension plans covering state employees and teachers. Please see Note 18 to the financial statements for information about each of the state's pension plans.

Future operations will continue to be affected by the actuarial calculated amounts required to responsibly fund pensions consistent with statutory and actuarial requirements. Similarly, the overall net position will continue to be affected by market conditions affecting the fair value of assets accumulated for future pension benefits and the accounting measures reflecting the changes in those pension liabilities from year to year.

In addition to the comprehensive pension reform measures adopted in prior years, the State continues to responsibly manage its pension liabilities through investment management and adoption of appropriate actuarial assumptions.

Transportation Funding Initiative

In order to address Rhode Island's continuing issues with deteriorating roads and bridges, an initiative, called RhodeWorks, was enacted by the General Assembly in 2016. RhodeWorks calls for investing an additional \$1 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 overseen 284 projects including completion of 203 bridges.

The federal Infrastructure Investment and Jobs Act (IIJA), a 5-year infrastructure funding package, is expected to provide \$1.7 billion for transportation infrastructure to the State. This new funding will expedite 100 projects valued at \$2.1 billion in the state Transportation Improvement Program. State matching funds will be combined with the federal funds to accelerate these improvements. In addition, the IIJA provides funding for significant investments in the State's airports, transit systems, electric vehicle charging networks, high-speed internet coverage, and drinking water infrastructure, as many of the infrastructure improvements targeted by the act. This unprecedented infrastructure investment will greatly assist the State in addressing current transportation infrastructure deficiencies while also allowing the State to make new investments modernizing the infrastructure that supports telecommunications, power grids, clean energy initiatives and other vital infrastructure.

Information Technology Security and Cybersecurity

The State relies upon a large and complex technology environment to conduct its operations and faces multiple cybersecurity threats and potential attacks on its computing and other digital networks and systems. To mitigate the risk of impact to State operations and damage from cybersecurity incidents or cyber-attacks, the State has prioritized and increased investments in multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer that align with the well-defined cybersecurity and risk management frameworks.

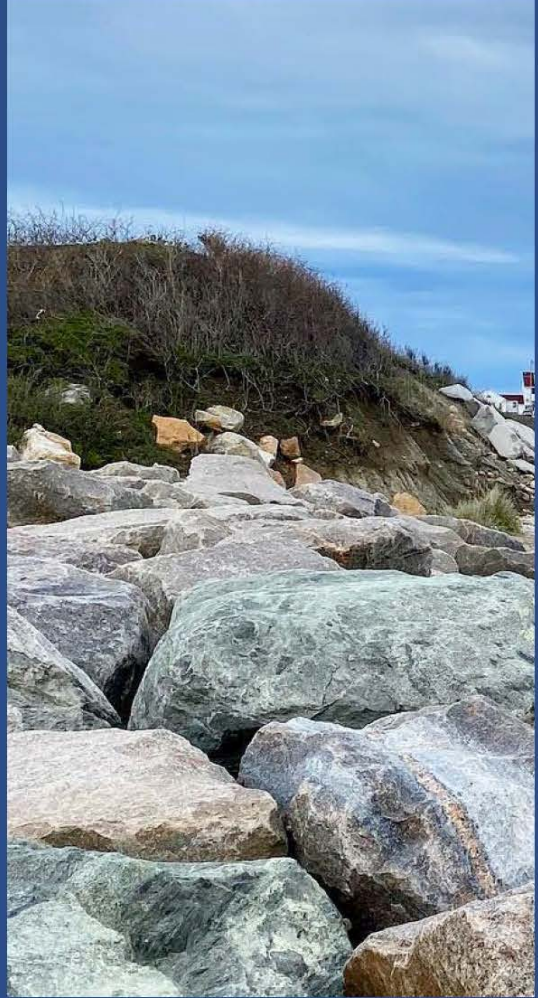
Statewide School Construction Funding

Voters approved a \$250 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 been completed and for projects that have not been issued permanent financing (bonds) through RIHEBC. The State has authorized school project awards approximating the approved \$250 million to date in conjunction with this program. This commitment will help our state to create learning environments that support the attainment of the academic, social, emotional, career readiness, and citizenship knowledge, skills, and competencies necessary to be successful in the 21st century. Additionally, another \$250 million bond has been authorized by the voters during the November 2022 election.

Requests for Information

This report is designed to provide a general overview of the State's finances and accountability for the State's citizens, taxpayers, customers, investors and creditors. Questions concerning any of the information provided in this report or requests for additional information should be sent to Tara Mello, Associate Controller at tara.m.mello@doa.ri.gov. The State's Annual Comprehensive Financial Report may be found on the State Controller's home page, <http://controller.admin.ri.gov/index.php>. Requests for additional information related to component units should be addressed to the entities as listed in Note 1 of the financial statements.

Basic Financial Statements



State of Rhode Island

Fiscal Year Ended

June 30, 2022



State of Rhode Island
Statement of Net Position
June 30, 2022
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
Assets and deferred outflows of resources				
Current assets:				
Cash and cash equivalents	\$ 3,297,786	\$ 54,299	\$ 3,352,085	\$ 478,630
Funds on deposit with fiscal agent	247,896	264,357	512,253	—
Investments	7	—	7	725
Receivables (net)	926,113	86,326	1,012,439	129,543
Lease Receivable	865	2,638	3,503	10,713
Restricted assets:				
Cash and cash equivalents	50,188	7,426	57,614	972,552
Investments	—	—	—	152,659
Receivables (net)	—	—	—	109,603
Other assets	—	—	—	49,781
Due from primary government	—	—	—	47,191
Due from component units	13,538	—	13,538	1,355
Internal balances	4,267	(4,267)	—	—
Due from other governments and agencies	459,774	2,263	462,037	6,929
Inventories	2,032	960	2,992	8,124
Other assets	7,890	1,183	9,073	27,910
Total current assets	5,010,356	415,185	5,425,541	1,995,715
Noncurrent assets:				
Investments	—	—	—	297,074
Receivables (net)	33,201	—	33,201	99,539
Due from other governments and agencies	17,990	—	17,990	—
Restricted assets:				
Cash and cash equivalents	—	—	—	68,939
Investments	—	—	—	894,829
Receivables (net)	—	—	—	1,111,866
Other assets	—	—	—	1,129,437
Due from component units	32,282	—	32,282	593
Net Pension Asset	7,256	—	7,256	—
Net OPEB Asset	18,381	—	18,381	—
Capital assets - nondepreciable	1,442,226	47,647	1,489,873	428,513
Capital assets - depreciable (net)	3,663,505	98,263	3,761,768	2,020,454
Right to use asset-lease, net	77,526	1,362	78,888	31,672
Long term lease receivable	21,058	25,968	47,026	191,671
Other assets	—	139	139	232,737
Total noncurrent assets	5,313,425	173,379	5,486,804	6,507,324
Total assets	10,323,781	588,564	10,912,345	8,503,039
Deferred outflows of resources	571,643	8,532	580,175	77,954

(Continued)

State of Rhode Island
Statement of Net Position
June 30, 2022
(Expressed in Thousands)

	Primary Government			Component Units
	Governmental Activities	Business - Type Activities	Total	
Liabilities and deferred inflows of resources				
Current Liabilities:				
Accounts payable	\$ 1,016,126	\$ 21,975	\$ 1,038,101	\$ 91,385
Notes payable	—	—	—	108,869
Loans Payable	—	—	—	2,098
Due to primary government	—	—	—	13,538
Due to component units	47,191	—	47,191	359
Due to other governments and agencies	—	2,610	2,610	—
Accrued expenses	—	7,896	7,896	3,035
Current portion of long term lease liability	15,977	347	16,324	2,228
Unearned revenue	1,201,637	—	1,201,637	47,131
Other current liabilities	172,282	10,332	182,614	444,807
Current portion of long-term debt	289,658	24,926	314,584	150,121
Obligation for unpaid prize awards	—	11,912	11,912	—
Total current liabilities	2,742,871	79,998	2,822,869	863,571
Noncurrent Liabilities:				
Due to primary government	—	—	—	32,282
Net pension liability	1,818,945	16,558	1,835,503	219,827
Net pension liability-special funding situation	1,002,105	—	1,002,105	—
Net OPEB liability	209,210	2,145	211,355	111,938
Unearned revenue	—	1,862	1,862	4,668
Due to component units	—	—	—	593
Notes payable	—	—	—	182,029
Loans payable	—	—	—	11,844
Obligations under capital leases	92,490	—	92,490	—
Long term lease liability	62,260	1,014	63,274	31,588
Compensated absences	24,800	331	25,131	27,039
Bonds payable	2,646,188	160,725	2,806,913	2,780,531
Other liabilities	84,539	—	84,539	393,021
Total noncurrent liabilities	5,940,537	182,635	6,123,172	3,795,360
Total liabilities	8,683,408	262,633	8,946,041	4,658,931
Deferred inflows of resources	928,651	33,985	962,636	358,298
Net position (deficit)				
Net investment in capital assets	4,315,804	(27,576)	4,288,228	1,727,022
Restricted for:				
Capital Projects	697,765	—	697,765	—
Debt	75,826	2,509	78,335	342,350
Employment security programs	184,309	342,639	526,948	—
Other	502,956	—	502,956	1,157,359
Nonexpendable	174	—	174	181,090
Unrestricted	(4,493,469)	(17,094)	(4,510,563)	155,943
Total net position	\$ 1,283,365	\$ 300,478	\$ 1,583,843	\$ 3,563,764

(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, 2022
(Expressed in Thousands)

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	
Primary government:								
Governmental activities:								
General government	\$ 1,546,983	\$ 292,229	\$ 577,448	\$ 831	\$ (676,475)	\$ —	\$ (676,475)	\$ —
Health and human services	5,436,751	378,863	3,647,627	1,406	(1,408,855)	—	(1,408,855)	—
Education	1,977,247	47,930	360,790	1,764	(1,566,763)	—	(1,566,763)	—
Public safety	627,380	39,662	121,602	5,201	(460,915)	—	(460,915)	—
Natural resources	125,582	49,137	24,809	2,728	(48,908)	—	(48,908)	—
Transportation	400,677	63,309	90,258	323,446	76,336	—	76,336	—
Interest and other charges	96,490	—	—	—	(96,490)	—	(96,490)	—
Total governmental activities	10,211,110	871,130	4,822,534	335,376	(4,182,070)	—	(4,182,070)	—
Business-type activities:								
State Lottery	1,040,555	1,429,087	—	—	—	388,532	388,532	—
Convention Center	47,523	23,847	—	—	—	(23,676)	(23,676)	—
Employment Security	451,040	247,662	311,317	—	—	107,939	107,939	—
Total business-type activities	1,539,118	1,700,596	311,317	—	—	472,795	472,795	—
Total primary government	\$ 11,750,228	\$ 2,571,726	\$ 5,133,851	\$ 335,376	\$ (4,182,070)	\$ 472,795	\$ (3,709,275)	\$ —
Component units:	\$ 1,803,169	\$ 818,260	\$ 1,067,647	\$ 196,947				\$ 279,685
General Revenues:								
Taxes:								
Personal income					1,990,206	—	1,990,206	—
General business					615,356	—	615,356	—
Sales and use					1,684,263	—	1,684,263	—
Gasoline					152,375	—	152,375	—
Other					371,292	—	371,292	—
Interest and investment earnings (losses)					6,026	350	6,376	(88,102)
Miscellaneous revenue					120,875	8,046	128,921	9,856
Net gain (loss) on sale of capital assets					1,439	—	1,439	230
Transfers (net)					359,850	(359,850)	—	—
Total general revenues and transfers					5,301,682	(351,454)	4,950,228	(78,016)
Change in net position					1,119,612	121,341	1,240,953	201,669
Net position - beginning as restated					163,753	179,137	342,890	3,362,095
Net position- ending					\$ 1,283,365	\$ 300,478	\$ 1,583,843	\$ 3,563,764

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

**State of Rhode Island
Balance Sheet
Governmental Funds
June 30, 2022
(Expressed in Thousands)**

	General	Intermodal Surface Transportation	Rhode Island Capital Plan	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 2,546,742	\$ 137,316	\$ 158,385	\$ 425,048	\$ 3,267,491
Funds on deposit with fiscal agent	—	193,893	—	54,003	247,896
Restricted cash equivalents	—	—	—	50,188	50,188
Receivables (net)	841,034	16,369	—	89,129	946,532
Due from other funds	—	—	555,220	—	555,220
Due from component units	—	2,077	—	—	2,077
Due from other governments and agencies	385,889	86,116	—	—	472,005
Loans to other funds	36,365	—	—	—	36,365
Lease Receivable	18,168	3,479	—	276	21,923
Other assets	2,666	—	—	—	2,666
Total assets	<u>\$ 3,830,864</u>	<u>\$ 439,250</u>	<u>\$ 713,605</u>	<u>\$ 618,644</u>	<u>\$ 5,602,363</u>
Liabilities, deferred inflows of resources and fund balances					
Liabilities					
Accounts payable	881,281	80,068	8,860	26,664	996,873
Due to other funds	546,009	5,407	—	1,733	553,149
Due to component units	26,830	—	5,470	2,819	35,119
Loans from other funds	—	—	—	30,181	30,181
Unearned revenue	1,201,367	—	—	—	1,201,367
Other liabilities	140,836	14,756	50	590	156,232
Total liabilities	<u>2,796,323</u>	<u>100,231</u>	<u>14,380</u>	<u>61,987</u>	<u>2,972,921</u>
Deferred inflows of resources	<u>50,824</u>	<u>15,789</u>	<u>—</u>	<u>276</u>	<u>66,889</u>
Fund Balances					
Non-spendable	1,323	—	—	174	1,497
Restricted	461,970	222,694	699,225	555,756	1,939,645
Committed	11,790	99,878	—	451	112,119
Assigned	31,720	658	—	—	32,378
Unassigned	476,914	—	—	—	476,914
Total fund balances	<u>983,717</u>	<u>323,230</u>	<u>699,225</u>	<u>556,381</u>	<u>2,562,553</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,830,864</u>	<u>\$ 439,250</u>	<u>\$ 713,605</u>	<u>\$ 618,644</u>	<u>\$ 5,602,363</u>

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

State of Rhode Island
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2022
(Expressed in Thousands)

Fund balance - total governmental funds \$ 2,562,553

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	9,088,345	
Accumulated depreciation	<u>(3,985,578)</u>	5,102,767

Right to use lease asset	93,927	
Accumulated depreciation	<u>(16,401)</u>	77,526

Deferred outflows of resources 571,643

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	(96,204)	
Bonds payable	(2,636,265)	
Net premium/discount on Bonds	(188,153)	
Obligations under capital leases	(112,395)	
Premium on Certificates of Participation	(6,828)	
Lease Liability	(78,237)	
Interest payable	(22,468)	
Net pension liabilities	(2,821,051)	
Net OPEB liabilities	(209,210)	
Other liabilities	<u>(84,513)</u>	(6,255,324)

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

Receivables	5,680	
Due from component units	36,796	
Net OPEB asset	18,381	
Net pension asset	7,256	
Unavailable revenue	<u>66,889</u>	135,002

Deferred inflows of resources (928,651)

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.

	17,849
Net position - total governmental activities	<u><u>\$ 1,283,365</u></u>

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, 2022
(Expressed in Thousands)

	<u>General</u>	<u>Intermodal Surface Transportation</u>	<u>Rhode Island Capital Plan</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 4,349,512	\$ 225,142	\$ —	\$ 236,596	\$ 4,811,250
Licenses, fines, tolls, sales, and services	407,799	62,228	—	1,614	471,641
Departmental restricted revenue	398,431	1,029	—	—	399,460
Federal grants	4,744,086	417,644	—	—	5,161,730
Income from investments	4,625	949	81	332	5,987
Other revenues	64,329	3,717	—	57,392	125,438
Total revenues	<u>9,968,782</u>	<u>710,709</u>	<u>81</u>	<u>295,934</u>	<u>10,975,506</u>
Expenditures:					
Current:					
General government	1,233,846	—	—	226,505	1,460,351
Health and human services	5,446,643	—	—	—	5,446,643
Education	1,965,268	—	—	354	1,965,622
Public safety	653,607	—	—	—	653,607
Natural resources	112,029	—	—	—	112,029
Transportation	—	588,181	—	3,117	591,298
Capital outlays	—	—	73,251	150,223	223,474
Debt service:					
Principal	155,990	44,228	1,494	29,970	231,682
Interest and other charges	60,261	28,089	—	24,351	112,701
Total expenditures	<u>9,627,644</u>	<u>660,498</u>	<u>74,745</u>	<u>434,520</u>	<u>10,797,407</u>
Excess (deficiency) of revenues over (under) expenditures	341,138	50,211	(74,664)	(138,586)	178,099
Other financing sources (uses):					
Issuance of bonds and notes	—	—	—	135,000	135,000
Proceeds from capital leases	2,500	—	7,472	—	9,972
Lease Financing	1,789	—	—	—	1,789
Debt issuance premiums	—	—	—	8,859	8,859
Transfers in	445,193	63,453	684,353	3,392	1,196,391
Transfers out	(704,158)	(56,252)	(67,761)	(8,370)	(836,541)
Total other financing sources (uses)	<u>(254,676)</u>	<u>7,201</u>	<u>624,064</u>	<u>138,881</u>	<u>515,470</u>
Net change in fund balances	86,462	57,412	549,400	295	693,569
Fund balances - beginning (as restated)	897,255	265,818	149,825	556,086	1,868,984
Fund balances - ending	<u>\$ 983,717</u>	<u>\$ 323,230</u>	<u>\$ 699,225</u>	<u>\$ 556,381</u>	<u>\$ 2,562,553</u>

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

State of Rhode Island
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

Net change in fund balances - total governmental funds \$ 693,569

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	465,257	
Depreciation expense	(270,393)	
	194,864	194,864

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	231,712	
Accrued interest and other charges	(683)	
Proceeds from sale of debt	(135,000)	
Deferral of premium/discount	(8,859)	
Amortization of premium/discount	35,671	
Accreted interest	(14,665)	
Amortization of refunding gains/losses	(4,051)	
Recognition of capital lease	(9,972)	
	94,153	94,153

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	(9,998)	
Pension expenses, net of related deferred outflows	172,252	
OPEB expenses, net of related deferred outflows	54,166	
Program expenses	(64,942)	
Program and miscellaneous revenue	(3,924)	
Operating and capital grant revenue	(3,939)	
General revenue - taxes	2,241	
	145,856	145,856

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.

Change in net position - total governmental activities \$ 1,119,612

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, 2022
(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	\$ 39,096	\$ 9,207	\$ 5,996	\$ 54,299	\$ 30,346
Restricted cash and cash equivalents	—	7,426	—	7,426	—
Funds on deposit with fiscal agent	—	—	264,357	264,357	—
Receivables (net)	5,366	1,655	79,305	86,326	12,797
Due from other funds	4	30	—	34	4,649
Due from other governments and agencies	—	—	2,263	2,263	—
Loans to other funds	—	—	—	—	195
Lease Receivable	89	2,549	—	2,638	—
Inventories	960	—	—	960	2,032
Other assets	568	615	—	1,183	5,250
Total current assets	<u>46,083</u>	<u>21,482</u>	<u>351,921</u>	<u>419,486</u>	<u>55,269</u>
Noncurrent assets:					
Capital assets - nondepreciable	—	47,647	—	47,647	—
Capital assets - depreciable (net)	228	98,035	—	98,263	2,964
Right to use asset-lease, net	1,268	94	—	1,362	—
Long term lease receivable	2,764	23,204	—	25,968	—
Other assets	—	139	—	139	—
Total noncurrent assets	<u>4,260</u>	<u>169,119</u>	<u>—</u>	<u>173,379</u>	<u>2,964</u>
Total assets	<u>50,343</u>	<u>190,601</u>	<u>351,921</u>	<u>592,865</u>	<u>58,233</u>
Deferred outflows of resources					
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	12,367	5,358	4,250	21,975	21,853
Due to other funds	3,308	258	735	4,301	2,453
Due to component units	—	—	—	—	5,177
Due to other governments and agencies	—	—	2,610	2,610	—
Loans from other funds	—	—	—	—	6,379
Lease liability	300	47	—	347	—
Accrued expenses	7,896	—	—	7,896	—
Unearned revenue	625	3,757	—	4,382	—
Other current liabilities	10,159	169	4	10,332	4,522
Bonds payable	—	20,250	—	20,250	—
Compensated absences	294	—	—	294	—
Obligation for unpaid prize awards	11,912	—	—	11,912	—
Total current liabilities	<u>46,861</u>	<u>29,839</u>	<u>7,599</u>	<u>84,299</u>	<u>40,384</u>
Noncurrent liabilities:					
Net pension liability	16,558	—	—	16,558	—
Net OPEB liability	2,145	—	—	2,145	—
Unearned revenue	—	179	1,683	1,862	—
Bonds payable	—	160,725	—	160,725	—
Compensated absences	331	—	—	331	—
Long term lease liability	968	46	—	1,014	—
Total noncurrent liabilities	<u>20,002</u>	<u>160,950</u>	<u>1,683</u>	<u>182,635</u>	<u>—</u>
Total liabilities	<u>66,863</u>	<u>190,789</u>	<u>9,282</u>	<u>266,934</u>	<u>40,384</u>
Deferred inflows of resources	8,361	25,624	—	33,985	—
Net Position (Deficit)					
Net investment in capital assets	228	(27,804)	—	(27,576)	2,964
Restricted for:					
Debt	—	2,509	—	2,509	—
Employment insurance programs	—	—	342,639	342,639	—
Unrestricted	(19,867)	2,773	—	(17,094)	14,885
Total net position (deficit)	<u>\$ (19,639)</u>	<u>\$ (22,522)</u>	<u>\$ 342,639</u>	<u>\$ 300,478</u>	<u>\$ 17,849</u>

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, 2022
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds				Governmental Activities
	R.I.				Internal Service Funds
	R.I. Lottery	Convention Center	Employment Security	Totals	
Operating revenues:					
Charges for services	\$ —	\$ 21,231	\$ —	\$ 21,231	\$ 447,306
Employer premiums	—	—	243,071	243,071	—
Lottery sales	305,087	—	—	305,087	—
Video lottery, net	481,151	—	—	481,151	—
Lease Revenue	—	2,363	—	2,363	—
Table games	125,048	—	—	125,048	—
Sports book	517,230	—	—	517,230	—
Federal grants	—	—	311,317	311,317	—
Miscellaneous	571	253	4,591	5,415	—
Total operating revenues	1,429,087	23,847	558,979	2,011,913	447,306
Operating expenses:					
Personnel services	11,335	13,411	—	24,746	61,515
Supplies, materials, and services	359,242	11,042	—	370,284	396,013
Prize awards, net of prize recoveries	669,860	—	—	669,860	—
Depreciation and amortization	118	13,869	—	13,987	599
Benefits paid	—	—	451,040	451,040	—
Total operating expenses	1,040,555	38,322	451,040	1,529,917	458,127
Operating income (loss)	388,532	(14,475)	107,939	481,996	(10,821)
Non-operating revenues (expenses):					
Interest revenue	154	196	—	350	40
Other non-operating revenues (expenses)	1,183	3,549	3,314	8,046	1,951
Interest expense	—	(9,201)	—	(9,201)	—
Total non-operating revenue (expenses)	1,337	(5,456)	3,314	(805)	1,991
Income (loss) before transfers	389,869	(19,931)	111,253	481,191	(8,830)
Transfers in	—	28,792	—	28,792	—
Transfers out	(388,642)	—	—	(388,642)	—
Change in net position	1,227	8,861	111,253	121,341	(8,830)
Net position (deficit) - beginning as restated	(20,866)	(31,383)	231,386	179,137	26,679
Net position (deficit) - ending	\$ (19,639)	\$ (22,522)	\$ 342,639	\$ 300,478	\$ 17,849

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, 2022
(Expressed in Thousands)

	Business-type Activities- Enterprise Funds			Totals	Governmental Activities
	R.I. Lottery	R.I. Convention Center	Employment Security		Internal Service Funds
Cash flows from operating activities:					
Cash received from gaming activities	\$ 1,434,214	\$ —	\$ —	\$ 1,434,214	\$ —
Cash received from customers	—	21,429	—	21,429	445,037
Cash received from employer premiums	—	—	234,643	234,643	—
Cash received from grants	—	—	311,886	311,886	—
Cash received for other program benefits	—	—	304	304	—
Cash payments for gaming activities	(1,030,407)	—	—	(1,030,407)	—
Cash payments to suppliers	(7,015)	(10,520)	—	(17,535)	(394,109)
Cash payments to employees	(11,844)	(13,210)	—	(25,054)	(62,067)
Cash payments for benefits - Employment Security Fund	—	—	(454,061)	(454,061)	—
Cash payments for benefits – other	—	—	(304)	(304)	—
Other operating revenue (expense)	—	4,398	6,915	11,313	—
Net cash provided by (used for) operating activities	<u>384,948</u>	<u>2,097</u>	<u>99,383</u>	<u>486,428</u>	<u>(11,139)</u>
Cash flows from noncapital financing activities:					
Loans from other funds	—	—	—	—	(3,511)
Loans to other funds	—	—	—	—	5,616
Repayment of loans to other funds	—	—	—	—	2,210
Repayment of loans from other funds	—	—	—	—	(1,517)
Loan Forgiveness	—	—	—	—	1,940
Transfers in	—	29,274	1,826	31,100	—
Transfers out	(388,692)	—	—	(388,692)	—
Cash overdraft	9,102	—	—	9,102	—
Net transfers from (to) fiscal agent	—	—	(97,685)	(97,685)	—
Net cash provided by (used for) noncapital financing activities	<u>(379,590)</u>	<u>29,274</u>	<u>(95,859)</u>	<u>(446,175)</u>	<u>4,738</u>
Cash flows from capital and related financing activities:					
Principal paid on capital obligations	—	(13,995)	—	(13,995)	—
Principal and interest under leases	—	2,385	—	2,385	—
Interest paid on capital obligations	—	(7,869)	—	(7,869)	—
Acquisition of capital assets	—	(1,767)	—	(1,767)	(298)
Net cash provided by (used for) capital and related financing activities	<u>—</u>	<u>(21,246)</u>	<u>—</u>	<u>(21,246)</u>	<u>(298)</u>
Cash flows from investing activities:					
Interest on investments	154	6	—	160	40
Net cash provided by investing activities	<u>154</u>	<u>6</u>	<u>—</u>	<u>160</u>	<u>40</u>
Net increase (decrease) in cash and cash equivalents	5,512	10,131	3,524	19,167	(6,659)
Cash and cash equivalents, July 1	33,584	6,502	2,472	42,558	37,005
Cash and cash equivalents, June 30	<u>\$ 39,096</u>	<u>\$ 16,633</u>	<u>\$ 5,996</u>	<u>\$ 61,725</u>	<u>\$ 30,346</u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:					
Operating income (loss)	388,532	(14,475)	107,939	481,996	(10,821)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation and amortization	118	13,868	—	13,986	600
Other revenue (expense) and transfers in (out)	557	2,066	(5,269)	(2,646)	9
Net changes in assets and liabilities:					
Receivables, net	(551)	(1,442)	(8,428)	(10,421)	(1,640)
Lease Receivable	(2,853)	—	—	(2,853)	—
Inventory	(47)	—	—	(47)	(495)
Deferred outflows of resources	1,787	—	—	1,787	—
Prepaid items	(20)	(160)	—	(180)	—
Due to / due from transactions	—	—	9,117	9,117	—
Accounts and other payables	(2,356)	884	(4,509)	(5,981)	2,371
Accrued expenses	1,869	—	(37)	1,832	(1,163)
Net pension liability	(5,094)	—	—	(5,094)	—
Net OPEB liability	(1,274)	—	—	(1,274)	—
Deferred inflows of resources	6,788	—	—	6,788	—
Unearned revenue	(1,594)	1,356	570	332	—
Prize awards payable	(914)	—	—	(914)	—
Total adjustments	<u>(3,584)</u>	<u>16,572</u>	<u>(8,556)</u>	<u>4,432</u>	<u>(318)</u>
Net cash provided by (used for) operating activities	<u>\$ 384,948</u>	<u>\$ 2,097</u>	<u>\$ 99,383</u>	<u>\$ 486,428</u>	<u>\$ (11,139)</u>

(Continued)

**State of Rhode Island
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)**

Supplemental disclosure of non-cash financing Activities:

RI Lottery

Acquisition of right-to-use-asset through lease \$ 1,268

RI Convention Center

Recognition of lease receivable and related deferred lease revenues and interest \$ 27,980

Recognition of right-to-use asset and related lease liabilities \$ 94

Disposal of capital assets \$ 103

(Concluded)

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

State of Rhode Island
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2022
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
Assets				
Cash and cash equivalents	\$ 13,172	\$ —	\$ 6,958	\$ —
Deposits held as security for entities doing business in the State	—	—	—	52,903
Receivables				
Contributions	83,242	—	—	—
Due from State for teachers	24,498	—	—	—
Due from other plans	2,293	—	—	—
Other	1,284	—	—	20,388
Miscellaneous	—	—	441	—
Total receivables	111,317	—	441	20,388
Prepaid expenses	2,245	—	—	—
Investments, at fair value				
Equity in short-term investment fund	—	80,740	—	—
Equity in pooled trusts	10,470,757	—	—	—
Other investments	1,473,981	—	4,458,986	—
Total investments	11,944,738	80,740	4,458,986	—
Total assets	12,071,472	80,740	4,466,385	73,291
Liabilities				
Accounts payable	5,803	473	14,952	—
Due to other plans	2,293	—	—	—
Incurred but not reported claims	908	—	—	—
Other	7,231	—	—	7
Unclaimed Property Claims	—	—	—	1,341
Deposits held for others	—	—	—	639
Total liabilities	16,235	473	14,952	1,987
Net position				
Restricted for:				
Pension benefits	11,554,267	—	—	—
Other postemployment benefits	500,970	—	—	—
External investment pool participants	—	80,267	—	—
Tuition savings program	—	—	4,444,945	—
Individuals, organizations and other governments	—	—	—	71,304
Other	—	—	6,488	—
Total fiduciary net position	<u>\$ 12,055,237</u>	<u>\$ 80,267</u>	<u>\$ 4,451,433</u>	<u>\$ 71,304</u>

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, 2022
(Expressed in Thousands)

	Pension and Other Employee Benefit Trusts	Investment Trust Ocean State Investment Pool	Private Purpose Trusts	Custodial Funds
Additions				
Contributions				
Member contributions	\$ 223,006	\$ —	\$ —	\$ —
Employer contributions	562,720	—	—	—
New employer contributions	51,731	—	—	—
Additional employer contributions	230	—	—	—
Supplemental employer contributions	62,012	—	—	—
State contributions for teachers	116,291	—	—	—
Interest on service credits purchased	205	—	—	—
Service credit transfers	15,963	—	—	—
From program participants	—	94,742	353,080	—
Total contributions	<u>1,032,158</u>	<u>94,742</u>	<u>353,080</u>	<u>—</u>
Other income	<u>2,070</u>	<u>—</u>	<u>—</u>	<u>—</u>
Investment income				
Increase (Decrease) in fair value of investments	(536,493)	—	(650,392)	(4,346)
Interest	65,051	124	—	—
Dividends	64,173	—	214,270	—
Other investment income	(601)	—	—	—
	<u>(407,870)</u>	<u>124</u>	<u>(436,122)</u>	<u>(4,346)</u>
Less: investment expense	<u>(166,789)</u>	<u>37</u>	<u>—</u>	<u>—</u>
Net investment income (loss)	<u>(574,659)</u>	<u>87</u>	<u>(436,122)</u>	<u>(4,346)</u>
Unclaimed Property	—	—	—	34,794
Deposits for patients, clients and inmates	—	—	—	9,196
Miscellaneous	—	—	—	14,179
Total additions	<u>459,569</u>	<u>94,829</u>	<u>(83,042)</u>	<u>53,823</u>
Deductions				
Retirement benefits	997,929	—	—	—
Death benefits	3,711	—	—	—
Distributions	46,499	69,970	—	—
Program participant redemptions	—	—	857,074	—
Refund of contributions	6,831	—	—	—
Administrative expense	12,118	—	18,911	—
Service credit transfers	15,963	—	—	—
OPEB benefits	29,122	—	—	—
Payments and transfers of Unclaimed Property	—	—	—	35,475
Payments made on behalf of individuals in State care	—	—	—	9,528
Miscellaneous	—	—	—	13,842
Total deductions	<u>1,112,173</u>	<u>69,970</u>	<u>875,985</u>	<u>58,845</u>
Change in net position restricted for:				
Pension benefits	(620,898)	—	—	—
Other postemployment benefits	(31,706)	—	—	—
External investment pool participants	—	24,859	—	—
Tuition Savings Program	—	—	(958,943)	—
Other	—	—	(84)	(5,022)
Fiduciary net position - beginning (as restated)	<u>12,707,841</u>	<u>55,408</u>	<u>5,410,460</u>	<u>76,326</u>
Fiduciary net position - ending	<u>\$ 12,055,237</u>	<u>\$ 80,267</u>	<u>\$ 4,451,433</u>	<u>\$ 71,304</u>

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

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 85,543	\$ 12,927	\$ 459	\$ 15,851	\$ 1,209
Investments	—	—	—	725	—
Receivables (net)	9,624	1,544	124	5,355	93
Lease Receivable Current	2,854	—	—	30	49
Restricted assets:					
Cash and cash equivalents	23,038	162,052	8,180	—	21,592
Investments	—	2,283	—	—	7,668
Receivables (net)	—	282	—	—	4,392
Due from primary government	135	1,826	113	6,214	2,069
Due from other component units	—	1	—	—	—
Inventories	—	—	—	1,721	127
Other assets	380	331	85	325	229
Total current assets	<u>121,574</u>	<u>181,246</u>	<u>8,961</u>	<u>30,221</u>	<u>37,428</u>
Noncurrent Assets:					
Investments	—	1,269	—	4,253	—
Receivables (net)	—	9,154	—	—	—
Lease Receivable Non Current	18,025	—	—	111	105
Restricted assets:					
Cash and cash equivalents	44,947	7,119	—	—	12,470
Investments	9,581	8,780	—	—	91,167
Receivables (net)	1,476	161	—	—	—
Capital assets - nondepreciable	63,475	7,905	—	33,725	1,101
Capital assets - depreciable (net)	453,037	128	—	95,096	225,781
Lease Assets, net	—	1,979	—	—	—
Other assets, net of amortization	94	3,274	561	1,836	—
Total noncurrent assets	<u>590,635</u>	<u>39,769</u>	<u>561</u>	<u>135,021</u>	<u>330,624</u>
Total assets	<u>712,209</u>	<u>221,015</u>	<u>9,522</u>	<u>165,242</u>	<u>368,052</u>
Deferred outflows of resources	<u>547</u>	<u>250</u>	<u>—</u>	<u>18,791</u>	<u>—</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

	<u>RIAC</u>	<u>RICC</u>	<u>I-195 RDC</u>	<u>RIPTA</u>	<u>RITBA</u>
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	4,524	12,653	339	6,017	804
Due to primary government	—	—	—	2,640	7,118
Due to other component units	235	—	—	—	—
Unearned revenue	1,226	12,188	266	460	6,471
Lease Liability - Current	428	363	—	—	—
Other liabilities	12,559	2,559	336	9,626	4,491
Current portion of compensated absences	—	—	—	110	—
Current portion of long-term debt	17,983	1,341	1,935	—	6,460
Total current liabilities	<u>36,955</u>	<u>29,104</u>	<u>2,876</u>	<u>18,853</u>	<u>25,344</u>
Noncurrent liabilities:					
Due to primary government	25	—	—	7,191	—
Due to other component units	593	—	—	—	—
Unearned revenue	—	3,399	—	—	—
Notes payable	—	—	—	—	—
Loans payable	—	—	—	—	—
Lease Liability - Non Current	435	1,617	—	—	—
Net pension liability	1,230	245	—	52,054	—
Net OPEB liability	197	34	—	64,666	—
Other liabilities	—	1,022	—	9,010	—
Compensated absences	—	—	—	260	—
Bonds payable	234,792	6,468	30,055	—	199,242
Total noncurrent liabilities	<u>237,272</u>	<u>12,785</u>	<u>30,055</u>	<u>133,181</u>	<u>199,242</u>
Total liabilities	<u>274,227</u>	<u>41,889</u>	<u>32,931</u>	<u>152,034</u>	<u>224,586</u>
Deferred inflows of resources	<u>20,717</u>	<u>2,015</u>	<u>—</u>	<u>37,569</u>	<u>151</u>
Net position (deficit)					
Net investment in capital assets	282,275	8,033	561	120,796	50,311
Restricted for:					
Debt	28,157	—	8,025	—	92,134
Other	7,962	149,683	—	3,233	—
Other nonexpendable	18,902	—	—	—	—
Unrestricted	80,516	19,645	(31,995)	(129,599)	870
Total net position (deficit)	<u>\$ 417,812</u>	<u>\$ 177,361</u>	<u>\$ (23,409)</u>	<u>\$ (5,570)</u>	<u>\$ 143,315</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Assets and deferred outflows of resources					
Current Assets:					
Cash and cash equivalents	\$ 201,429	\$ 30,221	\$ 34,597	\$ 96,394	\$ 478,630
Investments	—	—	—	—	725
Receivables (net)	53,833	19,809	7,656	31,505	129,543
Lease Receivable Current	—	126	—	7,654	10,713
Restricted assets:					
Cash and cash equivalents	—	—	501	757,189	972,552
Investments	—	—	—	142,708	152,659
Receivables (net)	—	—	—	104,929	109,603
Other assets	—	—	472	49,309	49,781
Due from primary government	8,518	968	915	26,433	47,191
Due from other governments	—	—	—	6,929	6,929
Due from other component units	997	—	—	357	1,355
Inventories	2,884	—	558	2,834	8,124
Other assets	7,550	3,969	4,161	10,880	27,910
Total current assets	<u>275,211</u>	<u>55,093</u>	<u>48,860</u>	<u>1,237,121</u>	<u>1,995,715</u>
Noncurrent Assets:					
Investments	250,845	35,601	5,106	—	297,074
Receivables (net)	16,765	882	279	72,459	99,539
Lease Receivable Non Current	—	937	—	172,493	191,671
Restricted assets:					
Cash and cash equivalents	3,274	683	—	446	68,939
Investments	—	—	—	785,301	894,829
Receivables (net)	113	—	—	1,110,116	1,111,866
Other assets	19,362	1,175	74	1,108,826	1,129,437
Capital assets - nondepreciable	29,878	24,400	6,260	261,769	428,513
Capital assets - depreciable (net)	821,668	167,472	70,920	186,352	2,020,454
Lease Assets, net	3,848	30	—	25,815	31,672
Due from other component units	—	—	—	593	593
Other assets, net of amortization	3,305	—	—	223,667	232,737
Total noncurrent assets	<u>1,149,058</u>	<u>231,180</u>	<u>82,639</u>	<u>3,947,837</u>	<u>6,507,324</u>
Total assets	<u>1,424,269</u>	<u>286,273</u>	<u>131,499</u>	<u>5,184,958</u>	<u>8,503,039</u>
Deferred outflows of resources	<u>24,686</u>	<u>7,789</u>	<u>6,544</u>	<u>19,347</u>	<u>77,954</u>

(Continued)

State of Rhode Island
Combining Statement of Net Position
Component Units
June 30, 2022
(Expressed in Thousands)

	URI	RIC	CCRI	Other Component Units	Totals
Liabilities and deferred inflows of resources					
Current liabilities:					
Accounts payable	33,981	5,714	9,360	17,993	91,385
Notes payable	—	159	—	108,710	108,869
Loans payable	99	—	—	1,999	2,098
Due to primary government	1,804	1,876	—	100	13,538
Due to other component units	—	—	—	124	359
Lease Liability - Current	491	11	—	935	2,228
Accrued Expenses	—	3,020	15	—	3,035
Unearned revenue	14,301	5,061	3,530	3,628	47,131
Other liabilities	21,357	131	—	383,613	434,672
Current portion of compensated absences	2,055	4,128	3,241	601	10,135
Current portion of long-term debt	13,582	1,203	314	107,303	150,121
Total current liabilities	87,670	21,303	16,460	625,006	863,571
Noncurrent liabilities:					
Due to primary government	15,785	9,281	—	—	32,282
Due to other component units	—	—	—	—	593
Unearned revenue	—	—	—	1,269	4,668
Notes payable - Non Current	—	168	—	181,861	182,029
Loans payable	123	—	—	11,721	11,844
Lease Liability - Non Current	3,472	20	—	26,044	31,588
Net pension liability	88,414	28,391	24,279	25,214	219,827
Net OPEB liability	14,140	5,608	4,633	22,660	111,938
Other liabilities	6,256	1,096	—	375,637	393,021
Compensated absences	21,143	1,252	1,082	3,302	27,039
Bonds payable	248,720	10,702	323	2,050,229	2,780,531
Total noncurrent liabilities	398,053	56,518	30,317	2,697,937	3,795,360
Total liabilities	485,723	77,821	46,777	3,322,943	4,658,931
Deferred inflows of resources	52,057	26,678	17,826	201,285	358,298
Net position (deficit)					
Net investment in capital assets	595,768	168,482	76,544	424,252	1,727,022
Restricted for:					
Debt	—	—	—	214,034	342,350
Other	137,654	7,878	3,970	846,979	1,157,359
Other nonexpendable	130,265	28,883	3,040	—	181,090
Unrestricted	47,488	(15,680)	(10,114)	194,812	155,943
Total net position (deficit)	\$ 911,175	\$ 189,563	\$ 73,440	\$ 1,680,077	\$ 3,563,764

(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, 2022
(Expressed in Thousands)

	RIAC	RICC	I-195 RDC	RIPTA	RITBA	URI	RIC	CCRI	Other Component Units	Totals
Expenses	\$ 76,937	\$ 58,391	\$ 2,800	\$ 128,238	\$ 32,504	\$ 639,753	\$ 157,224	\$ 160,981	\$ 546,341	\$ 1,803,169
Program revenues:										
Charges for services	64,917	8,538	496	15,416	24,230	377,455	61,770	31,270	234,168	818,260
Operating grants and contributions	12,217	104,650	3,764	94,748	—	275,549	108,976	138,472	329,271	1,067,647
Capital grants and contributions	24,438	—	—	6,103	15,032	22,049	11,382	2,957	114,986	196,947
Total program revenues	101,572	113,188	4,260	116,267	39,262	675,053	182,128	172,699	678,425	2,082,854
Net (expenses) revenues	24,635	54,797	1,460	(11,971)	6,758	35,300	24,904	11,718	132,084	279,685
General revenues:										
Interest and investment earnings (losses)	811	1,977	5	(511)	(1,062)	(28,328)	(6,283)	(766)	(53,945)	(88,102)
Miscellaneous revenue	(245)	—	—	2,458	188	5,177	653	—	1,625	9,856
Gain (Loss) on sale of capital assets	—	—	—	—	—	—	—	—	230	230
Total general revenue	566	1,977	5	1,947	(874)	(23,151)	(5,630)	(766)	(52,090)	(78,016)
Change in net position	25,201	56,774	1,465	(10,024)	5,884	12,149	19,274	10,952	79,994	201,669
Net position (deficit) - beginning as restated	<u>392,611</u>	<u>120,587</u>	<u>(24,874)</u>	<u>4,454</u>	<u>137,431</u>	<u>899,026</u>	<u>170,289</u>	<u>62,488</u>	<u>1,600,083</u>	<u>3,362,095</u>
Net position (deficit) - ending	<u>\$ 417,812</u>	<u>\$ 177,361</u>	<u>\$ (23,409)</u>	<u>\$ (5,570)</u>	<u>\$ 143,315</u>	<u>\$ 911,175</u>	<u>\$ 189,563</u>	<u>\$ 73,440</u>	<u>\$ 1,680,077</u>	<u>\$ 3,563,764</u>

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

Index

Note 1. Summary of Significant Accounting Policies	A-51
A. Basis of Presentation	A-51
B. Reporting Entity	A-51
C. Financial Statement Presentation	A-57
D. Measurement Focus and Basis of Accounting	A-61
E. Cash and Cash Equivalents	A-62
F. Funds on Deposit with Fiscal Agent	A-62
G. Investments	A-62
H. Receivables	A-62
I. Due From Other Governments and Agencies	A-62
J. Interfund Activity	A-63
K. Inventories	A-63
L. Capital Assets	A-63
M. Bonds Payable	A-64
N. Right to Use Assets	A-65
O. Pensions	A-65
P. Postemployment Benefits Other Than Pensions (OPEB)	A-66
Q. Compensated Absences	A-66
R. Other Assets and Liabilities	A-66
S. Deferred Outflows of Resources	A-66
T. Deferred Inflows of Resources	A-66
U. Fund Balances	A-66
V. Recently Issued Accounting Standards	A-67
Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust	A-69
A. Primary Government-Governmental and Business-Type Activities	A-69
B. Concentration of Credit Risk	A-75
C. Pension Trusts	A-76
D. OPEB Trusts	A-90
E. Private Purpose Trusts	A-92
F. Custodial Funds	A-93
Note 3. Receivables	A-93

Note 4. Intra-Entity Receivables and Payables	A-94
Note 5. Capital Assets	A-95
Note 6. Notes Payable and Line of Credit Arrangements	A-98
Note 7. Long-Term Liabilities	A-99
A.Changes in Long-Term Liabilities	A-99
B.Bonds Payable	A-100
C.Loans Payable	A-105
D.Obligations Under Capital Leases	A-105
E.Defeased Debt	A-106
F.Conduit Debt	A-106
G.Pollution Remediation Liabilities	A-107
H.Compensated Absences	A-107
I.Arbitrage Rebate	A-107
J.Due to the Primary Government	A-107
K.Other Long-Term Liabilities	A-108
Note 8. Deferred Outflows of Resources and Deferred Inflows of Resources	A-109
Note 9. Governmental Fund Balance, Budget Reserve and Cash Stabilization Account, and Net Position Restricted for Enabling Legislation	A-110
Note 10. Restatements - Net Position and Fund Balances	A-111
Note 11. Taxes	A-112
Note 12. Tax Abatements	A-112
Note 13. Pledged Revenue	A-118
Note 14. Transfers	A-119
Note 15. Leases	A-120

Note 16. Commitments	A-122
Note 17. Contingencies	A-128
Note 18. Employer Pension Plans	A-136
A.Summary of Employer Plans	A-136
B. Defined Benefit Plan Descriptions - Advance Funded Plans	A-137
C. Defined Benefit Advance Funded Plans - Summary of Significant Accounting Policies	A-144
D. Defined Benefit Plan - Non-Contributory (pay-as-you-go) Pension Plan	A-144
E. Special Funding Situation - ERS Plan - Teachers	A-144
F. Contributions and Funding Policy	A-145
G. Net Pension Liability	A-146
H. Changes in the Net Pension Liability (Assets)	A-151
I. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources	A-151
J. Defined Contribution Plan - ERS	A-155
K. Defined Benefit Plan - LIUNA	A-155
L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program	A-156
M. Other Pension Plans - Component Units	A-157
Note 19. Postemployment Benefit Plans	A-158
A. Summary of Employer Plans	A-158
B. Benefit Plan Descriptions	A-159
C. Contributions and Funding Policy	A-161
D. Net OPEB Liability (Asset)	A-161
E. Changes in Net OPEB Liability (Asset)	A-166
F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources	A-167
G. Component Unit Postemployment Benefit Plans	A-171
Note 20. Deferred Compensation	A-172
Note 21. Risk Management	A-173

Note 22. Other Information **A-175**

A. Elimination Entries **A-175**

B. Related Party Transactions **A-175**

C. Budgeting, Budgetary Control, and Legal Compliance **A-177**

D. Significant Transactions with Component Units **A-179**

E. Individual Fund Deficits **A-179**

Note 23. Subsequent Events **A-180**

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 to determine 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 incorporation 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 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 Annual Comprehensive Financial Report (ACFR), the State, generally acting through the Governor, appoints a voting majority of the component units' governing boards.

The following component units are reported as part of the primary government in both the fund and government-wide financial statements.

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. RICCA is responsible for the management and operations of the R.I. Convention Center, Amica Mutual Pavilion, and the Veterans Memorial Auditorium Arts and Cultural Center. RICCA is dependent upon annual State appropriations of lease revenue by the General Assembly to fund debt service for its outstanding bonds. Therefore, RICCA's total debt outstanding, including leases, is expected to be repaid entirely with the resources from the State. For more detailed information, a copy of the RICCA financial statements can be obtained by writing to the R.I. Convention Center Authority, One LaSalle Square, Providence, RI 02903 or at www.riconvention.com.

Tobacco Settlement Financing Corporation (TSFC)

TSFC was organized in June 2002 as a public corporation by the State. TSFC is legally separate and provides services exclusively to the State through the purchase of its future tobacco settlement revenues. TSFC is authorized to issue bonds necessary to provide sufficient funds for carrying out its purpose.

The Corporation recognizes receivables and revenue with respect to Tobacco Settlement Revenues (TSRs) based on the domestic shipment of cigarettes. The Corporation accrues at June 30th for TSRs that are derived from estimated sales of cigarettes for the period January 1 to June 30 each year. This accrual is estimated based upon the historical TSR payments for the prior three fiscal years.

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 Rhode Island General Laws (RIGLs), is to provide indemnity for rail service operating within the State. The State is fully responsible for reimbursing RIPRC for all costs associated with the purchase of such insurance coverage. RIPRC provides services exclusively to the State. Separately issued financial statements are not available for RIPRC.

Discretely Presented Component Units

Discretely presented component units are reported in a separate column within the government-wide financial statements to emphasize that they are legally separate from the primary government. They are financially accountable to the primary government, or have relationships with the primary government such that exclusion would cause the reporting entity financial statements to be misleading.

For each discretely presented component unit the potential exists for a financial burden or benefit to be imposed on the State as a result of the existence of the component unit. For the discretely presented component units included in the State's ACFR, the State, generally acting through the Governor, appoints

a voting majority of the component units' governing boards. These discretely presented component units primarily serve or benefit those outside of the primary government.

The State distinguishes between major and non-major component units based upon the nature and significance of the component unit's relationship to the State. The factors underlying this determination include the type and dollar value of services provided to the citizens of the State, the presence of significant transactions with the State, and a significant benefit or burden relationship with the State.

Discretely presented component units, grouped by major and non-major categories, are as follows:

Major Component Units

Rhode Island Airport Corporation (RIAC)

This corporation was created in 1992 and its purpose is to undertake the management, operation, maintenance and improvements of the six airports in the State. RIAC revenues include airline and concession contract revenues, federal grants, licenses, and permits. RIAC leases the land from the State, on which the State's largest airport is located, 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 to promote economic development, and its purpose is to promote and encourage the preservation, expansion, and sound development of new and existing industry, business, commerce, agriculture, tourism, and recreational facilities in the State. RICC has the power to issue tax-exempt bonds to accomplish its corporate purpose. RICC has one component unit, the Small Business Loan Fund Corporation, which was created for the purpose of granting secured and unsecured loans to Rhode Island's small business community. RICC's activities are largely supported by State appropriations and RICC has used its debt issuance authority to finance various economic development initiatives on behalf of the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Commerce Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.commerceri.com.

I-195 Redevelopment District Commission (I-195 RDC)

This commission was created in 2011 by the Rhode Island General Assembly, to oversee, plan, implement, and administer the development of land reclaimed from the Interstate 195 relocation project and the Washington Bridge project. The I-195 RDC issued debt and utilized the proceeds to reimburse the State for the fair value of the land acquired. The State appropriates amounts to the I-195 RDC for debt service and operating assistance until sufficient land sale proceeds are available to fund these expenses. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, I-195 Redevelopment District, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.195district.com.

Rhode Island Public Transit Authority (RIPTA)

This authority was established in 1964 to acquire any mass motor bus transportation system that has filed a petition to discontinue its service, provided that the Authority has determined it to be in the public interest to continue such service. Revenues of RIPTA include passenger revenue, a portion of the tax on gasoline and operating assistance grants from the State and federal governments. In addition to significant operating assistance, the State has also forgiven certain debt service obligations owed to the State as a means to provide additional financial assistance to the Authority. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Department, R.I. Public Transit Authority, 705 Elmwood Avenue, Providence, RI 02907, or at www.ripta.com.

Rhode Island Turnpike and Bridge Authority (RITBA)

This authority was created by the General Assembly, with powers to construct, acquire, maintain and operate bridge projects as defined by law. RITBA is responsible for the maintenance and operation of the Claiborne Pell, Mount Hope, Jamestown, and Sakonnet River Bridges which are a vital segment of the State's infrastructure. In addition, the Authority is responsible for the collection of toll revenue from the users of the Claiborne Pell Bridge and provided back office functions for the State's truck tolling initiative that began on June 11, 2018 and ceased on September 24, 2022. Title relating to the Jamestown and Sakonnet River bridges has remained with the State, thus those capital assets are reported within the primary government on the State's government-wide financial statements. The Claiborne Pell and Mount Hope bridges are reported as capital assets of RITBA. For more detailed information, a copy of the financial statements can be obtained by writing to the Executive Director, R.I. Turnpike and Bridge Authority, P.O. Box 437, Jamestown, RI 02835-0437, or at www.ritba.org.

University and Colleges

The State's University and Colleges include the University of Rhode Island (URI), Rhode Island College (RIC) and the Community College of Rhode Island (CCRI). The Council on Postsecondary Education is vested with the responsibility of providing oversight for Rhode Island College (RIC) and the Community College of Rhode Island (CCRI), along with the Office of the Postsecondary Commissioner (OPC). URI is governed by the URI Board of Trustees. The university and colleges are funded through State appropriations, tuition, federal grants, and private donations and grants. For more detailed information, a copy of the financial statements can be obtained by writing to Office of the Controller, University of Rhode Island, 75 Lower College Road, Kingston, RI 02881; Office of the Controller, Rhode Island College, 600 Mount Pleasant Avenue, Providence, RI 02908; and Office of the Controller, Community College of Rhode Island, 400 East Avenue, Warwick, RI 02886-1805. The financial statements can also be viewed at www.riopc.edu.

Non-major Component Units*Central Falls School District*

The Central Falls School District (the District) is governed by a seven member board of trustees that is appointed by the State's Board of Education (Board). As a result of the enactment of Chapter 312 of Rhode Island Public Laws of 1991, the State assumed responsibility for the administration and operational funding of the District effective July 1, 1991. In June 2002, Chapter 16-2 of the Rhode Island General Laws established the board of trustees to govern the District in a manner consistent with most local school committees. In addition, the Commissioner of Elementary and Secondary Education and the Board have oversight over the development and approval of the District's operating budget and for other significant operating decisions and contracts. The District, which provides elementary and secondary education to residents of the City of Central Falls, is funded primarily through State appropriations and federal grant funds. For more detailed information, a copy of the financial statements can be obtained by writing to the Central Falls School District, 949 Dexter Street – Lower Level, Central Falls, RI 02863-1715.

Division of Higher Education Assistance (DHEA)

DHEA was established on July 1, 2015 by an Act of the Rhode Island General Assembly for purpose of administering programs of post-secondary student financial assistance assigned by law to the Division. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Office of Postsecondary Commissioner, Division of Higher Education Assistance, 560 Jefferson Boulevard, Warwick, RI 02886, or at www.riopc.edu.

Rhode Island Housing and Mortgage Finance Corporation (RIHMFC)

This corporation, established in 1973, was created in order to expand the supply of housing available to persons of low and moderate income and to stimulate the construction and rehabilitation of housing and health care facilities in the State. It has the power to issue notes and bonds to achieve its corporate purpose. Certain debt issued by RIHMFC is secured in part by capital reserve funds. The General Assembly may, but is not required to, appropriate funding of any deficiencies in such reserves. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, R.I. Housing and Mortgage Finance Corporation, 44 Washington Street, Providence, RI 02903-1721, or at www.rihousing.com.

Rhode Island Industrial Facilities Corporation (RIIFC)

The purpose of this corporation is to issue revenue bonds, construction loan notes and equipment acquisition notes for the financing of projects which further industrial development in the State. All bonds and notes issued by RIIFC are payable solely from the revenues derived from leasing or sale of RIIFC projects by RIIFC. The bonds and notes do not constitute a debt or pledge of the faith and credit of RIIFC or the State and, accordingly, have not been reported in the accompanying financial statements. Certain obligations of RIIFC are secured by mortgages which are insured by the Rhode Island Industrial-Recreational Building Authority for which the State's full faith and credit is pledged. For more detailed information, a copy of the financial statements can be obtained by writing to the Director of Finance and Administration, R.I. Industrial Facilities Corporation, 315 Iron Horse Way, Suite 101, Providence, RI 02908, or at www.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)

RIRRC was established in 1974 in order to provide and/or coordinate solid waste management services to municipalities and persons within the State. RIRRC has the power to issue negotiable bonds and notes to achieve its corporate purpose. RIRRC coordinates and administers a statewide recycling program and has periodically transferred amounts to the State general fund as operating assistance. The State is one of several potentially responsible parties for the costs of remedial actions at RIRRC's superfund site. For more detailed information, a copy of the financial statements can be obtained by writing to R.I. Resource Recovery Corporation, 65 Shun Pike, Johnston, RI 02919, or at www.rirrc.org.

Quonset Development Corporation (QDC)

QDC was established in 2004 as a real estate development and management company for the Quonset Point/Davisville Industrial Park. Its purpose is to promote the preservation, expansion, and development of new and existing industry and business, in order to stimulate and support diverse employment opportunities in the State. The State has provided funding for certain capital improvements required at the industrial park to aid in its expansion and development. For more detailed information, a copy of the financial statements can be obtained by writing to the Finance Director, Quonset Development Corporation, 95 Cripe Street, North Kingstown, RI 02852 or at www.quonset.com.

The Metropolitan Regional Career and Technical Center (The Met)

The Met is a State funded, local education agency established by the R.I. Department of Education under the Rhode Island General Laws. The Met serves approximately 800 students statewide in grades 9-12. It is governed by a board of trustees that is appointed by the State Board of Education. The Met is funded primarily through State appropriations and federal grant funds. In addition, it conducts its operations in facilities that are owned by the State. For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, The Metropolitan Regional Career and Technical Center, 325 Public Street, Providence, RI 02905.

Rhode Island Infrastructure Bank (RIIB)

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

Rhode Island Health and Educational Building Corporation (RIHEBC)

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

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

For more detailed information, a copy of the financial statements can be obtained by writing to the Chief Financial Officer, Rhode Island Health and Educational Building Corporation, 33 Broad Street, Suite 200, Providence, RI 02903 or at www.rihebc.com.

Fiduciary Component Units

The following entities qualify as fiduciary component units of the State of Rhode Island and are reported in the State's fiduciary funds in accordance with GAAP prescribed by GASB:

The Rhode Island Employees' Retirement System (ERS) (pension trust and defined contribution plans) – ERS administers pension plans covering various public employees of the State and its political subdivisions. A copy of the annual report for ERS can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

The Rhode Island State Employees' and Electing Teachers OPEB System (OPEB System) (OPEB Trust) is administered by the State of Rhode Island OPEB Board. The OPEB System administers the State's six defined benefit OPEB plans. A copy of the financial statements can be obtained by writing to the State Controller's Office, One Capitol Hill, Providence, RI 02908.

The Ocean State Investment Pool (Investment Trust Fund) is administered by the Office of the General Treasurer and because of the State's trustee responsibilities for the portion of the investment pool owned by participants external to the reporting entity, generally accepted accounting principles (GAAP) requires that activity to be reported as an investment trust fund. A copy of the annual report for the Ocean State Investment Pool can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

The Rhode Island Higher Education Savings Trust (RIHEST) and ABLE Consortium Trust (ABLE) are also administered by the Office of the General Treasurer. RIHEST allows families to save money for qualified higher education expenses on a tax-advantaged basis. ABLE allows for families a tax-advantaged means to save money for disability related expenses. Under GAAP, these trust funds are required to be reported as private purpose trust funds. A copy of the annual report for RIHEST or ABLE can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

The HealthSource RI Trust (HSRI) is administered by the Rhode Island Health Benefits Exchange (HBE), a department within the State of Rhode Island. HSRI collects health insurance premium payments for qualifying plans purchased through the HBE and remits those payments to the respective insurers providing the coverage to qualifying employers and individuals. Under GAAP, these trust funds are required to be reported as private purpose trust funds. A copy of the annual report for HSRI can be obtained by writing to the Office of the General Treasurer, 50 Service Avenue, Warwick, RI 02886.

Because of the State's trustee responsibilities for these systems, plans, and trusts, GAAP requires them to be reported as fiduciary activities of the reporting entity rather than discretely presented component units.

In accordance with GAAP, fiduciary funds and discretely presented component units that are fiduciary in nature are excluded from the government-wide financial statements.

Related Organizations

The Rhode Island Student Loan Authority and Narragansett Bay Commission are "related organizations" 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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. The net position is reported in three categories:

Net investment in capital assets – This category reflects the portion of net position associated with capital assets, net of accumulated depreciation and the amount of outstanding bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted – This category represents the portion of net position whose use is subject to constraints that are either a) imposed externally by creditor, grantor, or contributor, or b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents the portion of net position that does not meet the definition of the two preceding categories. The use of the unrestricted net position is often subject to constraints imposed by management, but such constraints can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are specifically associated with a service, program, or department and, thus, are clearly identifiable to a particular function. The State includes certain centralized services charged through internal service funds as direct expenses by charging these amounts directly to departments and programs. The State does not allocate indirect costs amongst the functional expenditure categories.

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

The State reports the following fund types:

Governmental Fund Types

General Fund - This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes and where a separate fund is legally mandated.

Capital Projects Funds - These funds reflect transactions related to resources received and used for the acquisition, construction, or improvement of capital facilities of the State and its component units.

Debt Service Funds - These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds are used to report resources if legally mandated or when financial resources are being accumulated for principal and interest maturing in future years.

Permanent Fund - The Permanent School Fund accounts for certain resources and the earnings thereon, which are used for the promotion and support of public education.

Proprietary Fund Types

Internal Service Funds - These funds account for, among other things, employee medical benefits, State fleet management, unemployment and workers' compensation for State employees, human resources administration, facilities maintenance, information technology, prison industry operations, surplus property, telecommunications and other utilities, and records maintenance.

Enterprise Funds - These funds may be used to report any activity for which a fee is charged to external users for goods and services.

Fiduciary Fund Types

Pension and Other Employee Benefit Trust Funds

Pension Trust Funds - These funds account for the activities of the Employees' Retirement System, Municipal Employees' Retirement System, State Police Retirement Benefit Trust, Judicial Retirement Benefit Trust, Rhode Island Judicial Retirement Fund Trust, State Police Retirement Fund Trust, Teachers' Survivors Benefit Plan, FICA Alternative Retirement Income Security Program, and the defined contribution retirement plan, which all accumulate resources for pension benefit payments to eligible retirees.

Other Employee Benefit Trust Funds - These funds account for the activities of the Rhode Island State Employees' and Electing Teachers OPEB System, which accumulates resources to provide post employment health care benefits to eligible retirees.

Investment Trust Fund - This fund accounts for the share of the Ocean State Investment Pool that is owned by participants external to the reporting entity.

Private Purpose Trust Funds

The Rhode Island Higher Education Savings Trust (RIHEST) administers the CollegeBound 529 fund which was established as part of the Rhode Island Tuition Savings Program (Program) to enable residents of any state to save money on a tax-advantaged basis, to pay qualified higher education expenses of their designated beneficiaries. All assets of the Program are held for the benefit of Program participants.

The Touro Jewish Synagogue Fund accounts for the earnings on monies bequeathed to the State for the purpose of maintaining the Touro Jewish Synagogue.

HealthSource RI Trust was established for the purpose of collecting health and dental insurance premium payments from qualified employers and individuals and remitting such payments to issuers of Qualified Health Plans and Qualified Dental Plans offered through the Rhode Health Benefits Exchange (HSRI).

The ABLE Consortium Trust was established to facilitate, in an efficient and cost effective manner, the investment of contributions from account owners in ABLE savings accounts which qualify under section 529A of the Internal Revenue Code. ABLE accounts allow individuals with disabilities and their families a tax-advantaged way to save money for disability related expenses.

Custodial Funds - These funds account for assets held by the State pending distribution to others including confiscated property, assets pledged to the State as required by statute, funds held for

the use of hospital patients and individuals with developmental disabilities, workers' compensation insurance bond deposits, funds held for the use of inmates, and unclaimed property.

In accordance with GAAP for government as prescribed by the GASB, the focus in the fund financial statements is on major and non-major funds rather than on fund type. The general fund is a major fund. Other governmental funds and enterprise funds are evaluated on these criteria:

- Total assets and deferred outflows, liabilities and deferred inflows, resources/revenues, **or** expenditures/expenses of that fund are at least 10% of the respective total for all funds of that type, **and**
- Total assets and deferred outflows, liabilities and deferred inflows, resources/revenues, **or** expenditures/expenses of that fund are at least 5% of the **same** respective total for all funds being evaluated.

Major Funds

Governmental Funds:

General Fund

This is the State's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Intermodal Surface Transportation Fund

This special revenue fund accounts for the collection of the gasoline tax, federal grants, bond proceeds, Rhode Island Capital Plan funds, 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.

R.I. Capital Plan Fund

This fund accounts for the portion of the payment into the budget reserve account that causes the balance in the budget reserve account to exceed the constitutional limit. Excess funding is transferred to this capital projects fund solely for funding capital projects appropriated by the General Assembly.

Proprietary Funds:

Rhode Island Lottery

The R.I. Lottery, a division of the Department of Revenue, operates games of chance for the purpose of generating resources for the State's General Fund. For more detailed information, a copy of the financial statements can be obtained by writing to the Rhode Island Lottery, 1425 Pontiac Avenue, Cranston, RI 02920, or at www.rilot.com.

Rhode Island Convention Center Authority (RICCA)

The RICCA was established by State law as a single purpose building authority to finance the development of convention and other event facilities in Providence, RI. RICCA is responsible for the management and operations of the R.I. Convention Center, Amica Mutual Pavilion, and the Veterans Memorial Auditorium Arts and Cultural Center located in Providence.

Employment Security Fund

This fund accounts for the State's unemployment compensation program. Revenues consist of taxes assessed on employers to pay benefits to qualified unemployed persons. Funds are also provided by the federal government and interest income. Management considers this a major fund regardless of the above criteria.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes, grants and donations are non-exchange transactions, in which the State receives value without directly giving equal value in exchange. Tax revenue is recognized in the fiscal year in which the related sales, wages, or activity being taxed occurred.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Federal grants and assistance awards made on the basis of entitlement periods are recorded as revenues when entitlement occurs. All federal reimbursement-type grants are recorded as revenues when the related allowable expenditures are incurred and all applicable eligibility requirements are met and federal grant authority is received. Federal grants also include non-monetary transactions for food commodities and vaccines. Non-monetary commodity and vaccine revenues and expenditures are valued at their federally reported value. When federal funds are received in advance of meeting eligibility requirements or incurrence of allowable expenditures, amounts are reflected as unearned revenue.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues and related receivables are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period (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., expenditures) in total net position. All proprietary and trust funds are reported using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenditures 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 expenditures for enterprise and internal service funds include the cost of sales and services, administrative expenditures and depreciation on capital assets. All revenues and expenditures not meeting these definitions are reported as non-operating revenues and expenses.

Custodial funds are a type of fiduciary fund used to account for the assets held for distribution by the State as a custodian for another entity for which the government has custodial responsibility and accounts for the flow of assets. Custodial funds are accounted for using the economic resources measurement focus.

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

E. Cash and Cash Equivalents

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

During fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of a right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The State's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

I. Due From Other Governments and Agencies

Due from other governments and agencies is primarily comprised of amounts due from the federal government for reimbursement-type grant programs.

J. Interfund Activity

In general, eliminations have been made to minimize the double counting of internal activity, including internal service fund type activity, for the government-wide financial statements. However, in order to avoid distorting the direct costs and program revenues of the applicable functions, interfund services provided and used between different functional categories have not been eliminated.

The Due From/To Other Funds are reported at the net amount within the fund financial statements. Transfers between governmental and business-type activities are reported at the net amount within the government-wide financial statements.

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

K. Inventories

Inventory type items acquired by governmental funds are accounted for as expenditures at the time of purchase. Inventories of the proprietary funds are stated at cost (using the first-in, first-out methodology). Certain inventories of the University and Colleges are held for resale, and are stated at the lower of cost or market (retail inventory method). Other University and College inventory consists of supplies and are stated at cost (using the first in, first out methodology). All inventories of the University and Colleges consist primarily of bookstore and dining, health and residential life services items. Inventories of all other component units are stated at cost.

L. Capital Assets

Capital assets, which include land, intangible assets not being amortized, construction in progress, land improvements, buildings, building improvements, furniture and equipment (which also includes subcategories for vehicles and computer systems), depreciable intangibles (computer software), and infrastructure (e.g., roads, bridges, dams, piers) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items are reported at acquisition value. Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. Intangible assets not being amortized consist mostly of perpetual land rights such as conservation, recreational, and agricultural easements.

Applicable capital assets are depreciated or amortized using the straight-line method (using a half-year convention). Capitalization thresholds and estimated useful lives for depreciable capital asset categories of the primary government are as follows:

<u>Asset Category</u>	<u>Capitalization Thresholds</u>	<u>Estimated Useful Lives</u>
Capital Assets (Depreciable)		
Land improvements	\$1 million	20 years
Buildings	No minimum	20 - 50 years
Building Improvements	\$1 million	10 - 20 years
Furniture and equipment	\$5 thousand	3 - 10 years
Intangibles (including computer software)	\$2 million	5 - 10 years
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. As of fiscal year 2022 however, GASB 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, requires that interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This pronouncement is applied prospectively and there was no restatement required for fiscal year 2022. See Note 1, Part V and Note 5 for further detail.

Accounting for Interest Cost Incurred before the End of a Construction Period

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 from refundings are deferred and amortized over the term of the bonds using the outstanding principal method.

For proprietary fund types and component units, bond discounts, premiums and deferred gains and losses from refundings are generally deferred and amortized over the term of the bonds using the interest method.

Bond premiums and discounts are presented as adjustments to the face amount of the bonds payable. Deferred gains and losses from refundings are presented as either deferred inflows of resources or deferred outflows of resources.

N. Right to Use Assets

During fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The State has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. Leased assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

O. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Employees' Retirement System (ERS) cost-sharing plan and the single-employer plans administered by the Employees' Retirement System of Rhode Island (System), and the additions to and deductions from the plans fiduciary net position have been determined on the same basis as they are reported by ERS. The 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 actuarial determined contributions to the ERS plan. Accordingly, the financial statements reflect the State's proportionate share of the net pension liability, pension expense, and deferred inflows/outflows related to this special funding situation.

As of the June 30, 2020 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. Post employment 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 healthcare claims administrator. Other liabilities include 1) escrow deposits, accrued salary and fringe benefits for the governmental fund types; 2) accrued interest payable, accrued salaries, accrued vacation and sick leave for the proprietary fund types; and 3) escrow deposits, landfill closure costs, accrued expenses, and arbitrage and interest payable for the component units.

S. Deferred Outflows of Resources

Deferred outflow of resources represents a consumption of net assets by the government that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Position. See Note 8 for a disaggregation of deferred outflows. Deferred outflows of resources of governmental funds, proprietary funds, and discrete component units are reported in detail in their respective fund statements.

T. Deferred Inflows of Resources

Deferred inflows of resources represent an acquisition of net assets that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental or business-type activities columns or in the discrete component units column on the government-wide Statement of Net Position. See Note 8 for a disaggregation of deferred inflows. Deferred inflows of resources of governmental funds, proprietary funds, and discrete component units are reported in detail in their respective fund statements.

U. Fund Balances

In the fund financial statements, governmental funds report fund balance as non-spendable, 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:

- Non-spendable – amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact.

- Restricted – amounts with constraints placed upon their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by constitutional provisions, or (c) by law through enabling legislation enacted by the General Assembly.
- Committed – amounts that can only be used for specific purposes as established through the enactment of legislation by the General Assembly, and that remain binding unless modified or rescinded through subsequent legislative action. The underlying action that imposed the limitation must occur no later than the close of the fiscal year and must be binding unless repealed by the General Assembly.
- Assigned – amounts that are constrained by the State's intent that they be used for specific purposes. The intent is generally established by legislation enacted by the General Assembly and is implemented at the direction of the Governor.
- Unassigned – the residual classification for the State's General Fund that includes amounts not contained in the other classifications. In other funds, the unassigned classification is used only if expenditures incurred for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, followed by unrestricted resources. Unrestricted resources, when available for a particular use, are used in the following order: committed, assigned, and unassigned.

V. Recently Issued Accounting Standards

During the fiscal year ended June 30, 2022, the State adopted the following new accounting standards issued by GASB:

- GASB Statement No. 87, *Leases*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 91, *Conduit Debt Obligations*
- GASB Statement No. 92, *Omnibus*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates*
- GASB Statement No. 97, *Certain Component Unit Criteria*

During fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. This statement required 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. See Note 15 for complete details from the implementation of the GASB 87.

In fiscal year 2022, the State implemented GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The implementation of GASB Statement No. 89 had no material impact on the State's financial statements.

In fiscal year 2022, the State implemented GASB Statement No. 91, *Conduit Debt Obligations*. The implementation of GASB Statement No. 91 had no material impact on the State's financial statements.

In fiscal year 2022, the State implemented GASB Statement No. 92, *Omnibus*. The implementation of GASB Statement No. 92 had no material impact on the State's financial statements.

In fiscal year 2022, the State implemented GASB Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is the removal of LIBOR as an appropriate benchmark interest rate that is effective for reporting periods ending after December 31, 2021. All other requirements of this Statement were previously implemented for reporting periods ending after June 15, 2020.

In fiscal year 2022, the State implement GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The implementation of GASB Statement No. 97 had no material impact on the State's financial statements.

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

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 entity 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. 99, *Omnibus 2022*, will be effective for requirements related to leases, PPP, and SBITAs for fiscal years beginning after June 15, 2022. The statement will be effective for requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 for fiscal years beginning after June 15, 2023. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100, *Accounting Changes and Error Corrections*, will be effective for reporting periods beginning after June 15, 2023. This Statement is an amendment of GASB Statement No. 62 and it aims to improve the clarity of accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice.

GASB Statement No. 101, *Compensated Absences*, will be effective for fiscal years beginning after December 15, 2023. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. This is achieved by aligning recognition and measurement guidance under a unified model which will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation.

Management has not yet determined the effect that the above GASB statements will have on the financial statements.

Note 2. Cash, Cash Equivalents, Investments, and Funds in Trust

A. Primary Government-Governmental and Business-Type Activities

Cash Deposits

Cash deposits include demand deposit accounts, interest-bearing deposit accounts, and certificates of deposit. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and the deposits are a) uncollateralized, b) collateralized with securities held by the pledging financial institution, or c) collateralized with securities held by the pledging financial institution's trust department or agent but not in State's name.

In accordance with Chapter 35-10.1 of the 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, 2022 pursuant to this statutory provision. However, the State Investment Commission has instituted a collateralization requirement for institutions holding State deposits. Financial institutions are required to pledge collateral equal to amounts ranging from 100%-102% of the balance of uninsured deposits. The percentage of collateral required is determined by the underlying classification of the collateral. Additionally, consistent with State Investment Commission (SIC) guidelines, certain interest-bearing deposit accounts used as short-term investments require collateral ranging from 100%-102% of the outstanding balance. The percentage of collateral required is determined by the underlying collateral classification. The lone exception to the full collateralization requirement is the Ocean State Investment Pool Trust (OSIP or the Trust), which follows the 60 day time deposit rule, but otherwise does not require full collateralization. The investment objective of the OSIP Cash Portfolio is to seek to obtain as high a level of current income as is generally consistent with the preservation of principal and liquidity within the OSIP investment guidelines which are consistent with GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*. While investment in the pool is not guaranteed or fully collateralized, certain investments within the pool are collateralized. At June 30, 2022, of the \$1.3 billion invested, \$460.3 million were collateralized purchase agreements.

All of the bank balances of the primary government and its blended component units, except for \$65M, were either covered by federal depository insurance; collateralized by securities held by an independent third party in the State or the blended component unit's name; or collateralized by a Federal Home Loan Bank Letter of Credit in the State or the blended component unit's name. The non-collateralized amount was resolved during July 2022.

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. This trust is pursuant to 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.

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.

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.

Fair Value of Financial Instruments

GASB Statement No. 72—*Fair Value Measurement and Application*—establishes a fair value hierarchy for inputs used to measure fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs. The fair value hierarchy is categorized into three levels based upon the inputs as follows:

Level 1 - Unadjusted quoted priced in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Inputs other than quoted prices in active markets for identical assets and liabilities that are observable either directly or indirectly for the substantial full term of the asset or liability.

Level 3 - Unobservable inputs for the asset or liability (supported by little or no market activity). Level 3 inputs include management's assumption about the market participants asset or liability pricing (including assumptions about risk).

Debt and equity securities classified as Level 1 noted above, are valued using prices quoted in active markets for those securities. Debt securities classified as Level 2 noted above, are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices. The asset or liability fair value measurement, classified as Level 3 above, is based on the lowest level of any input that is significant to the fair value measurement.

On the following page is a description of the State cash equivalents and investments (expressed in thousands) at June 30, 2022:

Pooled cash equivalents (at amortized cost)

Financial Company Commercial Paper	\$ 374,496
Asset Backed Commercial Paper	90,994
U.S. Government Agency Repurchase Agreement	459,329
Certificates of Deposit	17,000
Non-Negotiable Time Deposit	258,700
Non-Financial Company Commercial Paper	58,000
US Treasury Repurchase Agreement	1,000
Total Investments	<u>1,259,519</u>
Less: payable for investments purchased	(7,000)
Less: other liabilities in excess of assets	<u>(7,215)</u>
Total investment pool	1,252,304

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

Amounts held by fiduciary trust funds:

Pension trust	2,049
OPEB trust	1,636

Amounts held by discretely presented component units:

URI	93,281
RIC	6,562
RIIRBA	370
RIHEBC	7,929
RIPTA	6,449

Amounts held for external parties

80,267

Primary government pooled cash equivalents

\$ 1,053,761

Add: other primary government cash equivalents and investments

US Treasury Bills	\$ 293,641
Money Market Mutual Funds	457,531

Total primary government cash equivalents and investments\$ 1,804,933

Cash equivalents and investments	\$ 1,804,933
Cash deposits and interest bearing deposits	1,604,766
Total cash, cash equivalents and investments	<u>\$ 3,409,699</u>

Statement of Net Position

Cash and cash equivalents	\$ 3,352,085
Restricted cash and cash equivalents	57,614
Total cash, cash equivalents and investments	<u>\$ 3,409,699</u>

State restricted cash and cash equivalents total \$57.6 million at June 30, 2022. Of this total, \$50.2 million is held by the Tobacco Settlement Financing Corporation and \$7.4 million is held by the R.I. Convention Center Authority. Both entities are blended component units.

Investments held within the OSIP pooled trust are valued at net asset value per unit (NAV) and is calculated daily. The OSIP pooled trust categorizes the inputs to valuation techniques into a disclosure hierarchy consisting of three levels as described previously. The securities held within the OSIP pooled trust are valued at amortized cost, which approximates fair value. 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 name. Pursuant to guidelines established by the State Investment Committee (SIC), securities purchased or underlying collateral are required to be delivered to an independent third party custodian for the investments of the primary government.

Interest rate risk is the risk that changes to interest rates will adversely affect the fair value of an investment. Based on SIC policy, the state short-term investment portfolio is structured to minimize interest rate risk by matching the maturities of investments with the requirements for funds disbursement.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Credit risk is mitigated by the State Minimum Rating Criteria Policy, collateralization requirements, and the fact that maximum participation by any one issuer is limited to 35% of the total portfolio. Credit risk policies have been developed for investments in commercial paper.

As of June 30, 2022, information about the State exposure to interest rate risk for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Maturities (in days)

Investment Type	Fair Value	Amortized Cost	0-30	31-90	91-180	181-397
Financial Company Commercial Paper	\$ 374,452	\$ 374,496	\$104,913	\$149,583	\$ 82,000	\$ 38,000
Asset Backed Commercial Paper	90,969	90,994	2,452	48,862	39,680	—
U.S. Government Agency Repurchase Agreements	459,329	459,329	459,329	—	—	—
U.S. Treasury Repurchase Agreement	1,000	1,000	1,000	—	—	—
Certificates of Deposit	17,000	17,000	17,000	—	—	—
Non-Negotiable Time Deposit	258,700	258,700	258,700	—	—	—
Non-Financial Company Commercial Paper	57,997	58,000	58,000	—	—	—
	<u>\$ 1,259,447</u>	<u>\$1,259,519</u>	<u>\$901,394</u>	<u>\$ 198,445</u>	<u>\$121,680</u>	<u>\$ 38,000</u>

At June 30, 2022 information on investment ratings for pooled cash equivalents and investments (expressed in thousands) is as follows:

Investment Type	Quality Ratings (1)				
	At Fair Value	Total Amortized Cost	A-1+	A-1	A-2
Financial Company Commercial Paper	\$ 374,452	\$ 374,496	\$ 109,000	\$ 256,512	\$ 8,984
Asset Backed Commercial Paper	90,969	90,994	—	90,994	—
U.S. Government Agency Repurchase Agreements	459,329	459,329	455,329	4,000	—
U.S. Treasury Repurchase Agreement	1,000	1,000	—	1,000	—
Certificates of Deposit	17,000	17,000	—	17,000	—
Non-Negotiable Time Deposit	258,700	258,700	38,000	220,700	—
Non-Financial Company Commercial Paper	57,997	58,000	—	58,000	\$ —
	<u>\$ 1,259,447</u>	<u>\$ 1,259,519</u>	<u>\$ 602,329</u>	<u>\$ 648,206</u>	<u>\$ 8,984</u>

(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, 2022, information about the State exposure to interest rate risk and credit risk for non-pooled cash equivalents and investments (expressed in thousands) is as follows:

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
US Treasury Bills	\$ 293,641	Treasury Bill		Less than 1 year
Money Market Mutual Funds				
Goldman Sachs Financial Square Government Fund - Instit CL	100,085	Money Market	Aaa-mf	13
Goldman Sachs Financial Square Government Fund - Preferred	100,077	Money Market	Aaa-mf	13
Goldman Sachs Financial Square Government Fund - Select	100,083	Money Market	Aaa-mf	13
Goldman Sachs Financial Square Government Fund - Cap	100,073	Money Market	Aaa-mf	13
Fidelity Institutional Money Market Government				
Portfolio Class I and III	6,243	Money Market	AAA-mf	17
BlackRock Federal Fund Institutional Shares	521	Money Market	AAA-mf	21
Goldman Sachs Financial Square Treasury Instruments Fund	50,449	Money Market	Aaa-mf	50
	<u>\$ 751,172</u>			

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Funds on Deposit with Fiscal Agent

Investments within the category – Funds on deposit with fiscal agent – are governed by specific trust agreements entered into at the time of the issuance of the related debt. The trust agreements outline specifically permitted investments, including any limitations on credit quality and concentrations of credit risk.

The State funds on deposit with fiscal agent reported in the governmental funds (expressed in thousands) at June 30, 2022 with the breakdown by maturity are as follows:

Investment Type	Fair Value	Less Than 1 year	1-5 years	Quality Rating
U.S. Treasuries	\$ 4,365	\$ 1,342	\$ 3,023	—
U.S. Government Agencies	5,951	3,467	2,484	Aaa
Money Market Funds	205,059	205,059	—	Aaa-mf
Commercial Paper	848	345	503	A2
Corporate Note	462	—	462	Aa3
Fixed Income	14,402	6,650	7,752	See Table
Investment Contracts	2,682	2,682	—	N/A
	233,769	<u>\$ 219,545</u>	<u>\$ 14,224</u>	
Cash/Cash Reserve	14,127			
Funds on Deposit with fiscal agent	<u>\$ 247,896</u>			

Cash includes \$14.1 million in uninsured and non-collateralized cash reserve funds on deposit with the fiscal agent.

Quality Rating	Aaa	Aa2	Aa3	A1	A2	A3	Baa1	BBB+	Total
Fixed Income	\$ 1,522	\$ 1,009	\$ 1,353	\$ 3,101	\$ 4,675	\$ 1,743	\$ 725	\$ 274	\$14,402

The following (expressed in thousands) represents the fair value of investments by type held by the fiscal agent at June 30, 2022:

	Fair Value June 30, 2022	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs
		(Level 1)	(Level 2)
Investments at Fair Value			
U.S. Treasuries	\$ 4,365	\$ 4,365	\$ —
U.S. Government Agencies	5,951	—	5,951
Commercial Paper	848	—	848
Corporate Note	462	—	462
Fixed Income	14,402	—	14,402
Total investments by fair value level	<u>\$ 26,028</u>	<u>\$ 4,365</u>	<u>\$ 21,663</u>
Investments Measured at Net Asset Value (NAV)			
Money Market Mutual Funds	205,059		
Investments not Subject to Leveling Requirements			
Guaranteed Investment Contracts	2,682		
Cash/Cash Reserve	<u>14,127</u>		
Total Funds on Deposit with Fiscal Agent	<u>\$ 247,896</u>		

Money market mutual funds are used as temporary cash management investments. The fair value of these money market funds reflects the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments are generally carried at amortized cost which approximates fair value. There are no participant withdrawal limitations.

Funds on deposit with fiscal agent also include approximately \$264 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 for the maximum percentages of the State total short-term investment portfolio that may be invested in a specific investment type or with any one issuer of securities. There is no single issuer exposure that comprises more than 5% of the overall portfolio.

C. Pension Trusts

Summary of Significant Accounting Policies

Investments - Investment transactions are recorded on a trade date basis. Gains or losses on foreign currency exchange Contracts are included in income consistent with changes in the underlying exchange rates. Dividend income is recorded on the ex-dividend date.

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

Short-term investments are generally carried at cost or amortized cost, which approximates fair value.

The fair value of fixed income securities and domestic and international equity securities is generally based on published market prices and quotations from national security exchanges and securities pricing services.

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

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

The Pension System Investments (the System) also trades in foreign exchange contracts to manage exposure to foreign currency risks. Such contracts are used to purchase and sell foreign currency at a guaranteed future price. The change to the estimated fair value of these contracts, which reflects current foreign exchange rates, is included in the determination of the fair value of the System's investments.

Other investments that are not traded on a national security exchange (primarily private equity, real estate, hedge funds, infrastructure investments, Crisis Protection Class - Trend Following, and emerging markets debt) are valued based on the reported NAV by the fund manager or general partner. Publicly traded investments held by the partnerships are valued based on quoted market prices. If not publicly traded, the fair value is determined by the general partner following U.S. generally accepted accounting principles. Financial Accounting Standards Board ASC Topic 820, Fair Value Measurements and Disclosures, requires the limited partnership general partners for these investment types to value 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 7.2%, 19.7%, 6.3%, 3.2%, 1.9% and 4.6% respectively of the total reported fair value of all pooled pension trust investments at June 30, 2022.

Investment Expenses - Investment expenses include investment consultant fees, custodial fees, direct investment expenses paid to managers, and certain indirect expenses allocated by managers to fund or partnership investors. Certain expenses of the Office of the General Treasurer associated with oversight of the pooled investment trust are also allocated and included as investment expenses. When indirect investment expenses for certain types of investments (e.g., hedge funds, private equity, real estate, infrastructure, 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, 2022, the carrying amount of pension trust cash deposits was approximately \$7.7 million and the bank balance was approximately \$7.9 million. The bank and book balances represent the plans deposits in short-term trust accounts, which include demand deposit accounts and interest-bearing, collateralized bank deposit accounts. The bank balances, include interest-bearing collateralized bank deposits and are either federally insured or collateralized (102%) with U.S. Treasury, agencies, and federal home loan bank letters of credit held by a third-party custodian.

In accordance with Rhode Island General Law Chapter 35-10.1, depository institutions holding deposits of the State, its agencies or governmental subdivisions of the State shall, at a minimum, insure or pledge eligible collateral equal to 100% of time deposits with maturities greater than sixty days. Any of these institutions that do not meet minimum capital standards prescribed by federal regulators shall insure or pledge eligible collateral equal to 100% of deposits, regardless of maturity. None of the System deposits were required to be collateralized at June 30, 2022 (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 Federal Home Loan Bank (FHLB) letters of credit are used as collateral, in which case those are required at 100%.

The General Treasurer makes certain short-term investments on a daily basis. Rhode Island General Law Section 35-10-11 (b)(2)(iii) requires that all investments shall be made in securities as would be acquired by prudent persons of discretion and intelligence who are seeking a reasonable income and the preservation of capital.

Investments - Pooled Investment Trust

(a). General

The custodian bank holds assets of the System in a Pooled Investment Trust and each plan holds units in the trust. The number of units held by each plan is a function of each plans' respective contributions to, or withdrawals from, the trust.

Investment Policy - The SIC oversees all investments made by the State of Rhode Island, including those made for the System 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 August 25, 2021 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 investment policy development. The SIC manages the investment program pursuant to the investment policy, develops asset class guidelines, monitors and evaluates performance, and makes determinations regarding the retention of managers. Professional investment managers are selected by the SIC to manage portfolios in accordance with investment management agreements.

The following was the SIC's adopted asset allocation policy targets as of June 30, 2022:

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

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. The prudent person standard is the standard of care employed solely in the interest of the participants and beneficiaries of the funds and for the exclusive purpose of providing benefits to participants and defraying reasonable expenses of administering the funds.

Specific manager performance objectives are outlined and generally stated in relation to a benchmark or relevant index. These guidelines also include prohibited investments, limitations on maximum exposure to a single industry or single issuer, a minimum number of holdings within the manager's portfolio and, for fixed income managers, minimum credit quality ratings and duration/maturity targets.

Investment expense is allocated to each plan based on the plan units in the Pooled Investment Trust at the end of each month.

The following table presents the fair value of investments by type that are held within the Pooled Investment Trust for the defined benefit plans at June 30, 2022:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>
Cash and Cash Equivalents:	
US Cash	\$ 2,139
Non-US Cash	5,714
Commercial Paper	32,714
Repurchase Agreements	21,200
Short-Term Collective Investment Funds	177,124
US Government Securities	649,188
US Government Agency Securities	193,650
Collateralized Mortgage Obligations	41,748
Corporate Bonds	791,917
Term Loans	43,135
Emerging Markets Debt - Collective Unit Trust	190,365
Commingled Funds - International Equity	972,485
Domestic Equity Securities	2,215,862
International Equity Securities	392,466
Equity Options - Private LLC Investment	243,775
Private Equity	1,966,003
Real Estate	626,734
Hedge Funds	719,031
Crisis Protection Class - Trend Following - Limited partnerships	473,089
Infrastructure	321,465
Derivatives:	
Futures	(557)
Total Return Swap	(237)
Credit Default Swaps	(174)
Investments at Fair Value	\$ 10,078,836
Investment receivable	268,166
Investment payable	(377,805)
Total Pooled Investment Trust	\$ 9,969,197

(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, 2022	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	\$ 2,608,327	\$ 2,605,448	\$ 2,782	\$ 97
	\$ 2,608,327	\$ 2,605,448	\$ 2,782	\$ 97
Fixed Income				
US Government Securities	\$ 649,188	\$ 649,188	\$ —	\$ —
US Government Agency Securities	193,650	7,592	186,058	—
Corporate Bonds	791,917	—	791,917	—
Collateralized Mortgage Obligations	41,748	—	41,748	—
Term loans	43,135	—	—	43,135
	\$ 1,719,638	\$ 656,780	\$ 1,019,723	\$ 43,135
Derivative Investments				
Equity and Fixed Income Index Futures	\$ (557)	\$ (557)	\$ —	\$ —
Other Derivatives	(411)	—	(411)	—
	\$ (968)	\$ (557)	\$ (411)	\$ —
Commercial Paper	\$ 32,714	\$ —	\$ 32,714	\$ —
Total Investment at Fair Value Level	\$ 4,359,711	\$ 3,261,671	\$ 1,054,808	\$ 43,232
Investments Measured at Net Asset Value (NAV)				
Money Market Mutual Funds	\$ 177,124			
Commingled Funds - International Equity	972,485			
Hedge Funds	719,031			
Private Equity	1,966,004			
Real Estate	626,734			
Infrastructure	321,465			
Emerging Markets Debt Collective Unit Trust	190,365			
Equity Options - Private LLC Investment'	243,775			
Crisis Protection Class - Trend Following	473,089			
	\$ 5,690,072			
Cash and Cash Equivalents				
US Cash	\$ 2,139			
Non US Cash	5,714			
Repurchase Agreements	21,200			
	\$ 29,053			
Net Investment Receivable	(109,639)			
Total Pooled Investment Trust	\$ 9,969,197			

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)	\$ 177,124	\$ —	daily	none
Commingled Funds - International Equity (2)	972,485	—	daily	see note below
Hedge Funds (3)	719,031	—	see note below	see note below
Private Equity (4)	1,966,004	1,095,268	see note below	see note below
Real Estate (5)	626,734	162,483	see note below	see note below
Private Infrastructure Investments (6)	321,465	199,654	see note below	see note below
Crisis Protection Class - Trend Following (7)	473,089	—	see note below	see note below
Emerging Markets Debt - Collective Unit Trust (8)	190,365	—	see note below	see note below
Equity Options - Private LLC investment (9)	243,775	—	see note below	see note below
	<u>\$ 5,690,072</u>	<u>\$ 1,457,405</u>		

(1) Short-Term Collective Investment Funds - these investments are used as temporary cash management investments for amounts pending investment or for amounts liquidated from investments pending distribution for pension benefits. The fair value of these investments reflect the net asset value reported by the fund administrator which is a stable \$1 per unit. The underlying investments, which are short-term cash equivalent type investments, are generally carried at amortized cost which approximates fair value. There are no withdrawal limitations for the Short-Term Collective Investment Funds.

(2) Commingled Funds – consist of three international equity index funds which are intended to replicate the performance of a specific index; e.g., MSCI EAFE. The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the commingled fund manager which reflects the exchange pricing of the equity holdings within each fund. The international equity commingled funds may be redeemed daily.

(3) Hedge Funds – this portfolio is comprised of 9 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, 2022. Of the underlying holdings within the hedge funds approximately 63% were valued based on Tier 1 inputs (unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted investments).

The System investments in hedge fund assets are available for redemption on a monthly, quarterly, semi-annual or annual basis, and are subject to notice periods which vary by fund and range from 30 days to 75 days. Some funds limit redemptions to 25% of invested capital on any one redemption date.

(4) Private equity – these 126 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, 2022.

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.

(5) Real Estate – these 20 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, 2022.

With the exception of four core open-end funds which allow for quarterly redemptions (with a notice period of between 15 to 90 days), 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) Infrastructure – These 12 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, 2022.

With the exception of two open-end core fund which allows for quarterly liquidity (with a notice period of between 45 to 60 days), 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.

(7) Crisis Protection Class – Trend Following – These three funds were created as limited liability companies with the Employees' Retirement System of the State of Rhode Island as the sole member. The investment managers principal investment objectives for the companies include:

- Providing diversified exposure to market trends across asset classes, geographies and time horizons to generate sizable profits during the periods when growth-risk exposed assets decline significantly;
- Generating significant medium-term capital growth independent of overall movements in traditional stock and bond markets within a rigorous risk management framework; and
- Outperforming the Credit Suisse Liquid Alternative Beta Managed Futures Index (CLABT18 Index) over a 5-year period.

The fair values of the investments in this type have been determined using the NAV per share of the investments as reported by the general partner at June 30, 2022. As the Employees' Retirement System of the State of Rhode Island is the sole member, the limited liability company could be liquidated at its option. The nature of these investments provides for distributions through the liquidation of the underlying assets or net operating cash flows.

(8) 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, 2022.

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

(9) 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, 2022. The underlying investments at June 30, 2022, 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, 2022, 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, 2022	(2.72)%	(2.66)%	(0.186)%	(2.93)%	(2.95)%	8.96%	(0.86)%

(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 mandate. In general, the System uses duration (in years) to measure interest rate sensitivity. However, for its Liquid Credit managers, the System uses effective duration, which takes into effect the embedded optionality, to measure the sensitivity of its investments to changes in interest rates. In some cases, the System also sets absolute restrictions with respect to effective duration or maturity for individual securities or portfolios for manager portfolios. The interest rate risk policies currently utilized by

the System vary by asset class which include Investment Grade Fixed Income, Liquid Credit, Long Duration Treasuries, Inflation-Linked Bonds, CPC Enhanced Cash Portfolio, and Strategic Cash.

The fixed income indices currently used by the System are:

- ICE BofA ML US HY Index
- JP Morgan CLOIE BB Index
- Barclays Long Duration US Treasury Index
- ICE BofA ML US Treasury Notes 0-1 Year
- 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, 2022, no fixed income manager was outside of their policy guidelines.

The following table shows the System's fixed income investments (in thousands) by type, fair value and the effective duration at June 30, 2022:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>	<u>Effective Duration</u>
US Government Agency Securities	\$ 193,650	8.26
US Government Securities	649,188	14.28
Collateralized Mortgage Obligations	41,748	3.22
Corporate Bonds	791,917	4.71
Term Loans	43,135	1.23
Emerging Market Debt	190,365	5.87
Total Fixed Income	<u>\$ 1,910,003</u>	8.33

The System had investments at June 30, 2022 totaling \$177 million in short-term collective investment funds. The cash-equivalent type investments held in those funds had a weighted average maturity of 10 days at June 30, 2022. The fund, by policy, holds only high-grade, highly liquid cash equivalent-type investments.

Repurchase agreements are secured with collateral held at a custodian bank. The System enters into repurchase agreements to earn interest on short-term funds. The System repurchase agreements outstanding at June 30, 2022 had maturities of one to two days.

The System investment in commercial paper totaling \$32,713,561 at June 30, 2022 had maturities ranging from 5 to 70 days.

The System invests in various mortgage-backed securities, such as collateralized mortgage obligations (CMO), interest-only and principal-only strips. They are reported in U.S. Government Agency Securities and Collateralized Mortgage Obligations in the table above. CMO are bonds that are collateralized by whole loan mortgages, mortgage pass-through securities or stripped mortgage-backed securities. Income is derived from payments and prepayments of principal and interest generated from collateral mortgages. Cash flows are distributed to different investment classes or tranches in accordance with the CMO established payment order. Some CMO tranches have more stable cash flows relative to changes in interest rates while others are significantly sensitive to interest rate fluctuations.

The System may invest in interest-only and principal-only strips in part to hedge against a rise in interest rates. Interest-only strips are based on cash flows from interest payments from underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates. Principal-only strips receive principal cash flows from the underlying mortgages. In periods of rising interest rates, homeowners tend to make fewer mortgage prepayments.

(e). Credit Risk

Credit risk is the possibility of a loss due to the failure of a counterparty to repay a loan or meet another contractual obligation. The System may be exposed to credit risk with respect to its fixed income investments. The System manages its credit risk by setting credit rating criteria to govern the investment activities of its fixed income managers at the portfolio and security level. Ratings criteria may be expressed on a relative basis against predetermined benchmark index or on an absolute basis based on that managers mandate. If a security is not rated by any Rating Agency, the internal rating assigned by the investment manager or an affiliate (Internal Rating) will be used. The credit risk policies currently utilized by the System vary by asset class and reflect the manager's strategy and the System 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, 2022 is as follows (in thousands):

Moody's Quality Rating	Agency	CMO	Corporate	Term Loans	Grand Total
A1	\$ —	\$ —	\$ 25,015	\$ —	\$ 25,015
A2	—	236	40,900	—	41,136
A3	—	393	29,814	—	30,207
Aa1	—	1,060	5,850	—	6,910
Aa2	—	4,432	9,420	—	13,852
Aa3	—	876	7,679	—	8,555
Aaa	170,658	15,048	33,778	—	219,484
B1	—	—	26,112	12,403	38,515
B2	—	—	26,593	5,299	31,892
B3	—	—	22,346	8,744	31,090
Ba1	—	247	40,454	8,994	49,695
Ba2	—	—	25,875	223	26,098
Ba3	—	—	49,452	5,924	55,376
Baa1	—	—	48,636	—	48,636
Baa2	—	—	70,027	—	70,027
Baa3	—	—	90,624	—	90,624
C	—	—	8	—	8
Caa1	—	—	12,931	—	12,931
Caa2	—	—	6,039	—	6,039
Caa3	—	—	838	—	838
Not Rated	22,992	19,456	219,526	1,488	263,462
WR	—	—	—	60	60
Grand Total	\$ 193,650	\$ 41,748	\$ 791,917	\$ 43,135	\$ 1,070,450

Ratings provided by Moody's Investors Service

An emerging market debt portfolio totaling \$190.4 Million at June 30, 2022 and held within a collective unit trust had an overall average credit quality rating of Baa1 (Moody's).

Investments in commercial paper totaling \$32.7 Million at June 30, 2022 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, 2022, 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, 2022, 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/ Equivalents and Derivatives	Futures	Corporate Bonds	Total
Australian Dollar	\$ 39,004	\$ 14,978	\$ (1,019)	\$ —	\$ 97	\$ (3)	\$ —	\$ 53,057
Brazilian Real	19,899	—	9,639	—	—	—	—	29,538
Canadian Dollar	66,003	44,655	(960)	538	601	(24)	—	110,813
Chilean Peso	1,970	—	1,832	—	—	—	—	3,802
Chinese Yuan	13,652	—	9,467	—	—	—	—	23,119
Colombian Peso	665	—	4,508	—	—	—	—	5,173
Czech Republic Koruna	741	—	4,955	—	—	—	—	5,696
Danish Krone	13,462	24,146	—	—	106	—	—	37,714
Egyptian Pound	330	—	485	—	—	—	—	815
Euro Currency	153,295	105,094	(151)	131,389	1,350	(24)	7,020	397,973
Hong Kong Dollar	121,080	9,160	—	—	563	(2)	—	130,801
Hungarian Forint	694	—	3,421	—	—	—	—	4,115
Indian Rupee	52,179	—	—	—	—	—	—	52,179
Indonesia Rupiah	7,205	—	9,233	—	—	—	—	16,438
Israeli Shekel	2,443	5,124	—	—	—	—	—	7,567
Japanese Yen	111,210	75,732	—	—	1,316	11	—	188,269
Kuwaiti Dinar	3,265	—	—	—	—	—	—	3,265
Malaysian Ringgit	5,896	—	9,295	—	—	—	—	15,191
Mexican Peso	8,642	—	8,959	—	—	—	—	17,601
New Taiwan Dollar	57,803	—	—	—	—	—	—	57,803
New Zealand Dollar	874	5,125	(977)	—	87	—	—	5,109
Norwegian Krone	3,935	817	—	—	15	—	—	4,767
Peruvian Nouveau Sol	—	—	2,848	—	—	—	—	2,848
Philippine Peso	2,850	—	—	—	—	—	—	2,850
Polish Zloty	2,350	—	7,278	—	—	—	—	9,628
Qatari Real	4,031	—	—	—	—	—	—	4,031
Romanian leu	—	—	2,882	—	—	—	—	2,882
Russian Ruble	91	—	1,091	—	—	—	—	1,182
Saudi Riyal	16,917	—	—	—	—	—	—	16,917
Singapore Dollar	6,303	4,660	—	—	205	—	—	11,168
Swedish Krona	16,917	7,175	—	—	303	(4)	—	24,391
Swiss Franc	50,956	43,743	—	—	265	(1)	—	94,963
South African Rand	14,098	—	8,835	—	—	—	—	22,933
South Korean Won	44,669	—	—	—	—	—	—	44,669
Thailand Baht	7,486	—	9,012	—	—	—	—	16,498
Turkish Lira	1,068	—	—	—	—	—	—	1,068
United Arab Emirates Dirham	4,907	—	—	—	—	—	—	4,907
United Kingdom Pound Sterling	79,002	52,057	—	—	806	(1)	—	131,864
Total	\$ 935,892	\$ 392,466	\$ 90,633	\$ 131,927	\$ 5,714	\$ (48)	\$ 7,020	\$ 1,563,604
United States Dollar	36,593	—	99,732	1,834,076	—	(508)	784,897	2,754,790
Grand Total	\$ 972,485	\$ 392,466	\$ 190,365	\$ 1,966,003	\$ 5,714	\$ (556)	\$ 791,917	\$ 4,318,394

(i). Derivatives and Other Similar Investments

Certain of the System investment managers are allowed to invest in derivative type transactions consistent with the terms and limitations governing their investment objective and related contract specifications. Derivatives and other similar investments are financial contracts whose value depends on one or more underlying assets, reference rates, or financial indices.

The System's derivative investments include forward foreign currency transactions, futures contracts, 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.

Total Return Swaps – A credit manager may use total return swaps as an efficient means to gain exposure to an index or market sector. A total return swap allows for the exchange of the rate of return on an index, such as the Barclays Aggregate Index, for a variable interest rate. A total return swap may offer opportunity to outperform due to active management of the liquid portfolio backing the exposure.

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 *Interest Rate Risk*.

The System may sell a security in anticipation of a decline in the fair value of that security or to lessen the portfolio allocation of an asset class. Short sales may increase the risk of loss to the System when the price of a security underlying the short sale increases and the System is obligated to deliver the security in order to cover the position.

The following summarize the System's exposure to specific derivative investments (in thousands) at June 30, 2022.

Investment Derivative Instruments	Change in fair value included in investment income	Fair Value at June 30, 2021	Fair Value at June 30, 2022	Notional Amount
Fixed income futures - long	\$ (1,816)	\$ 2,260	\$ 444	\$ 29,780
Fixed income futures - short	(1,014)	—	(1,014)	48,960
Equity index futures - long	(164)	377	213	49,711
Equity index futures - short	(95)	(105)	(200)	(41,755)
Credit default swaps (index)	(4,469)	4295	(174)	—
Total return swaps	(237)	—	(237)	
Total	\$ (7,795)	\$ 6,827	\$ (968)	
Foreign Currency Forward Contracts Payable				
Pending payable (liability)			\$ (33)	
Pending receivable (asset)			198	
Total			\$ 165	

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, 2022 was \$165 thousand. This represents the maximum loss that would be recognized if all counterparties failed to perform as contracted. Risk is mitigated by using a continuous linked settlement process.

The System executes (through its investment managers) derivative instruments with various counterparties. The credit ratings (Moody's) of four counterparties were Aa2 (two counterparties), and Aa1 and Aa3 for the remaining two counterparties.

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, 2022, 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. For investment options that are solely fixed income, weighted-average maturity or duration have been disclosed as a measure of interest rate risk.

Fixed income funds (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 post employment 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 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, 2022, the carrying amount of the OPEB System cash deposits was approximately \$3.8 million and the bank balance was \$3.8 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 for 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 State 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, 2022, the OPEB System cash deposits were either federally insured or collateralized.

The System also had cash equivalents totaling \$1.6 million invested in the Ocean State Investment Pool at June 30, 2022. 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 fair 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 SIC, 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 adopted asset allocation policy targets Domestic Equity and Fixed Income of 65% and 35%, respectively, for fiscal 2022.

The following table presents the fair value of investments by type that are held within the pooled trust at June 30, 2022 (expressed in thousands):

	<u>June 30, 2022</u>
Investments measured at the net asset value (NAV)	
Fidelity Government Money Market	\$ 27
Commingled Funds - Domestic Equity Index Fund	320,545
Commingled Funds- Bond Index Fund	180,989
	<u>\$ 501,561</u>
Total Pooled Investment Trust	<u>\$ 501,561</u>

Commingled funds – The fair values of these 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 index funds.

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 overall duration of the OPEB System investment in a commingled bond index fund was 6.4 years.

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 average credit quality of the bonds within the commingled bond index fund was Aa2.

Concentration of Credit Risk

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

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, 2022, 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 funds, the OPEB System indirectly holds derivative type instruments.

E. Private Purpose Trusts

The Tuition Savings Program had investments of approximately \$4.5 billion in a number of mutual funds and other investment vehicles as of June 30, 2022. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of investment contracts totaling \$791.9 million which are reported at contract value and therefore not subject to the fair value hierarchy.

The Touro Jewish Synagogue Fund had investments of approximately \$3.5 million in the Fidelity Balanced Fund as of June 30, 2022. These investments are categorized as Level 1 of the fair value hierarchy.

The ABLE Consortium Trust investments consist of mutual funds and other investment vehicles as of June 30, 2022. These investments are categorized as Level 1 of the fair value hierarchy, with the exception of a High Yield Savings Account and FDIC-Insured Checking Account which are not subject to the fair value hierarchy.

F. Custodial Funds

As of June 30, 2022, all of the bank balances of Custodial Funds were either covered by federal depository insurance or collateralized by securities held by an independent third party in the State's name.

Note 3. Receivables

Receivables at June 30, 2022 (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	Lease Receivable	Due from Other Governments and Agencies
Governmental activities receivables	\$ 799,445	\$ 454,262	\$ 4,057	\$ 1,257,764	\$ (298,450)	\$ 959,314	\$ 21,923	\$ 477,764
Less current portion	775,091	445,961	2,110	1,223,162	(297,049)	926,113	865	459,774
Noncurrent portion	\$ 24,354	\$ 8,301	\$ 1,947	\$ 34,602	\$ (1,401)	\$ 33,201	\$ 21,058	\$ 17,990
Business-type activities receivables	\$ 76,190	\$ 52,121	\$ —	\$ 128,311	\$ (41,985)	\$ 86,326	\$ 28,606	\$ 2,263
Less current portion	76,190	52,121	—	128,311	(41,985)	86,326	2,638	2,263
Noncurrent portion	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 25,968	\$ —

In addition to the receivables shown above as reflected on the financial statements, the Employment Security Fund has potential receivables related to fraudulent unemployment insurance claims paid in both fiscal years 2020 and 2021. The potential receivables relate to claims that have been categorized by the Rhode Island Department of Labor and Training as known fraud and suspected fraud. Recoveries of overpayments due to fraud are not recognized in the Employment Security Fund until collected, due to the unlikelihood of collection. When benefits are funded with federal appropriations, any amounts ultimately recovered would be due to the federal government.

The State is pursuing a claim against its insurance provider for reimbursement for the unemployment insurance claims paid which have been deemed fraudulent. Insurance policy limits total \$40 million. Management cannot estimate the likelihood of reimbursement from its insurer for the fraudulent claims and consequently no estimated recovery from the insurer is reflected on the financial statements of the Employment Security Fund at June 30, 2022.

In fiscal year 2022, the State implemented GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The State lease receivable is measured at the present value of lease payments expected to be received during the lease term.

Note 4. Intra-Entity Receivables and Payables

Intra-entity receivables and payables as of June 30, 2022 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	\$ —	\$ 546,009	Appropriations to other funds
Intermodal Surface Transportation	—	5,407	Transportation funding
RI Capital Plan	<u>555,220</u>	—	Appropriations from other funds
Total Major Funds	555,220	551,416	
Non-Major Funds			
RI Temporary Disability Insurance	—	1,375	Operating expenses
Permanent School	—	293	Operating expenses
Bond Capital	—	<u>65</u>	Project funding
Total Non-Major Funds	—	1,733	
Total Governmental Funds	<u>555,220</u>	<u>553,149</u>	
Proprietary Funds			
Enterprise Funds			
RI Lottery	4	3,308	Statutory transfer due to General Fund
RI Convention Center	30	258	Project funding and operating assistance
Employment Security Trust	—	<u>735</u>	Benefit payments
Total Enterprise Funds	<u>34</u>	<u>4,301</u>	
Internal Service Funds	4,649	2,453	Settlement of services rendered
Total Primary Government	<u>\$ 559,903</u>	<u>\$ 559,903</u>	

Note 5. Capital Assets

The capital asset activity of the reporting entity for the year ended June 30, 2022 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	\$ 395,488	\$ 10,891	\$ (5,684)	\$ 400,695
Works of Art	4,385	973	—	5,358
Intangibles	183,456	2,774	—	186,230
Construction in progress	704,362	377,117	(231,536)	849,943
Total capital assets not being depreciated or amortized	<u>1,287,691</u>	<u>391,755</u>	<u>(237,220)</u>	<u>1,442,226</u>
Capital assets being depreciated or amortized:				
Land improvements	8,331	—	—	8,331
Buildings	891,818	1,449	(11,139)	882,128
Building Improvements	529,424	35,839	—	565,263
Furniture and equipment	371,266	14,895	(8,605)	377,556
Intangibles*	344,315	—	—	344,315
Intangibles: Right to Use	—	94,046	(119)	93,927
Infrastructure	5,273,433	198,424	—	5,471,857
Total capital assets being depreciated or amortized	<u>7,418,587</u>	<u>344,653</u>	<u>(19,863)</u>	<u>7,743,377</u>
Less accumulated depreciation or amortization for:				
Land improvements	4,556	256	—	4,812
Buildings	379,885	16,837	(4,806)	391,916
Building Improvements	244,188	17,945	(5,311)	256,822
Furniture and equipment	298,032	22,779	(6,912)	313,899
Intangibles*	152,961	33,049	—	186,010
Intangibles: Right to Use	—	16,520	(119)	16,401
Infrastructure	2,668,785	163,701	—	2,832,486
Total accumulated depreciation or amortization	<u>3,748,407</u>	<u>271,087</u>	<u>(17,148)</u>	<u>4,002,346</u>
Total capital assets being depreciated or amortized, net	<u>3,670,180</u>	<u>73,566</u>	<u>(2,715)</u>	<u>3,741,031</u>
Governmental activities capital assets, net **	<u>\$ 4,957,871</u>	<u>\$ 465,321</u>	<u>\$ (239,935)</u>	<u>\$ 5,183,257</u>

*Including information system development costs.

**Net governmental activities capital assets includes Internal Service Fund net capital assets totaling \$3.0 million at June 30, 2022.

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

General government	\$ 24,964
Health and human services	36,338
Education	8,501
Public safety	23,254
Natural resources	8,683
Transportation	169,347
Total depreciation or amortization expense - governmental activities	<u>\$ 271,087</u>

Business-type Activities	<u>Beginning Balance*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Land	\$ 46,808	\$ —	\$ —	\$ 46,808
Construction in progress	2,799	2,331	(4,291)	839
Total capital assets not being depreciated	<u>49,607</u>	<u>2,331</u>	<u>(4,291)</u>	<u>47,647</u>
Capital assets being depreciated:				
Buildings	277,708	4,028	—	281,736
Machinery and equipment	51,318	239	(609)	50,948
Intangibles: Right to Use	—	1,401	—	1,401
Total capital assets being depreciated	<u>329,026</u>	<u>5,668</u>	<u>(609)</u>	<u>334,085</u>
Less accumulated depreciation for:				
Buildings	184,507	9,698	—	194,205
Machinery and equipment	36,495	4,250	(529)	40,216
Intangibles: Right to Use	—	39	—	39
Total accumulated depreciation	<u>221,002</u>	<u>13,987</u>	<u>(529)</u>	<u>234,460</u>
Total capital assets being depreciated, net	<u>108,024</u>	<u>(8,319)</u>	<u>(80)</u>	<u>99,625</u>
Business-type activities capital assets, net	<u>\$ 157,631</u>	<u>\$ (5,988)</u>	<u>\$ (4,371)</u>	<u>\$ 147,272</u>

*Certain beginning balances restated

Discretely Presented Component Units	Beginning Balance*	Increases	Decreases	Ending Balance
Capital assets not being depreciated or amortized:				
Land	\$ 129,572	\$ 9,840	\$ (52)	\$ 139,360
Construction in progress	220,779	130,452	(62,328)	288,903
Other	250	—	—	250
Total capital assets not being depreciated or amortized	<u>350,601</u>	<u>140,292</u>	<u>(62,380)</u>	<u>428,513</u>
Capital assets being depreciated or amortized:				
Buildings	2,814,694	52,912	(2,600)	2,865,006
Land Improvements	324,695	13,732	—	338,427
Leasehold Improvements	415	—	—	415
Machinery and equipment	552,745	16,524	(15,898)	553,371
Intangibles: Right to Use	5,038	27,936	—	32,974
Infrastructure	386,727	4,521	(67)	391,181
Total capital assets being depreciated or amortized	<u>4,084,314</u>	<u>115,625</u>	<u>(18,565)</u>	<u>4,181,374</u>
Less accumulated depreciation or amortization for:				
Buildings	1,245,078	84,948	—	1,330,026
Land Improvements	202,700	14,177	—	216,877
Leasehold Improvements	47	5	—	52
Machinery and equipment	404,769	31,380	(15,233)	420,916
Intangibles : Right to Use	608	694	—	1,302
Infrastructure	146,498	13,577	—	160,075
Total accumulated depreciation or amortization	<u>1,999,700</u>	<u>144,781</u>	<u>(15,233)</u>	<u>2,129,248</u>
Total capital assets being depreciated or amortized, net	<u>2,084,614</u>	<u>(29,156)</u>	<u>(3,332)</u>	<u>2,052,126</u>
Total capital assets, net	<u>\$ 2,435,215</u>	<u>\$ 111,136</u>	<u>\$ (65,712)</u>	<u>\$ 2,480,639</u>

*Certain beginning balances restated

Note 6. Notes Payable and Line of Credit Arrangements

Discretely Presented Component Units

Notes payable (expressed in thousands) at June 30, 2022 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	\$ 328
R.I. Resource Recovery Corporation note payable to the host municipality, payable in equal installments over the next 14 years	1,643
R.I. Housing and Mortgage Finance Corporation bank notes and lines of credit, 0% to 6.25% interest, payable through 2048	<u>130,088</u>
	132,059
Less: current portion	<u>108,869</u>
Non-current portion	<u>\$ 23,190</u>

Other

R.I. Housing and Mortgage Finance Corporation federal bank note, 2.239% to 4.64% interest, payable from 2056 through 2059.	<u>\$ 158,839</u>
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Direct borrowing – Line of credit arrangements

R.I. Housing and Mortgage Finance Corporation (RIHMFC) - As of June 30, 2022, RIHMFC may borrow up to a maximum of \$135 million under various revolving loan agreements expiring between August 2022 and January 2023. Borrowings under the lines of credit are payable on demand and are unsecured. One of the lines of credit has a variable interest rate. As of June 30, 2022, the borrowings were \$34 million and the rate was 2.55%. The remaining line of credit arrangements have fixed rates which range from 2.4% to 2.45%. Outstanding borrowings under all agreements totaled \$104 million at June 30, 2022.

Note 7. Long-Term Liabilities

A. Changes in Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2022 are presented in the following table (expressed in thousand):

	Beginning Balance, as restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year	Amounts Due Thereafter
Governmental Activities						
<i>Bonds Payable</i>						
General Obligation bonds (see section B)	\$ 1,311,665	\$ 135,000	\$ (100,130)	\$ 1,346,535	\$ 102,795	\$ 1,243,740
RICC Grant Anticipation Revenue bonds	534,955	—	(39,170)	495,785	41,125	454,660
RICC Rhode Island Motor Fuel Tax Revenue bonds	23,645	—	(4,180)	19,465	4,390	15,075
Tobacco Settlement asset-backed bonds	580,933	—	(29,970)	550,963	12,635	538,328
Accreted interest on TSFC bonds	137,020	14,842	—	151,862	—	151,862
RICC Historic Tax Credit bonds	88,485	—	(16,830)	71,655	17,285	54,370
Net unamortized premium/discount	212,395	8,859	(33,101)	188,153	—	188,153
Bonds payable, net	<u>2,889,098</u>	<u>158,701</u>	<u>(223,381)</u>	<u>2,824,418</u>	<u>178,230</u>	<u>2,646,188</u>
Obligation under capital leases (see section D)	128,046	9,971	(25,622)	112,395	26,733	85,662
Net unamortized premium/discount	9,398	—	(2,570)	6,828	—	6,828
Obligation under capital leases, net	<u>137,444</u>	<u>9,971</u>	<u>(28,192)</u>	<u>119,223</u>	<u>26,733</u>	<u>92,490</u>
Lease liability (see note 15)	—	94,046	(15,809)	78,237	15,977	62,260
Net pension liability (see note 18)**	2,310,286	8,026	(499,367)	1,818,945	—	1,818,945
Net pension liability-special funding (see note 18)**	1,361,982	—	(359,877)	1,002,105	—	1,002,105
Net OPEB liability (see note 19 D)**	341,930	—	(132,720)	209,210	—	209,210
Compensated absences (see section H)**	88,552	124,664	(115,211)	98,005	73,205	24,800
Pollution remediation (see section G)	14,974	15,985	(13,212)	17,747	7,993	9,754
Other liabilities (see section K)	74,371	7,796	(3,885)	78,282	3,497	74,785
Total Governmental Long-term Liabilities	<u>\$ 7,218,637</u>	<u>\$ 419,189</u>	<u>\$(1,391,654)</u>	<u>\$ 6,246,172</u>	<u>\$ 305,635</u>	<u>\$ 5,940,537</u>
Business-type Activities						
Revenue bonds (see section B)	\$ 194,970	\$ —	\$ (13,995)	\$ 180,975	\$ 20,250	\$ 160,725
Lease liability (see note 15)	—	1,361	—	1,361	347	1,014
Net pension liability**	21,652	—	(5,094)	16,558	—	16,558
Net OPEB liability **	3,420	—	(1,275)	2,145	—	2,145
Unearned revenue	4,943	1,926	(625)	6,244	4,382	1,862
Compensated absences (see section H)**	605	531	(511)	625	294	331
Other long-term liabilities	184	—	(184)	—	—	—
Total Business-type Long-term Liabilities	<u>\$ 225,774</u>	<u>\$ 3,818</u>	<u>\$(21,684)</u>	<u>\$ 207,908</u>	<u>\$ 25,273</u>	<u>\$ 182,635</u>
Component Units						
Bonds payable (see section B)	\$ 2,581,267	\$ 557,000	\$ (410,730)	\$ 2,727,537	\$ 130,693	\$ 2,596,844
Bonds payable - direct placements	122,231	—	(12,926)	109,305	13,227	96,078
Net unamortized premium/discount	121,169	13,470	(30,034)	104,605	9,277	95,328
Refunding credits	(7,137)	(6,438)	2,780	(10,795)	(3,076)	(7,719)
Bonds payable, net	<u>2,817,530</u>	<u>564,032</u>	<u>(450,910)</u>	<u>2,930,652</u>	<u>150,121</u>	<u>2,780,531</u>
Loans payable (see section C)	14,798	1,092	(1,948)	13,942	2,098	11,844
Lease liability	33,652	2,090	(1,926)	33,816	2,228	31,588
Net pension liability**	305,265	—	(85,438)	219,827	—	219,827
Net OPEB liability**	161,726	1,112	(50,900)	111,938	—	111,938
Compensated absences (see section H)**	36,380	4,159	(3,365)	37,174	10,135	27,039
Due to primary government (see section J)	41,335	—	(4,439)	36,896	4,614	32,282
Unearned revenue	17,475	18,018	(14,250)	21,243	16,575	4,668
Due to component units	1,556	(175)	(429)	952	359	593
Other Long-term liabilities						
Arbitrage rebate (see section I)	1,457	264	(31)	1,690	—	1,690
Pollution remediation (see section G)	14,186	—	(1,765)	12,421	902	11,519
Other liabilities (see section K)	369,633	19,735	(8,443)	380,925	1,113	379,812
Total Component Units Long-term Liabilities	<u>\$ 3,814,993</u>	<u>\$ 610,327</u>	<u>\$(623,844)</u>	<u>\$ 3,801,476</u>	<u>\$ 188,145</u>	<u>\$ 3,613,331</u>

**The net pension, net OPEB, and compensated absences liabilities of the governmental activities are liquidated principally in the General Fund, the Intermodal Surface Transportation Fund and individual institutions of higher education according to the applicable employing state agency.

B. Bonds Payable

At June 30, 2022, 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
2023	\$ 178,230	\$ 100,929	\$ 20,250	\$ 7,464	\$ 130,693	\$ 88,953	\$ 13,227	\$ 3,085
2024	189,880	91,843	20,525	7,008	136,537	84,595	16,598	2,750
2025	176,575	83,594	21,225	6,306	137,314	80,034	12,873	2,377
2026	184,620	75,574	21,975	5,560	136,324	75,429	5,603	2,106
2027	174,150	67,580	21,095	4,778	135,348	70,819	7,659	1,869
2028- 2032	692,735	234,641	33,240	16,414	514,037	141,275	32,827	5,384
2033 - 2037	407,885	116,405	29,305	6,545	556,140	109,149	16,166	1,604
2038 - 2042	178,815	58,404	13,360	1,767	508,382	54,387	4,352	78
2043 - 2047	74,495	40,339	—	—	271,337	20,393	—	—
2048 - 2052	227,018	1,429,892 *	—	—	181,355	6,642	—	—
2053 - 2057	—	—	—	—	11,330	710	—	—
2058 - 2062	—	—	—	—	8,740	297	—	—
	<u>\$2,484,403</u>	<u>\$2,299,201</u>	<u>\$180,975</u>	<u>\$ 55,842</u>	<u>\$2,727,537</u>	<u>\$ 732,683</u>	<u>\$ 109,305</u>	<u>\$ 19,253</u>

* Accreted interest on capital appreciation bonds of the Tobacco Settlement Financing Corporation.

Primary Government - Governmental Activities

General obligation bonds of the State are serial bonds with interest payable semi-annually.

In October 2021, the State issued \$135 million of general obligation bonds with interest rates from 1.12% - 5.00%, maturing from 2022 through 2041. The total premium paid on these bonds was \$8.9 million. In accordance with certain bond statutes, net premiums of \$2.8 million were transferred to RI Infrastructure Bank to provide municipalities with low-cost financial assistance for road and bridge projects and \$4.9 million was transferred to the Rhode Island Capital Plan Fund.

At June 30, 2022, general obligation bonds authorized by the voters and unissued amounted to approximately \$441 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. Additionally, the General Assembly, pursuant to General Law Chapter 35-18, authorized \$144 million for school construction in the Central Falls School District (a component unit) and \$10.5 million for the Providence River Dredge Project. 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.

R.I. Commerce Corporation Grant Anticipation Bonds and Rhode Island Motor Fuel Tax Revenue Bonds - R.I. Commerce Corporation (RICC), on behalf of the State, issues special obligation debt. Grant Anticipation Revenue Vehicle Bonds are payable solely from future federal aid revenues to be received by the State in reimbursement of federally eligible costs of specific transportation construction projects. Rhode Island Motor Fuel Tax Revenue Bonds are payable solely from certain pledged revenues derived from two cents (\$.02) per gallon of the thirty-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.

Pledged revenues were sufficient to fund fiscal 2022 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 2035 and 2027, respectively.

Historic Tax Credit Bonds - In fiscal years 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 million 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% to 6.75%. The bonds are subject to early redemption provisions, in whole or in part, at the redemption price of 100% of the issue amount plus accreted interest, without premium. A portion of the 2007 Series Bonds were redeemed in March 2015 and June 2017.

On March 19, 2015, the Corporation issued \$620.94 million of Tobacco Settlement Asset-Backed Bonds that bear interest at annual rates ranging from 0.59% to 5% and mature in varying amounts through June 1, 2050. The proceeds of this issuance, along with the release of debt service reserve funds related to the bonds retired and the proceeds received for early termination of investment contracts, were used to fully redeem the 2002 Series bonds and repurchase and retire the principal amount of \$76.22 million of the 2007 Series bonds, as well as pay accreted interest of \$13.6 million on the retired 2007 Series bonds. The remaining 2007 Series A and B bonds (all Series C bonds were repurchased and retired with proceeds from the 2015 issuance) are structurally subordinate to the payment in full of the 2015 Series bonds.

The bonds are payable both as 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 \$2.3 billion at June 30, 2022. The related bonds were structured based upon assumptions in 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 MSA, 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 MSA 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, 2022, outstanding bond indebtedness totaled \$180.9 million.

During April 2021, RICCA issued its 2021 Series A Bonds in an aggregate amount of \$32.17 million for the purpose of refunding RICCA's outstanding 2015 Series A Bonds and to pay the costs of issuance. The 2021 Series A Bonds mature between 2021 and 2026. The net proceeds of \$32.01 million (after payment of \$156,509 in issuance costs) were deposited in an irrevocable trust fund under an escrow agreement between the escrow agent and RICCA. The proceeds were used to acquire United States Treasury Securities - State and Local Government Series (SLGS). All investment income on and the maturing principal of the SLGS held in the escrow deposit fund are considered defeased. In May of 2021 and May 2022, \$10.25 million and \$10.765 million, respectively, of the defeased debt was redeemed. In May 2023, \$9.065 million of the defeased debt is scheduled to be redeemed. The Authority refunded the 2015 Series A Bonds to reduce debt service payments in 2021 and 2022 and to provide use restrictions of tax-exempt bonds.

All outstanding indebtedness is subject to optional and mandatory redemption provisions. Mandatory redemption is required for certain bonds over various years through 2027 at the principal amount of the bonds. Certain bonds may be redeemed early, at the option of RICCA, at amounts ranging from 100% to 102% of the principal balance.

Outstanding indebtedness is collateralized by all rents receivable (if any) under a lease and agreement between RICCA and the State covering all property purchased by RICCA for the site, all other revenues and receipts from the project, a mortgage on constructed facilities, land financed by proceeds of the bonds, and amounts held in various accounts into which bond proceeds were deposited. In addition, outstanding indebtedness is insured under certain financial guaranty insurance policies.

Each of the bond resolutions contains certain restrictive covenants. During the year ended June 30, 2022, RICCA was unable to fund the Operating Reserve requirement of the restrictive covenants for the R.I. Convention Center and the AMP pursuant to the indentures.

RICCA and the R.I. Department of Administration have entered into agreements that provide for total appropriations from the RI Capital Plan (RICAP) for various purposes, including funding the Renewal and Replacement requirement of the restrictive covenant for the detailed information regarding these agreements refer to RICCA's financial statements for the fiscal year ended June 30, 2022.

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. (AGM), formerly Financial Security Assurance, Inc. 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 2021 Series A and 2017 Series A are no longer outstanding. In June 2022, AGM was rated by Moody's as A1. In June 2022, 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, 2022, AMBAC's credit rating did not meet the aforementioned requirement.

Discretely Presented Component Units

University of Rhode Island, Rhode Island College and the Community College of Rhode Island

The University of Rhode Island (URI), Rhode Island College (RIC), and the Community College of Rhode Island (CCRI) have issued a number of series of revenue bonds to finance housing, student union (including bookstores) and dining facilities. Under terms of the trust indentures, certain net revenues from these operations must be transferred to the trustees for payment of interest, retirement of bonds, and maintenance of facilities. The bonds are payable in annual or semi-annual installments to various maturity dates. Revenue bonds also include amounts borrowed under loan and trust agreements between the R.I. Health and Educational Building Corporation (RIHEBC) and the Board of Education acting for URI, RIC, and CCRI. The agreements provide for RIHEBC's issuance of the bonds with a loan of the proceeds to the University and Colleges and the payment by the University and Colleges to RIHEBC of loan payments that are at least equal to debt service on the bonds. The bonds are secured by a pledge of revenues of the respective institutions. At June 30, 2022 revenue bonds outstanding were approximately as follows: URI - \$246.6 million, RIC - \$11.4 million, and CCRI - \$613,428.

R.I. Airport Corporation

Revenue bonds are issued by R.I. Commerce Corporation (RICC) on behalf of R.I. Airport Corporation (RIAC). The proceeds from these bonds are used to finance construction and related costs of certain capital improvements. These bonds, 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 \$169.1 million in airport revenue and special facility bonds. Proceeds from the bonds were used for various airport improvement projects. Amounts available to pay debt service per the Master Indenture of Trust, including passenger facility charges, were approximately \$45.3 million for the year ended June 30, 2022. Principal and interest payments for the year ended June 30, 2022 were approximately \$22.3 million.

In June 2006, RIAC, RICC, and the R.I. Department of Transportation (RIDOT) executed a Secured Loan Agreement (Agreement) which provides for borrowings of up to \$42 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, 2022, RIAC had approximately \$39.1 million in borrowings under this agreement.

I-195 Redevelopment District Commission

In April 2013, R.I. Commerce Corporation (RICC) issued Economic Development Revenue Bonds 2013 Series A, in the aggregate principal amounts of \$37.4 million, for which the I-195 RDC is the obligor. The 2013 Series A Bonds mature in April 2033 and bear interest at the lesser of the 30-Day London InterBank Offered Rate (LIBOR) (1.79757% at June 30, 2022) 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):	<u>AA/Aa2 or Higher</u>	<u>AA-/Aa3</u>	<u>A+/A1</u>	<u>A/A2</u>	<u>A-/A3</u>
Applicable Margins, 2013 Series A	1.00%	1.17%	1.37%	1.57%	1.82%

At June 30, 2022, the State's general obligation bonds were rated AA and Aa2 by S&P and Moody's, respectively. As such, at June 30, 2022, the 2013 Series A Bonds bore interest at 2.8%.

Proceeds from the 2013 Series A bonds were transferred by the I-195 Redevelopment District Commission (I-195 RDC) to the State. Simultaneously with the issuance of the 2013 Series A Bonds, the I-195 RDC, RICC, and Santander Bank (the "Bank") entered into a bond purchase agreement under the terms of which the 2013 Series A 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 Bonds, the State entered into separate rate cap transaction agreements with the Bank for each bond series (the Cap Agreement). 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%. At June 30, 2022, the fair value of the 2013 Series A Rate Cap Agreements was \$3,093 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 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 \$221,895 and \$13.7 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, 2022, 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 for capital leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2022:

Fiscal Year Ending June 30	Certificates of Participation	Other Capital Leases	Total
2023	\$ 28,453	\$ 2,806	\$ 31,259
2024	24,431	2,308	26,739
2025	19,889	1,994	21,883
2026	8,777	1,995	10,772
2027	8,027	—	8,027
2028 - 2032	25,400	—	25,400
2033 - 2037	5,728	—	5,728
Total future minimum lease payments	120,705	9,103	129,808
Amount representing interest	(17,410)	(3)	(17,413)
Present value of future minimum lease payments	<u>\$ 103,295</u>	<u>\$ 9,100</u>	<u>\$ 112,395</u>

Each COPS transaction generally covers multiple capital projects supporting multiple functions of the primary government. In general, the amount of capital asset additions funded through COPS is equivalent to the amount of the issuance. The State reports the amortization charge on assets acquired through COPS with depreciation expense on the government-wide financial statements and discloses the amounts in Note 5, Capital Assets. When issuances also fund component unit projects, the State records the full 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, 2022 (expressed in thousands) are as follows:

Category	Cost	Accumulated Depreciation	Net Book Value
Buildings	\$ 215,583,168	\$ 75,071,347	\$ 140,511,821
Building Improvement	86,736,562	43,364,827	43,371,735
Computer Systems	70,185,971	41,270,449	28,915,522
Infrastructure	26,753,845	9,898,923	16,854,922
Equipment	1,327,598	597,421	730,177
	<u>\$ 400,587,144</u>	<u>\$ 170,202,967</u>	<u>\$ 230,384,177</u>

E. Defeased Debt

The State and its component units have defeased certain general obligation bonds and revenue bonds by placing the proceeds of the new bonds or other sources in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the basic financial statements.

At June 30, 2022, the following bonds outstanding (expressed in thousands) are considered defeased:

	<u>Amount</u>
Primary government:	
General Obligation Bonds	\$ 68,775
Component Units:	
R.I. Depositors Economic Protection Corporation (ceased operations during FY04)	22,000
R.I. Convention Center Authority	10,765
R.I. Infrastructure Bank	106,405
R.I. Airport Corporation	25
R.I. Turnpike and Bridge Authority	1,925

F. Conduit Debt

To further economic development in the State, the R.I. Housing and Mortgage Finance Corporation issues bonds that provide financing for the acquisition, construction and rehabilitation for multifamily housing for low-income renters. The properties financed are pledged as collateral, and the bonds are payable solely from payments received from the Developers on the underlying mortgage or promissory notes. In addition, no commitments beyond the collateral, the payments from the Developers and maintenance of the tax-exempt status of the conduit debt obligation were extended by the Corporation for any of those bonds. At June 30, 2022, the bonds have an aggregate outstanding principal amount payable of \$129.8 million.

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, 2022 was \$3.3 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, 2022 was \$44 million and \$1.07 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, 2022, RIIB had seven series of conduit bonds outstanding, with an aggregate principal amount payable of approximately \$47.7 million.

G. Pollution Remediation Liabilities

GASB Statement No. 49 establishes guidance to estimate and report potential costs which may be incurred for pollution remediation liabilities. GASB Statement No. 49 requires the reporting entity to reasonably estimate and report a remediation liability when one of the following obligating events has occurred:

- Pollution poses an imminent danger to the public and the reporting entity is compelled to take action.
- The reporting entity is in violation of a pollution related permit or license.
- The reporting entity is named or has evidence it will be named as a responsible party by a regulator.
- The reporting entity is named or has evidence it will be named in a lawsuit to enforce a cleanup.
- The reporting entity commences or legally obligates itself to conduct remediation activities.

The State and certain component units have remediation activities underway in various stages of completion including: site investigation, planning and design, clean up and site monitoring. Several agencies within State government have as part of their mission the responsibility to investigate possible pollution sites and oversee the remediation of those sites. These agencies have the expertise to estimate the remediation obligations presented herein based on prior experience in identifying and funding similar remediation activities. The remediation liabilities reported have been calculated using the expected cash flow technique. Situations posing potential liabilities, for which a reasonable estimate could not be made, have not been included. Additionally, the State may have a pollution remediation obligation for certain sites for which investigations and studies, or related litigation, are still in progress and consequently, associated future costs cannot be estimated.

The remediation obligation estimates presented are subject to change over time. Cost may vary due to price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, changes in laws or regulations, and other factors that could result in revision to the estimates. Recoveries from responsible parties may reduce the State's obligation. As of June 30, 2022, no reasonable estimates of those recoveries can be made. Capital assets may be created when pollution remediation outlays are made under specific circumstances.

H. Compensated Absences

State employees and those of certain component units are granted vacation and sick leave in varying amounts based upon years of service. Additionally, the State has deferred payment of certain compensation to employees. A liability has been calculated for all earned vacation credits, subject to certain limitations, and vested sick leave credits that are payable at retirement, subject to certain limitations. Payment is calculated at the employees' current rate of pay.

I. Arbitrage Rebate

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.

J. Due to the Primary Government

This consists of the repayment of general obligation debt that was issued by the State on behalf of certain component units.

K. Other Long-Term Liabilities

Governmental Activities - the liabilities consist primarily of:

- Retainage related to infrastructure construction projects – these amounts are considered long-term liabilities since the related construction projects are not expected to be completed during the subsequent fiscal period.
- Asset Retirement Obligations – these amounts are considered long-term liabilities since the nuclear reactor that the liability relates to has an estimated useful life in excess of one year.

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

- 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, grants refundable and escrow deposits.

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

Deferred outflows of resources represent a consumption of net assets by the State that is applicable to a future reporting period. Deferred inflows of resources represent an acquisition of net assets by the State that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets, and deferred inflows of resources decrease net position, similar to liabilities.

The components of the deferred outflows of resources and deferred inflows of resources related to the primary government and its discretely presented component units as of June 30, 2022 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	\$ 14,318	\$ 3,290	\$ 17,608	\$ 12,723
Deferred pension costs - ERS	417,016	4,112	421,128	26,171
Deferred pension costs - single employer plans and other	43,054	—	43,054	16,147
Deferred OPEB costs - multiple employer plans	51,161	1,130	52,291	22,790
Deferred OPEB costs - single employer plans	10,173	—	10,173	—
Asset Retirement Obligations	35,921	—	35,921	—
Derivatives	—	—	—	123
Total deferred outflows of resources	<u>\$ 571,643</u>	<u>\$ 8,532</u>	<u>\$ 580,175</u>	<u>\$ 77,954</u>
Deferred inflows of resources:				
Deferred gain on refunding of debt	\$ 24,894	\$ —	\$ 24,894	\$ 2,199
Deferred pension credit - ERS	633,086	3,731	636,817	56,873
Deferred pension credit - single employer plans and other	45,096	—	45,096	24,992
Deferred OPEB credit - multiple employer plans	169,144	1,823	170,967	76,056
Deferred OPEB credit - single employer plans	34,508	—	34,508	—
Leases	21,923	\$ 28,431	50,354	198,178
Total deferred inflows of resources	<u>\$ 928,651</u>	<u>\$ 33,985</u>	<u>\$ 962,636</u>	<u>\$ 358,298</u>

The components of the deferred inflows of resources related to the governmental funds as of June 30, 2022 are as follows (expressed in thousands):

	General Fund	IST Fund	Other Governmental Funds	Total Governmental Funds
Deferred inflows of resources:				
Taxes	\$ 24,354	\$ —	\$ —	\$ 24,354
Other General Revenue	8,302	—	—	8,302
Federal Revenue	—	12,310	—	12,310
Leases	18,168	3,479	276	21,923
Total deferred inflows of resources	<u>\$ 50,824</u>	<u>\$ 15,789</u>	<u>\$ 276</u>	<u>\$ 66,889</u>

Note 9. Governmental Fund Balance, Budget Reserve and Cash Stabilization Account, and Net Position Restricted for Enabling Legislation

A. Governmental Funds Balances

Governmental fund balance categories are detailed below (expressed in thousands):

Governmental Funds - Fund Balance

	Major Funds				Total
	General Fund	IST Fund	Rhode Island Capital Plan	Other Funds	
Fund Balances:					
Nonspendable:					
General Fund	\$ 1,323	\$ —	\$ —	\$ —	\$ 1,323
Permanent Fund Principal	—	—	—	174	174
Restricted for:					
Purposes specified by enabling legislation	461,970	—	—	—	461,970
RI Capital Plan	—	—	699,225	—	699,225
Debt Service	—	15,600	—	75,826	91,426
Capital Projects	—	—	—	227,108	227,108
Temporary Disability Insurance	—	—	—	184,309	184,309
Historic Tax Credit Redemption	—	—	—	67,857	67,857
Transportation-Infrastructure	—	205,309	—	—	205,309
Mission 360 Loan Program	—	1,785	—	—	1,785
Education	—	—	—	33	33
Other	—	—	—	623	623
Committed to:					
Transportation-Maintenance	—	99,878	—	—	99,878
Other	11,790	—	—	451	12,241
Assigned to:					
Subsequent Years Expenditures	12,278	658	—	—	12,936
Statutory Reappropriations	19,442	—	—	—	19,442
Unassigned:					
Budget Reserve and Cash Stabilization	278,933	—	—	—	278,933
Other	197,981	—	—	—	197,981
Totals	<u>\$ 983,717</u>	<u>\$ 323,230</u>	<u>\$ 699,225</u>	<u>\$ 556,381</u>	<u>\$ 2,562,553</u>

B. Budget Reserve and Cash Stabilization Account

Article IX of the State Constitution requires the maintenance of a State Budget Reserve and Cash Stabilization Account (the Reserve) within the State's General Fund. Section 35-3 of the General Laws specifically establishes the annual minimum balance requirements for the account. For Fiscal Year 2022, 3.0% of total general revenues and opening surplus are transferred to the Reserve. The Reserve amounts in excess of 5.0% of total general revenues and opening surplus are transferred to the RI Capital Plan Fund to be used for capital projects.

According to the State Constitution and related enabling laws, the Reserve or any portion thereof, may be appropriated by a majority of each chamber of the General Assembly, in the event of an emergency involving the health, safety or welfare of the citizens or to fund any unanticipated general revenue deficit caused by a general revenue shortfall in any given year.

The Budget Reserve and Cash Stabilization Account is included within Unassigned Fund Balance within the General Fund but is not considered available for appropriation until specifically made available by the General Assembly. Amounts appropriated from the Budget Reserve and Cash Stabilization Account are available to support general revenue expenditure appropriations. At the close of fiscal year 2022, the Budget Reserve and Cash Stabilization Account had been fully restored.

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 \$1.5 billion of restricted net position, of which \$1.3 billion is restricted by enabling legislation. See Note 1, Section U for more information regarding the five categories of fund balance.

Note 10. Restatements – Net Position and Fund Balance

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

	Discretely Presented Component Units	Internal Service Funds
Previously reported at June 30, 2021:		
Net Position	\$ 3,359,876	\$ 20,880
Restatement due to:		
1) Correction of Net position for electric buses (RIPTA)	2,027	—
2) Implementation of GASB Statement No. 87 (RIAC, CFSD, RIRRC)	608	—
3) Change in accounting principle pertaining to conduit debt (RIHMFC)	64	—
4) Capital asset restatement (RIDHEA)	(224)	—
5) Correction to improperly stated tuition revenue (The MET)	(256)	—
6) Restated compensated absences liability (ISF)	—	5,799
Restated Beginning balances at July 1, 2021:		
Net Position	<u>\$ 3,362,095</u>	<u>\$ 26,679</u>

The State also restated fund balance between certain governmental funds to conform to the State's current year presentation. These restatements had no net effect on total fund balance reported for governmental funds in the State's financial statements.

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	\$ 1,984,975	\$ 1,990,206
General Business Taxes:		
Business Corporations	288,450	286,685
Public Utilities Gross Earnings	90,447	90,447
Financial Institutions	36,263	36,263
Insurance Companies	159,708	159,708
Bank Deposits	4,209	4,209
Health Care Provider Assessment	38,044	38,044
Sub-total - General Business Taxes	<u>617,121</u>	<u>615,356</u>
Sales and Use Taxes:		
Sales and Use	1,511,453	1,510,229
Motor Vehicle	965	965
Cigarettes	149,746	149,746
Alcoholic Beverages	23,323	23,323
Sub-total - Sales and Use Taxes	<u>1,685,487</u>	<u>1,684,263</u>
Other Taxes:		
Inheritance and Gift	39,302	39,302
Racing and Athletics	508	508
Realty Transfer	22,119	22,119
Sub-total - Other Taxes	<u>61,929</u>	<u>61,929</u>
Total - General Fund	<u>4,349,512</u>	<u>4,351,754</u>
Intermodal Surface Transportation Fund		
Gasoline	152,375	152,375
RI Highway Maintenance	72,767	72,767
Other Governmental Funds	236,596	236,596
Total Taxes	<u>\$ 4,811,250</u>	<u>\$ 4,813,492</u>

Note 12. Tax Abatements

For financial reporting purposes (GASB Statement No. 77 - *Tax Abatements*), a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual entity. The one or more governments promise to forgo tax revenues to which they are otherwise entitled and the individual or entity promises to take a specific action that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The State of Rhode Island has eleven programs in place to abate taxes. Of the eleven programs, seven are managed by the State and four are managed by the Rhode Island Commerce Corporation (RICC).

For certain economic development programs with tax abatement provisions, the General Assembly appropriated funds which were paid to the RICC to fund these programs. Upon notification by the Division of Taxation, the RICC transfers funds to reimburse the State for the amount of foregone tax revenue.

The State has issued Historic Tax Credit Preservation Bonds to fund historic tax preservation credits presented for redemption or as credits to taxes owed to the State. Approximately \$67.9 million is available in the Historic Tax Credit Fund at June 30, 2022.

The following is a summary of taxes abated during fiscal 2022 by tax type (expressed in thousands):

Tax Abatement Program	Personal Income	Business Corporation	Insurance Companies	Financial Institutions	Hotel Tax	Sales Tax	Total
Jobs Development Act	\$ —	\$ 1,343	\$ —	\$ 38,315	\$ —	\$ —	\$ 39,658
Motion Picture Production Tax Credits	—	4,962	4,293	—	—	—	9,255
Historic Preservation Tax Credits	948	—	—	—	—	—	948
Tax Credit for Contributions to Qualified Scholarship Organizations	985	—	36	—	—	—	1,021
Qualified Jobs Incentive Tax Credit	293	—	—	—	—	—	293
Tax Increment Financing (PILOT)	—	—	—	—	166	1,035	1,201
Tax Increment Financing (Traditional)	—	—	—	—	76	790	866
Wavemaker Fellowship*	55	—	—	—	—	—	55
Rebuild Rhode Island Tax Credit	2,008	—	6,783	—	—	—	8,791
Total	\$ 4,289	\$ 6,305	\$ 11,112	\$ 38,315	\$ 242	\$ 1,825	\$ 62,088

* Wavemaker fellows have the option of directly receiving their payments. During the fiscal year ended June 30, 2022 direct payments made to fellows totaled approximately \$465,038.

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, 2022, direct payments made to Wavemaker fellows totaled approximately \$465,038.
- Individual taxpayer information is protected by state and federal laws mandating its confidentiality and cannot be disclosed without specific statutory authority. To the extent GASB Statement No. 77 – *Tax Abatements* requires disclosure of such information, the State is legally prohibited from providing disclosures of individual taxpayer information.

The following pages summarize the key provisions of the tax abatement programs authorized by the State at June 30, 2022.

<u>Program Name:</u>	<u>Jobs Development Act</u>	<u>Motion Picture Production Tax Credits</u>
Program purpose:	To foster job creation for companies that create new employment in RI over a three-year period.	To encourage development in Rhode Island of a strong capital base for motion picture film, videotape, and television program productions, in order to achieve a more independent, self-supporting industry.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income
Authority under which abatements are entered into:	Jobs Development Act (RI Gen. Laws 42-64.5-1) and as amended by Rhode Island New Qualified Jobs Incentive Act 2015 (RIGL 44-48.3-12).	RIGL 44-31.2
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Subject to a finding of revenue neutrality based on an economic impact analysis conducted by RI Commerce Corporation (RICC); (2) must be approved by the RICC Board of Directors; (3) company must show that "but for" the incentives, the company is not likely to retain, expand or add employment in the State, and that the company has generated new tax revenue for the State that is at least equivalent to the value of this incentive; (4) the company must maintain a certain level of employment as stated in the agreement; (5) new employees must be paid at least 250% of the State minimum wage.	Primary production locations are to be within the State of Rhode Island, and the total production budget must be at least \$100,000; or, minimum production costs incurred and paid are at least \$10,000,000 within a 12 month period.
How taxes are reduced:	Reduction of tax rate.	As a credit to the amount of taxes owed.
How abatement is determined:	For example, corporate income tax may be reduced to as low as 3%. The reduction equals: 0.20% for every 10 new jobs created for companies having a baseline employment below 100; or 0.20% for every 50 new jobs created, for those companies having a baseline employment above 100. Rate reduction(s) discontinued effective July 1, 2015 except for any company that qualified prior to July 1, 2015 which may maintain its reduction so long as it carries out its obligations.	The amount of the credit shall be 30% of State certified production costs incurred that are directly attributable to activity within the State. Motion picture production tax credit certificates are issued to the motion picture production company, or to one or more transferees to be applied as a credit to taxes owed.
Recapture provisions:	N/A	N/A

<u>Program Name:</u>	<u>Qualified Jobs Incentive Tax Credit</u>	<u>Rebuild Rhode Island Tax Credit</u>
Program purpose:	Stimulate business expansion and attraction, create well-paying jobs for State residents, and generate revenues for necessary State and local governmental services.	Stimulate business development; retain and attract new business and industry to the State; create good-paying jobs for State residents; assist with commercial and industrial real estate development; and generate revenues for necessary State and local governmental services.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, or Personal Income.	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, or Sales and Use.
Authority under which abatements are entered into:	Rhode Island Qualified Jobs Incentive Act of 2015 (RIGL Title 44-48.3).	Rebuild Rhode Island Tax Credit Act (RIGL 42-64.20).
Criteria to be eligible to receive abatements and commitment of the taxpayer:	(1) Must create minimum number of new full-time jobs defined in the statute; (2) new full-time jobs must earn at least Rhode Island's median wage; (3) must certify and provide evidence that without the tax credit the new full time jobs would not occur within the State; (4) must be approved by the RICC Board of Directors; (5) must perform in accordance with an executed incentive agreement. applicants may be eligible for tax credits for up to 10 years and must commit to remain in the State for 20% longer than the total time tax credit is received.	(1) Applicant must provide equity of at least 20% of project costs; (2) must certify and provide evidence that the project has a financing gap and that the project is not likely to be accomplished by private enterprise without the tax credits; (3) project fulfills the State's policy and planning objectives and priorities including minimum project size, cost, and/or job creation thresholds; (4) must be approved by the RICC Board of Directors; (5) entity must perform in accordance with an executed incentive agreement.
How taxes are reduced:	As a credit to the amount of taxes owed.	As a credit to the amount of taxes owed.
How abatement is determined:	The annual benefit for each new full-time job created is the lesser of (1) 75% of the reasonable State income tax withholding generated; or (2) a cap of \$2,500 to \$7,500 defined in the incentive agreement and depending on median salary level, location, industry, whether the job is being relocated from out-of-state, number of new full-time jobs, and capital investment being made.	Total tax credit calculated as the lesser of the project financing gap or 30% of project costs* up to a maximum of \$15 million. tax credits are available for up to 5 years in increments ranging from 15% to 30% of total tax credit beginning in the year the project is placed in service. *Tax credits shall not exceed 20% provided, however, that the applicant shall be eligible for additional tax credits of not more than 10% of the project cost, if the project meets other specific, additional criteria as defined in the agreement.
Recapture provisions:	If the applicant ceases operations in the State or transfers more than 50% of the jobs for which a tax credit was granted under the Act to another state, the tax credit shall cease, and the applicant shall be liable to the State for, at a minimum, 20% of all tax benefits granted to the applicant.	Projects may be required to repay tax credits in the event the project achieves outside financial returns.

<u>Program Name:</u>	<u>Tax Increment Financing</u>	<u>Wavemaker Fellowship</u>
Program purpose:	Stimulate business development; retain and attract new business and industry to RI; create good-paying jobs for RI residents; assist with business, commercial, and industrial real estate development; and generate revenues for necessary State and local governmental services.	Promote economic opportunity and bring more and higher-paying jobs to the State; offer educational opportunity and retraining to individuals impacted by job loss, workplace injury, disability or other hardship; keep young people in the State; encourage an entrepreneurial economy in the State.
Taxes being abated:	Business Corporation, Public Service Corporation, Financial Institution, Insurance Company, Personal Income, Hotel, or Sales and Use.	Personal Income
Authority under which abatements are entered into:	Rhode Island Tax Increment Financing Act of 2015 (RIGL 42-64.21).	Stay Invested in RI Wavemaker Fellowship (RIGL 42-64.26).
Criteria to be eligible to receive abatements and commitment of the taxpayer:	The project must: (1) be located in a qualifying TIF (priority area determined by RICC) Area; (2) have a financing gap; (3) be either a new facility (not a replacement or relocation of an existing facility in the State), an expansion of an existing facility that will increase the number of full-time employees in the State, or necessary to retain one or more At Risk Businesses; (4) be approved by the RICC Board of Directors; and (5) perform in accordance with an executed incentive agreement.	Applicants selected on a competitive basis by a fellowship committee on a name-blind and employer-blind basis. Selected applicants shall meet specific criteria for education, student loan debt, and full-time employment with a Rhode Island-based employer located in this State throughout the eligibility period, and employment in a field specified in the agreement.
How taxes are reduced:	Eligible taxes are reimbursed to the developer.	As a credit to the amount of taxes owed. Wavemaker fellows may also request payment for the value of the credit awarded.
How abatement is determined:	Up to 75% of the projected annual incremental revenues may be allocated under a TIF agreement. Total incentive may not exceed 30% of project costs or the amount needed to close the financing gap. RICC may exempt public infrastructure, a preexisting municipally-owned stadium of 10,000 seats or greater, or utilities from the 30% cap.	Awards are limited to \$1,000 for an associate's degree holder, \$4,000 for a bachelor's degree holder, and \$6,000 for a graduate or post-graduate degree holder, and may not exceed the education loan repayment expenses incurred by the selected taxpayer during each service period completed, for up to four (4) consecutive service periods provided that the taxpayer continues to meet the eligibility requirements throughout the eligibility period.
Recapture provisions:	Tax credits may be denied or revoked if applicant's certification or information is found to be willfully false; if the applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.	Tax credits may be denied or revoked if applicant's certification or information is found to be willfully false; if the applicant or successor is convicted of bribery, fraud, theft, embezzlement, misappropriation, and/or extortion involving the State, any State agency or political subdivision of the State.

<u>Program Name:</u>	<u>Tax Credit for Contributions to Qualified Scholarship Organizations</u>	<u>Historic Preservation Tax Credits</u>
Program purpose:	To enhance the educational opportunities available to all students in Rhode Island.	To create economic incentives for the purpose of stimulating the redevelopment and reuse of Rhode Island's historic structures, as well as to generate the positive economic and employment activities that will result from such redevelopment and reuse.
Taxes being abated:	Business Corporation, Public Service Corporation, Bank Tax, Bank Deposits, Insurance Company, Personal Income Tax.	Business Corporation, Personal Income, Insurance Tax, Insurance - HMO.
Authority under which abatements are entered into:	RIGL 44-62	RIGL 44-33.6
Criteria to be eligible to receive abatements and commitment of the taxpayer:	A business entity is approved by the Division of Taxation if the dollar amount of the tax credit is no greater than \$100,000 in any tax year and if the scholarship organization qualified under RIGL 44-62-2. Approvals are available on a first-come-first-served basis, with the total aggregate amount of all tax credits approved not to exceed \$1,500,000 in a fiscal year.	A certified historic structure is to be substantially rehabilitated.
How taxes are reduced:	The Division of Taxation issues a certificate for the amount of credit to be granted.	As a credit to the amount of taxes owed. Non-profit entities without tax liabilities may request payment for the value of the credit awarded.
How abatement is determined:	Unless a two-year contribution plan is in place, the credit is computed at 75% of the total voluntary contribution made. In general, if a two-year contribution plan is in place, the credit for each year shall be 90% of the total voluntary contribution made.	The Division of Taxation issues a certificate in the amount of the qualifying credit for which the rehabilitation qualifies, up to 20% of qualified rehabilitation expenditures, or 25% if a specified portion of the structure will be made available for a trade or business. The maximum credit allowed for any one project is \$5,000,000.
Recapture provisions:	If the amount of the second-year contribution is less than 80% of the first year contribution, then the credit for both the first and second year contributions shall equal 75% of each year's contribution. In such case, the tax administrator shall prepare the tax credit certificate for the second year at 75%. The difference in credit allowable for the first year (15% of the first year contribution) shall be recaptured by adding it to the taxpayer's tax in that year.	N/A

Note 13. Pledged Revenue

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

Revenue Bonds-Tobacco Settlement Financing Corporation (TSFC)		
Revenue:		
TSFC revenue-cash basis (a)	\$	52,902
Investment income		63
Total revenue		<u>52,965</u>
General and administrative expenses		49
Net revenue available for debt service	\$	<u>52,916</u>
Required debt service payments	\$	35,217
Coverage ratio before turbo principal payments (b)		150.26 %
Turbo redemptions - principal (c)		17,930
Total annual debt service	\$	<u>53,147</u>
Coverage ratio after turbo principal payments (d)		99.57 %
Term of commitment - through June 2052		
Revenue Bonds-GARVEE (Federal Highway)		
Revenue - FHWA participation	\$	65,817
Less: operating expenses		—
Net available revenue	\$	<u>65,817</u>
Debt service		
Principal	\$	39,170
Interest		26,648
Total debt service	\$	<u>65,818</u>
Coverage (b)		100.00 %
Term of commitment - through June 2035		
Revenue Bonds-Motor Fuel (Gas Tax)		
Revenue - 2 cents per gallon of the gasoline tax	\$	8,606
Less: operating expenses		—
Net available revenue	\$	<u>8,606</u>
Debt service		
Principal	\$	4,180
Interest		1,182
Total debt service	\$	<u>5,362</u>
Coverage (b)		160.50 %
Term of commitment - through June 2027		

- (a) Included for fiscal year 2022 are certain one-time revenue items totaling \$2,027,179, which is reflective of the settled 2019 Non Participating Manufacturers (NPM) Adjustment.
- (b) Coverage ratio equals net revenue available for debt service divided by required debt service payments.
- (c) "Turbo" redemptions whereby TSFC is required to apply collections that are in excess of current funding requirements to the early redemption of the bonds are discussed in Note 7 to the financial statements.
- (d) Coverage ratio equals net revenue available for debt service divided by total annual debt service.

Note 14. Transfers

Transfers for the fiscal year ended June 30, 2022 are presented below (expressed in thousands):

	Transfers	Description
Governmental Funds		
Major Fund		
General		
Major Funds		
Intermodal Surface Transportation	\$ 53,149	Debt service and operating assistance
RI Capital Plan	10	Capital expenditures
Nonmajor Funds		
Historic Tax Credit Financing	948	Tax credits claimed
Bond Capital	1,186	Interest earnings transfer
COPs	1,258	Debt service interest expenses
Proprietary Funds		
Lottery	388,642	Net income transfer
Total General Fund	<u>445,193</u>	
Intermodal Surface Transportation		
RI Capital Plan	63,451	Infrastructure funding
General	<u>2</u>	Administrative costs
Total Intermodal Surface Transportation	63,453	
RI Capital Plan		
General	679,375	Transfer of FY22 Appropriations
Bond Capital	<u>4,978</u>	Transfer of excess bond premiums
Total RI Capital Plan	684,353	
Nonmajor Funds		
RI Temporary Disability Insurance		
General	291	Transfer from program reallocation
RI Public Rail Corp		
Intermodal Surface Transportation	<u>3,101</u>	Operating assistance
Total Nonmajor Funds	3,392	
Total Governmental Funds	<u><u>1,196,391</u></u>	
Proprietary Funds		
RI Convention Center		
General	24,492	Debt service and operating assistance
RI Capital Plan	<u>4,300</u>	Capital improvement
Total Proprietary Funds	<u><u>28,792</u></u>	
Total Transfers Primary Government	<u><u>\$ 1,225,183</u></u>	

Note 15. Leases

Governmental Activities - Lessee

The State leases equipment and office facilities for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2032 and provide for renewal options ranging from three months to six years.

Certain facility leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. Those variable payments are recognized as outflows of resources in the periods in which the obligation for those payments is incurred.

At June 30, 2022, the State recorded \$93.9 million and \$16.4 million in right to use asset and accumulated amortization, respectively.

Business-Type Activities - Lessee

The business-type activities includes activities provided by the State at a cost. These include the operations of the Rhode Island Lottery (Lottery), Rhode Island Convention Center Authority (RICCA), and the Employment Security Trust Fund. There was no lease activity for the Employment Security Trust Fund in fiscal year 2022.

The Lottery leases outdoor advertising structures for display of advertising copy at certain locations throughout the state of Rhode Island under a long-term, non-cancelable lease agreement. The lease commenced on June 17, 2022 and expires on June 30, 2026.

At June 30, 2022, the Lottery recorded a right to use asset in the amount of \$1.3 million. There was no amortization expense incurred and no variable lease payments regarding this lease for fiscal year 2022.

The RICCA leases equipment for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2027 and provide for renewal options ranging from one to two years. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease liability. The variable payments are recognized as outflows of resources in the periods in which the obligation for the payment is incurred.

At June 30, 2022, the RICCA recorded \$132 thousand and \$39 thousand in right to use asset and accumulated amortization, respectively.

Total future minimum lease payments under lease agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2023	\$ 15,977	\$ 1,002	\$ 347	\$ 39	\$ 17,365
2024	13,872	823	329	28	15,052
2025	12,799	652	339	17	13,807
2026	11,314	486	344	5	12,149
2027	6,781	352	2	—	7,135
2028-2032	17,494	457	—	—	17,951
Total minimum lease payments	\$ 78,237	\$ 3,772	\$ 1,361	\$ 89	\$ 83,459

Right-to-use assets acquired through outstanding leases are shown below, by underlying asset class (expressed in thousands):

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Equipment	\$ 317	\$ 1,401	\$ 1,718
Buildings	93,610	—	93,610
Less: accumulated amortization	(16,401)	(39)	(16,440)
	\$ 77,526	\$ 1,362	\$ 78,888

Governmental Activities - Lessor

The State, acting as lessor, leases land, cellular tower space, and commercial parcel lots under long-term, non-cancelable lease agreements. The leases expire at various dates through fiscal year 2061 and provide for five years renewal options. Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases.

Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable. Those variable payments are recognized as inflows of resources in the periods in which the payments are received.

During the year ended June 30, 2022, the State recognized \$ 827 thousand and \$494 thousand in lease revenue and lease interest revenue, respectively, pursuant to these contracts.

Business-Type Activities- Lessor

The Lottery, acting as lessor, leases office space under a long-term, non-cancelable lease agreement. During the year ended June 30, 2022, the Lottery recognized \$102 thousand in lease revenue, and \$49 thousand in lease interest revenue, pursuant to this agreement. There are no residual value guarantees, termination penalties, or variable payments in the lease agreement.

The RICCA acting as lessor, leases its arena, suites, and parking facilities under long-term, non-cancelable lease agreements. During the year ended June 30, 2022, the Authority recognized \$1.7 million and \$153 thousand in lease revenue and interest revenue, respectively, pursuant to these contracts. Some leases require variable payments based on future performance of the lessee or usage of the underlying asset and are not included in the measurement of the lease receivable.

Total future minimum lease payments to be received under lease agreements are as follows (expressed in thousands):

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	Principal	Interest	Principal	Interest	
2023	\$ 759	\$ 481	\$ 2,750	\$ 345	\$ 4,335
2024	790	465	2,688	314	4,257
2025	825	449	2,565	284	4,123
2026	861	430	1,525	258	3,074
2027	896	412	1,555	240	3,103
2028-2032	12,342	4,206	5,089	683	22,320
2033 and thereafter	5,344	671	12,546	1,196	19,757
Total minimum lease payments	\$ 21,817	\$ 7,114	\$ 28,718	\$ 3,320	\$ 60,969

Discretely Presented Component Units

Certain component units, most notably the RI Airport Corporation and Quonset Development Corporation, maintain various leasing arrangements as both the lessee and the lessor. Lease activity for component units is presented separately from the primary government in the financial statements of the discretely presented component units. Further details regarding component unit lease activities can be found in the separately issued financial statements of the respective component units.

Note 16. Commitments

Primary Government

The primary government is committed at June 30, 2022 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, 2022, the primary government had transportation infrastructure design, construction and other contract commitments of approximately \$885 million, and contract commitments for the design, construction and renovation of buildings of approximately \$18 million. At June 30, 2022 the primary government had software development and implementation contract commitments of approximately \$83 million. These amounts include only purchase orders and related amendments generally processed through June 30, 2022. 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 The National Railroad Passenger Corporation, dba AMTRAK to secure RIPRC performance of its obligations arising from any South County Rail Service agreements and bridges over AMTRAK's Northeast Corridor. RIPRC has been designated as the entity responsible for indemnifying AMTRAK and Massachusetts Bay Transportation Authority (MBTA), and securing and maintaining liability insurance coverage to provide funds to pay all or a portion of the liabilities of the State, the MBTA, and AMTRAK for property damage, personal injury, bodily injury or death arising out of the South County Commuter Rail Service and Pawtucket/Central Falls Commuter rail station with policy limits of \$295 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 during April 2014 with the United States Department of Justice (USDOJ) 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 federal calendar year 2013 investigation of the State's day activity service system.

The consent decree is intended to ensure that the State will timely meet the requirements of the integration mandate of the ADA and the Olmstead decision as it pertains to the statewide day activity service system; which require that the State day activity services, including employment and day services, for individuals with intellectual and developmental disabilities be provided in the most integrated setting are appropriate to meet their needs. The consent decree anticipated that Rhode Island will have complied with the consent decree provisions 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 will require a significant future State investment to the operations and underlying infrastructure that support the service system for individuals with intellectual and developmental disabilities. Specifically, the court order requires

the State develop and adopt a three-year budget strategy to, among other things, fund increases to wages for direct support professionals, increase funding for transportation and technology, and address the costs of transitioning the supports to an individualized community-based model. These supports are largely met through service providers funded by the State. The amount of additional investment, while not currently determined and subject to budgetary appropriation, is expected to be significant and expended during fiscal years 2022 through 2024.

During October 2021, the court approved (and ordered) terms agreed to by the State and USDOJ. The court ordered terms would increase the State's Medicaid reimbursable rate to allow for a significant increase to the starting wage for direct support professionals through fiscal 2024. This increase is estimated at a total cost of \$34.7 million, with the general revenue share approximating \$15.5 million. Additionally, the State will establish a \$12 million programmatic transition fund, which shall not supplant or replace existing funding for intellectual and development disability supports and services and must be used solely for integrated day activities and supported employment services as defined in the consent decree. It is likely that the transition fund will be supported with State general revenues. The terms would also commit the State to a \$2 million fund for technology acquisition for individuals receiving intellectual and development disability supports and services.

United States Environmental Protection Agency Consent Decree

Rhode Island Department of Transportation (RIDOT) entered into a Consent Decree with the EPA in 2015 concerning violations of the Clean Water Act by failing to comply with the conditions in the General Permit – Rhode Island Pollutant Discharge Elimination System Storm Water Discharge from Small Municipal Separate Storm Sewer Systems. The Consent Decree requires RIDOT to implement remedial actions necessary in order to address discharges to impaired waters, illicit discharge detection and elimination, street sweeping pollution prevention and catch basin and other drainage system component inspection and maintenance. The State has committed to significant annual investments to implement the remedial actions. The Consent Decree also incorporates stipulated penalties for failure to meet specific compliance deadlines. To date, RIDOT has met all the required milestones and expects to meet all future milestones outlined in the Consent Decree.

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 during May 2018 and negotiated attorney's fees were paid. The State will need to provide resources to the Department of Children, Youth and Families (DCYF) to carry out the terms of the settlement agreement and meet its benchmarks. If DCYF does not meet the benchmarks, the State may be liable for costs and attorneys' fees from future litigation for contempt and/or enforcement of the settlement. 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.

Performance-based Agreements

Rhode Island Commerce Corporation (RICC) has issued economic development revenue bonds whereby the State will assume the debt if the employer reaches and maintains a specified level of full-time equivalent employees. The State has commitments relating to this debt through fiscal 2027. In addition, RICC has committed to funding various economic development initiatives that are further described in Note 12, Tax Abatements.

Asset Retirement Obligations

The Rhode Island Nuclear Science Center (RINSC) located on the University of Rhode Island's Bay Campus houses a nuclear reactor. The process by which nuclear reactors are retired from service and terminate their operating licenses granted by the U.S. Nuclear Regulatory Commission (USNRC) is referred to as decommissioning. The USNRC regulates the decommissioning of nuclear power plants and has established requirements that must be adhered to in the process.

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* a liability for the estimated cost of decommissioning the nuclear reactor and an offsetting deferred outflow of resources, each totaling \$32.6 million was recorded as of July 1, 2018. Since initial recording, an additional \$6.9 million has been recorded as of June 30, 2022. The liability was measured using the estimated current value of outlays expected to be incurred for required decommissioning and post-decommissioning costs. The liability estimate calculation assumed a post-decommissioning monitoring period of 20 years and a contingency factor calculated using weighted average probability factors of 25%, 32% and 60%.

In accordance with GASB Statement No. 83 *Certain Asset Retirement Obligations* all relevant factors are reevaluated annually to determine whether the effect of one or more of those factors is expected to significantly increase or decrease the expected outlays associated with the liability. Based on the results of each reevaluation, the liability is remeasured if required.

The estimated remaining useful life of the nuclear reactor is 36 years as of June 30, 2022. During fiscal 2022 amortization expense of \$998 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, 2022 was \$36 million.

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 state education aid. This oversight role includes adopting statewide standards for student performance and annually assessing the performance of individual schools and school districts against such statewide standards. State intervention initially consists of support and technical assistance.

In connection with its oversight role, RIDE identified the Providence Public School District (PPSD) as consistently among the lowest performing districts in the State, based on objective criteria such as academic proficiency, absenteeism, and graduation rates. Pursuant to the Crowley Act, the State, in collaboration with PPSD, attempted to improve the PPSD through operational, policy, and financial support, all of which were unsuccessful.

During May 2019, following the release of standardized test scores showing low levels of English and Math proficiency among PPSD students, RIDE engaged the Institute for Education Policy at Johns Hopkins University (the Institute) to conduct a review of the PPSD to identify the challenges impeding reform efforts. The Institute's review included a study of academic outcomes, observation of classroom instruction and interviews with students, teacher, administrators, and community members. After completing its review, the Institute released a report during June 2019 (the Hopkins Report), which identified systematic deficiencies in the performance of the PPSD, including with respect to governance structure, management, health and safety, facilities, curriculum, and academic instruction. The Hopkins report concluded that such deficiencies were the cause of widespread unsatisfactory academic outcomes for PPSD students and demoralized teachers, staff, administrators, and parents.

Pursuant to a decision and order of the Commissioner of Education dated October 15, 2019, the State assumed governance and management responsibility for the PPSD effective November 1, 2019. The State appointed a turnaround superintendent to manage PPSD operations and develop and implement a long-term improvement plan for at least the next five years, effective February 2, 2020.

More than one year into the State intervention, the Commission of Education and the new superintendent have implemented changes including unifying Math and English Language arts curriculum options, increasing professional development for teacher and improving support for multilingual learners (the majority of the PPSD students).

In connection with this work, the State continues to be responsible for budget deficits and other costs relative to the district, subject to the State appropriations and budget process. The extent of such costs is difficult to gauge, even absent the effects of the pandemic.

Rhode Island Lottery – Master Contract Agreements

Gaming Systems Provider – International Game Technology (IGT)

Effective February 17, 2022, the Lottery extended their master contract agreement with IGT through June 30, 2043. Said contract amends all previous agreements between the parties. In consideration for being the exclusive gaming system provider, exclusive of the online sports betting contract, IGT will pay to the Lottery \$27 million in two annual installments of \$13.5 million by June 30, 2023 and June 30, 2024.

The contract mandates commission percentages ranging between 1% and 5% of lottery ticket sales and 1% and 3% 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 IGT license fees, 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, 2021 the Lottery is responsible for payment of two-thirds (2/3) of all transaction processing fees.

Licensed Gaming Facilities (Bally's Twin River Casino and Bally's Tiverton Casino and Hotel)

Each licensed facility operates under a Master Contract with the Lottery. Effective February 17, 2022, the Lottery entered into contract amendments with Bally's Affiliate UTGR, Inc. and Bally's Affiliation Twin River-Tiverton, LLC extending the respective terms through June 30, 2043. The contracts entitle the owners to compensation ranging from 26% to 29% of video lottery net terminal income at the respective facility.

Effective July 1, 2021 through December 31, 2022, UTGR, Inc. became a technology provider of video lottery terminals and receives a compensation equal to 7% of the net terminal income in accordance with the provisions of R.I. Gen. Laws 42-61.207, as may be amended from time to time. Effective January 1,

2023, Bally's or Affiliates of Bally's will be part of a VLT Joint Venture with IGT to be the exclusive technology provider of video lottery terminals through June 30, 2043.

The Master Contract reflects the statutory authorization of a promotional points program at the licensed gaming facilities. For fiscal year 2022, allowable promotional points are 20% of prior year net terminal income plus \$1.5 million. In fiscal 2022, the combined promotional points authorized and issued were approximately \$100.1 million to facility patrons.

The Lottery is required to reimburse the Twin River casinos for allowable marketing expenses incurred at the same percentage as the Lottery's share of net terminal income for the fiscal year 2022 (60.67% for Bally's Twin River Lincoln Casino Resort and 60% for Bally's Tiverton Casino & Hotel). For fiscal 2022, the Lottery accrued \$3.6 million and \$503 thousand in reimbursable marketing expenses for Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel, respectively.

Table games are operated at the Bally's Twin River Lincoln Casino Resort and Bally's Tiverton Casino & Hotel. Commissions for both casino facilities and the respective host community were 84% and 1%. In June 2022, legislation enacted required a guaranteed minimum \$3 million payment to be made to the Towns of Lincoln and Tiverton, RI from net table games revenue and video lottery net terminal income, with any shortfall coming from the State's share of table games net revenue and video lottery net terminal income.

The Lottery also entered into a Sports Wagering Hosting Agreement with Twin River to host in-person and on-line sports wagering. 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. The first amendment to the sports wagering hosting agreement allowed Twin River to host, manage and enable players to participate in online sports wagering including validation and registration of players. Effective July 1, 2021, the annual flat commissions paid to the Towns of Lincoln and Tiverton increased to \$200,000/per town.

Discretely Presented Component Units

Rhode Island Resource Recovery Corporation

Landfill closure and post-closure:

The Environmental Protection Agency (EPA) established closure and post-closure care requirements for municipal solid waste landfills as a condition for the right to currently operate them. The landfill operated by the RI Resource Recovery Corporation (RIRRC) has been segregated into six distinct phases. Phases I, II, III and IV were closed by RIRRC during prior years. In 2005, the Corporation began operations in Phase V, which is near capacity and has temporarily stopped accepting waste. During December 2015, RIRRC began accepting waste in Phase VI.

A liability for closure and post-closure care of \$118.4 million as of June 30, 2022 has been recorded in the statement of net position, as summarized by Phases below:

	Year ended June 30, 2022
Phase I	\$ 700,263
Phase II and III	17,552,474
Phase IV	20,197,166
Phase V	42,682,920
Phase VI	36,684,318
Other	569,494
	<u>\$ 118,386,635</u>

As of June 30, 2022, 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	\$ 3,676,147	92.07 %	11 months
Phase VI	\$ 81,245,021	31.07 %	18 years 11 months

As of June 30, 2022 RIRRC revised its estimate for future pollution remediation and landfill closure and post-closure care costs. The revised estimate resulted in a \$6.7 million increase of the corresponding liability from \$124.1 million at June 30, 2021 to \$130.8 million at June 30, 2022.

Amounts provided for closure and post-closure care are based on current costs. These costs may be adjusted each year due to changes in the closure and post-closure care plan, inflation or deflation, technology, or applicable laws or regulations. It is reasonably possible that these estimates and assumptions could change in the near term and that the change could be material.

Included in RIRRC's restricted component of net position at June 30, 2022 is \$77.3 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, 2022 is as follows:

Balance, June 30, 2021	Additions	Reductions	Balance, June 30, 2022	Current Portion
\$ 14,186,258	\$ —	\$ 1,764,883	\$ 12,421,375	\$ 901,527

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 this trust fund totaled \$46.3 million as of June 30, 2022.

In 2004, RIRRC began the capping project for the Superfund site and continued to revise its estimates for leachate pretreatment costs and flows. RIRRC has recorded a liability for future remediation costs of approximately \$12.4 million as of June 30, 2022.

Rhode Island Public Transit Authority

The RI Public Transit Authority (RIPTA) is committed under various contracts in the amount of \$52.3 million at June 30, 2022.

Rhode Island Turnpike and Bridge Authority

The RI Turnpike and Bridge Authority (RITBA) is committed under various construction and repairs contracts in the amount of \$9.4 million at June 30, 2022.

Quonset Development Corporation

Quonset Development Corporation (QDC) has entered into a \$33.6 million contract to rehabilitate a pier at the Port of Davisville funded by general obligation bond debt, RICAP appropriations from the State and QDC resources. As of June 30, 2022, the remaining commitment totaled \$3.1 million.

Rhode Island Airport Corporation

The RI Airport Corporation (RIAC) has active construction projects expected to be funded from available resources and future operations that relate to certain airport improvements. As of June 30, 2022, RIAC's commitments with contractors were approximately \$13.7 million.

Other Component Units

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

Note 17. Contingencies

COVID-19 Global Pandemic

The COVID-19 pandemic and subsequent recovery continues to have an impact on state operations. Additional costs have been incurred to maintain public health and respond to the recovery efforts. In addition, the pandemic has had a negative impact on state employment levels. While the state has seen steady job growth since the end of the pandemic recession, Rhode Island-based jobs (as measured by the survey of business establishments conducted by the Department of Labor and Training) have not recovered to their pre-pandemic peak.

The State continues to utilize federal pandemic funding to manage costs associated with the pandemic and to address a variety of economic and social problems exasperated by the long duration of the public health emergency. Under the federal government's expanded Stafford Act authority, qualified pandemic related expenses incurred by the State during fiscal 2022 have continued to be submitted to the Federal Emergency Management Agency (FEMA) for reimbursement.

The State is also leveraging its \$1.1 billion allocation of Coronavirus State and Local Fiscal Recovery Funds (SFRF) through the American Rescue Plan Act of 2021 (ARPA) allocation to support short-term recovery and make long term investments in State programs. The General Assembly appropriated \$119 million in SFRF in January 2022 to address the most pressing needs from the pandemic. These included support for small businesses and impacted industries, retention incentives for workers in sectors directly impacted by the pandemic, additional affordable housing units, and better access to medical services for children and families.

The FY 2023 Enacted Budget appropriated the remainder of the State's SFRF allocation to support expanding affordable and workforce housing, bolster growing sectors of the economy, invest in workforce development and strengthen the health care system in the event of surges in COVID-19 cases or the emergence of new variants. The State allocated approximately \$186.9 million in SFRF to support any additional capacity necessary to respond to the pandemic. In addition to identifying projects that address pressing needs, Rhode Island prioritized projects that minimize ongoing financial obligations, generate out-year savings and efficiencies, result in lasting benefits, and leverage existing administrative infrastructure, with simple and effective program design. These funds will be expended over a four year period ending in fiscal 2027.

Emergency Rental Assistance (ERA) funding totaling \$352 million was also awarded to the State. The FY 2023 Enacted Budget included \$84 million in Emergency Rental Assistance (ERA) funding to provide rental and utility relief to eligible Rhode Islanders. The FY 2023 Enacted Budget also included a \$25 million allocation of the Homeowner Assistance Fund (HAF) to assist eligible homeowners with avoiding pandemic related foreclosures and utility shutoffs. The Rhode Island Department of Administration has a subaward agreement with RI Housing for the administration of the ERA programs where HAF applications can be submitted through September 30, 2026.

We expect pandemic related costs to continue through the second quarter of fiscal year 2023. Both the extent of expenditures required to continue to address the costs of the pandemic and related recovery or assistance from the federal government to assist with these costs continues to evolve.

Primary Government - Litigation Contingencies

The State, individually or through its departments, agencies and employees, is a named party in various suits presently pending in Rhode Island state and federal courts. The State is vigorously defending any liability in all pending litigation; however, the cases are subject to a trial by jury or judge, who serves as the final trier of facts and awards. It would not appear that any litigation pending or threaten is likely to result, either individually or in the aggregate, in final judgments against the State that would materially affect its financial condition. Notwithstanding such as assessment, the following significant cases should be noted:

Challenge to Tolls

The RhodeWorks tolling program to fund bridge maintenance and repair was challenged by the trucking industry, initially filed on July 10, 2018 in the federal district court in Rhode Island. Plaintiffs, a national trade association for the interstate trucking industry and several trucking companies, named as defendant the director of RIDOT, acting for the State in his official capacity. RITBA was later permitted by the court to intervene as a defendant due to its role as the agency responsible for collecting the challenged tolls on the State's behalf.

On September 21, 2022, following a bench trial, the district court issued a decision holding that RhodeWorks truck tolling violates the dormant Commerce Clause of the United States Constitution because it unfairly apportions the State's tolling burden to large commercial trucks and has a discriminatory purpose and effect with regard to interstate commerce. Accordingly, the court permanently enjoined the State from collecting RhodeWorks tolls, which RIDOT estimated would have annually generated approximately \$40-50 million in revenue dedicated to bridge maintenance and repair. RIDOT suspended toll collections at all twelve active locations on September 21, 2022, following the ruling. Plaintiffs did not seek damages or restitution for tolls previously paid, but are seeking attorney's fees, which are likely to exceed several million dollars, and which will be considered by the court at a date subsequent to its decision. It is possible that the decision in this case could encourage future litigation against the State, which potential litigation may include claims seeking the payment of damages or restitution for prior tolls charged. Pursuant to court rules an appeal must be filed within 30 days of the decision.

The State has appealed this decision to the First Circuit Court of Appeals.

Litigation

The Chariho Regional School Committee ("Chariho") filed a verified complaint in Washington County Superior Court for declaratory judgment and injunctive relief against the State by and through RIDE, DOA, the Council on Elementary and Secondary Education (the "Council"), and the Commissioner of Education to declare the rights and obligations under the State's alleged breach of a Career and Technical Center Transfer Agreement ("CTC Agreement") that transferred a state-owned property to Chariho to be used as a career and technical center. In the operative complaint, Chariho alleges that that RIDE and the Council

(not DOA) breached the CTC Agreement by authorizing career and technical programs at Westerly High School and Narragansett High School. The Superior Court dismissed Chariho's claims in March 2017. Chariho appealed and the Rhode Island Supreme Court reversed the dismissal and remanded the case for further consideration in 2019. The case is currently in the discovery phase. While Chariho seeks to vacate the transfer of the title to the property and return the property to the State, there is a question as to whether title would vest back to DOA or the Council, should Chariho succeed on its claims. In the event title vests back to DOA, the State would incur significant expense to repair and maintain the property.

A personal injury case was served on April 3, 2018 alleging that a youth in temporary custody of DCYF visited a trampoline park where the youth sustained injuries, including permanent paralysis. The complaint includes three counts brought against the DCYF, a DCYF social worker, the group home where the youth was staying, two of the employees of the group home and John Doe alleging negligence, negligent supervision and loss of parental companionship. Co-Defendant Whitmarsh Corp. brought a third-party action against the trampoline park, and then Plaintiff amended the Complaint to add trampoline park as a Defendant. Discovery is ongoing. Drafted motion to file cross claim against Whitmarsh Corp. for contractual indemnification to be filed soon. The extent of the alleged injuries, alleged permanent paralysis and cost of lifetime care is unknown at this time, but are anticipated to be extensive; damages could be in the multi-million dollar range. The State had a contract with the Co-Defendant Whitmarsh Corp. in effect at the time of the alleged incident and will seek indemnification pursuant to this agreement, although Whitmarsh has represented that it does not believe that the indemnification provision applies.

A wrongful death action arising from an automobile accident was filed against the State. A wrong way driver, operating under the influence of alcohol, struck a vehicle and killed a young married couple, leaving behind a young child. Plaintiffs have alleged that the State was negligent due to insufficient signage on the roadway where the accident occurred. The State believes that the public duty doctrine applies. Potential damages could be valued in the millions of dollars.

On May 2, 2011, Cashman Equipment filed suit against Cardi Corporation and RIDOT in Superior Court in connection with construction work performed in the course of building the Sakonnet River Bridge. Cashman has set forth several allegations against Cardi including breach of contract, unjust enrichment, and negligence due to the fact that Cardi allegedly supplied a defective design for the cofferdams and defective materials. Cashman has contended that Cardi's actions required Cashman to perform additional work on the bridge for which it was entitled to compensation. Cardi has filed counterclaims against Cashman and third-party claims against RIDOT. In relation to the State, Cashman has specified approximately \$1.5 million as pass through claims. Cardi has filed a first amended third party complaint against the State for those amounts plus any damages related to Type F concrete. The potential liability could exceed \$4.0 million. The parties have participated in three court-ordered mediation sessions for this case. The court bifurcated this matter for trial.

A student, through her parents and on behalf of a class of similarly situated individuals, filed suit against the RIDE in federal court arguing that LEAs 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 the plaintiffs and remanded the case to the district court to determine remedies. The parties are currently working to determine the size of plaintiffs' class size (which is believed to be less than 30 individuals) in preparation for a potential settlement conference. Based on similar settlements in other states, the State estimates potential liability of approximately \$7.0 million for compensatory education costs and fees.

Plaintiff, estate of a decedent, has brought a wrongful death action against the State (including the Department of Public Safety and E-911) and the Town of Lincoln arising out of address confusion in the response of first responders to an emergency. The parties are presently engaged in discovery. Plaintiff's Counsel has recently withdrawn, and new counsel has not been retained. Damages have not been quantified and no demand has been served. The wrongful death minimum in Rhode Island is \$250,000. The State has legal arguments to this action including the application of the statutory cap of \$100,000 and the public duty doctrine.

A lawsuit was filed against the State in 2020 relating to a serious bodily injury arising out of a police shooting by the Rhode Island State Police and Providence Police on a Route 95N merging ramp. Collectively, the police discharged their weapons at a vehicle that refused to follow verbal commands and was using the vehicle as a weapon against police and civilians. Plaintiff was a vehicle passenger and was seriously injured. Answer is filed and matter is still undergoing discovery. Estimated amount in controversy: Approximately \$3 million. Availability of qualified immunity defense is in question because case was filed in State Court where the doctrine has not been sufficiently developed.

Disability Rights Rhode Island and the ACLU National Prison Project brought suit against the Rhode Island Department of Corrections (RIDOC) on behalf of six current and former inmates at RIDOC, as well as seeking class certification. The complaint alleges that RIDOC violated the constitutional rights of inmates with severe and persistent mental illness, as well as the ADA and the Rehabilitation Act when inmates are placed in administrative or disciplinary confinement. Among the relief sought is a change in RIDOC policies and practices, increased staffing, possible facility alteration and/or creation and appointment of an expert to assess RIDOC's confinement and make recommendations that the State must comply with. Plaintiffs will also seek significant attorneys' fees. This case is progressing on a dual track: litigation and mediation. The State will contest any claim for class certification and defend the lawsuit on its merits.

Plaintiff filed a wrongful death action against RIDOT for the death of her daughter that occurred in the early morning hours on June 13, 2017. Decedent was allegedly in her car with two other individuals that was being operated at a high rate on Rt. 146 North in the Town of Lincoln when it left the lane of travel, flipped over and ultimately hit the guard rail. None of the passengers were wearing seat belts and all three were thrown from the vehicle. The allegation is that the guard rail was defective. The case is presently in fact discovery.

On April 14, 2021, an estate and five members of decedent's family filed suit against a number of State contractors involved in a design-and-build construction project on Rt. 146 North, seeking relief for the wrongful death of decedent. As it pertains to the State, the lawsuit names RIDOT and individual employees alleging failure to maintain construction notices and warnings in a bridge construction zone, resulting in the driver driving through the construction zone and off the bridge, death resulting. The suit names all contractors, the State and three individuals sued in their individual and personal capacity. Service was just accepted and after a thorough review a responsive pleading will be filed.

The Narragansett Indian Tribe filed a complaint challenging the constitutionality of a statute authorizing table games at Twin River Casino. The tribe also disputes whether the State "operates" either Twin River or Newport Grand casinos within the meaning of the statute. The Supreme Court has since determined that the statute is constitutional and remanded the case to the Superior Court to determine whether the State "operates" the facilities. There has been no action on this case since the Supreme Court decision in 2015. If the tribe were to prevail, there could be a significant impact to the State gaming revenue.

The Narragansett Indian Tribe is suing the State of Rhode Island and the Governor's legal counsel related to the Viaduct Project and the termination of the programmatic agreement in light of the dispute over whether the lands to be transferred to the Tribe would be subject to Rhode Island state law. Defendants filed a Motion to Dismiss on multiple grounds, including lack of jurisdiction, res judicata based on prior First Circuit decision, and failure to state a claim.

In a tax matter, Glencore paid Motor Fuel Tax on a transaction and passed the tax cost to Apex by contract. Apex sought a refund of the tax paid by Glencore and the refund claim was denied by the Division of Taxation. Apex filed two successive litigation actions: a complaint directly with the District Court and a request for administrative hearing. The District Court case was stayed pending the outcome of the administrative process and, on November 12, 2020, the administrative action was resolved with the Tax Administrator adopting the hearing officer's recommendation to dismiss the administrative appeal for Apex's failure to state a claim. On November 27, 2020, Apex filed a second complaint in District Court as an appeal of the administrative decision and alleged the same claims as the first case. Ultimately, the two

cases were consolidated and dismissed upon motion by the Tax Division via an Order entered by the District Court on May 11, 2021. Apex appealed by filing petitions for writs of certiorari in the Rhode Island Supreme Court in regard to both cases and both petitions were granted and consolidated for consideration by the Court. On November 2, 2022, the Supreme Court entered an Order submitting the consolidated case for full briefing and argument; Apex's initial brief was filed December 12, 2022 and the Division's response brief filed January 23, 2023. Apex has the opportunity to file a response brief on or before February 13, 2023.

Tobacco Settlement Financing Corporation - Master Settlement Agreement

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. Additionally, any failure on the part of the PMs to perform their obligations under the MSA and/or related agreements could have a material adverse effect on receipt of future tobacco settlement revenues. A reduction in the amount of tobacco settlement revenues received could affect the TSFC's ability to make turbo redemptions and other debt service payments on its debt obligations.

Future payments may be impacted by a number of factors including, but not limited to, future or potential litigation against the tobacco industry, changes in the financial condition of the tobacco companies and sales of tobacco products. For additional information about these matters, please refer to the separately issued TSFC financial statements for the year ended June 30, 2022.

Rhode Island Lottery

The Lottery's master contracts with its video lottery facilities contain revenue protection provisions in the event that existing video lottery facilities incur revenue losses caused by new gaming ventures within the State.

The facilities face increasing competition from surrounding casinos including planned gaming expansion in Connecticut and Massachusetts. In May 2021, Connecticut legalized sports wagering and online gambling, greatly expanding gambling to tablets, phones and laptops. The law also authorizes the Connecticut Lottery Corporation to operate 15 sports betting locations across the state. Connecticut sports betting opened its first retail sportsbook in September 2021, followed by online sports betting sites and betting apps in October 2021. Sports betting in Connecticut is tied closely with the traditional tribal gaming casinos. In August 2022, the Massachusetts Sports Wagering Act was signed into law. As of early September 2022, there is no definite launch date. Additionally, Massachusetts lawmakers have considered additional slot machines and adding table games at Plainridge Park Casino, in Plainville, MA,

to date this has not occurred. The Division and the State continually monitor the risk to gaming operations and assess and expand important revenue generating marketing and promotional programs to best enable competitive positions.

The Narragansett Indian Tribe filed a complaint against the State of Rhode Island in 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 gaming facilities remains pending in the Superior Court.

In the event of default on an insurance annuity contract for a Rhode Island winner of the Lucky for Life® jackpot prize award, the Lottery may be contingently liable for any remaining prize amounts due to the winner.

While the Lottery's operations experienced a significant rebound in fiscal 2022 over the prior year, effects of the Coronavirus Public Health Emergency and the possibility of future impacts to operations from the Public Health Emergency, while deemed less likely, remains.

Federal Assistance

The State receives significant amounts of federal financial assistance under grant agreements or joint state/federally financed programs which specify the purpose of the grant and conditions under which the funds may be used. Generally, these grants are subject to audit. The Single Audit for the State of Rhode Island is submitted to the Federal Single Audit Clearinghouse annually by the State. The Single Audit reports instances of federal non-compliance, questioned costs, and other matters to federal grantor agencies regarding the State's administration of federal programs. These matters could result in federal disallowance and/or sanction upon review by the respective federal agencies. The fiscal 2022 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 (ESH) Medicaid Claiming – ESH's continued compliance with the federal IMD regulations is not assured as it is subject to continued measurement and contingent upon the mix of patients (medical and psychiatric) at the prescribed measurement intervals. ESH was not in compliance in October 2022 for the months of December 2021 through October 2022. The opening of a stand-alone psychiatric facility on October 25, 2022 addressed the IMD status issues. ESH will request approval from the Center for Medicare and Medicaid Services (CMS) to retroactively bill for fiscal year 2022. Management is currently unable to estimate the fiscal impact of the outcome of this request.

ESH is currently negotiating with CMS to resolve billing questions regarding claims for dual eligible individuals (Medicare and Medicaid).

Medicaid Managed Care Contracts – The State contracts with three Managed Care Organizations (MCOs) to provide capitated healthcare coverage for individuals eligible for Medical Assistance. Premiums paid for this health coverage approximate \$2 billion annually. Contracts with the MCOs include a variety of settlement provisions that often do not finalize until 16 months after year-end once all claims for the coverage period have processed. Expected final settlements are reflected in the State's financial

statements, however, a variety of factors could result in additional amounts being owed to or from the Medicaid Program upon settlement completion.

Unemployment Insurance Benefit Fraud – Rhode Island, as well as a number of other states, experienced a significant increase in fraudulent claims for pandemic relief unemployment benefits beginning in March 2020 through the end of those relief programs in September 2021. The State implemented multiple objectives to attempt to prevent and detect fraudulent claims; however, the State Department of Labor and Training has estimated more than \$500 million of fraudulent claims were paid during fiscal years 2020, 2021 and 2022. Recoveries or collections of these fraudulent benefits, if any, will be refunded to the federal government or the Unemployment Insurance Trust Fund. The State Department of Labor and Training continues to more accurately quantify the total number of benefits considered fraudulent

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 the RI Retirement Security Act (RIRSA) was commenced by the Rhode Island State Troopers Association and three of its members against the Employees Retirement System of Rhode Island, the Governor, the Treasurer and the Director of the Department of Administration. The Defendants filed a motion to dismiss, which was decided on January 10, 2022 with six claims remaining. The defendants have moved for summary judgement on the remaining six counts and briefing of that motion is underway.

In 2020, a case was brought by numerous plaintiffs who had brought a prior pension lawsuit case, which resulted in the passage of RIRSA and settlement. The case was brought in the United States District Court for the District of Rhode Island. The State and ERSRI filed a motion to dismiss on the grounds that the 2020 lawsuit sought to relitigate issues that had already been decided in the prior lawsuit. The District Court agreed and granted the Motion to Dismiss. The Plaintiffs have appealed this decision and in August 2022. The court heard the petition on January 6, 2023 and denied the petition.

Component Units - Other

Rhode Island Industrial-Recreational Building Authority

The RI Industrial-Recreational Building Authority (RIIRBA) is authorized to insure contractual principal and interest payments required under first mortgages and first security agreements issued to private sector entities by financial institutions and the Rhode Island Industrial Facilities Corporation (RIIFC), a component unit of the State, on industrial or recreational projects in the State up to a maximum of \$60 million of outstanding principal balances under such insured mortgages and security agreements.

Losses, if any, are first payable from RIIRBA's available resources. RIIRBA must then request appropriations of the General Assembly for any losses in excess of insured amounts. RIIRBA's insurance guarantee is backed by the full faith and credit of the State.

At June 30, 2022, 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, 2022 are \$10.5 million.

Rhode Island Housing and Mortgage Finance Corporation

The Rhode Island Housing and Mortgage Finance Corporation (RIHMFC) is party to financial instruments with off-balance sheet risk in connection with its commitments to provide financing. Such commitments expose RIHMFC to credit risk in excess of the amounts recognized in the accompanying statement of net position. RIHMFC's exposure to credit loss in the event of nonperformance by the borrowers is represented by the contractual amount of such instruments. Total credit exposure as a result of loan commitments at June 30, 2022 is \$159.5 million.

University of Rhode Island

Environmental Remediation - Hazardous waste found at a former drum storage site on property owned by the University of Rhode Island (URI) polluted the ground and water in the area. The University entered into a "Consent Decree" agreement with the United States District Court on behalf of the U.S. Environmental Protection Agency, the U.S. Justice Department, and the Rhode Island Department of Environmental Management on July 2, 2008 with regards to the West Kingston Town Dump/URI Disposal Area Superfund Site (the "Site"). A cap was placed to cover the Site and parties are now monitoring the ground water over an extended period of time through a system of monitoring wells. The University shares fiscal responsibility with the towns of South Kingstown and Narragansett. The University has accrued a liability of \$803,319 relating to the remediation project, operation and maintenance costs, and site reviews. The related cost for the year ended June 30, 2022 were \$287,402.

Two purported class action lawsuits were filed against the University in 2020 alleging that the University breached its contracts with its students after the 2020 spring semester transitioned to distance learning. Management vigorously disputes the plaintiffs' claims, but cannot provide a reasonable estimate of the total costs to the University associated with the two now-consolidated suits at this time.

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 2022 pension expense (credit)	Net pension liability (asset) at June 30, 2021 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	\$113,097	\$1,604,576
			Business-type activities	\$1,786	\$16,558
			Special funding – teachers - state share (see Note Section 18-E)	\$44,116	\$1,002,105
B	State Police Retirement Benefits Trust (SPRBT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired after July 1, 1987	\$840	\$3,250
C	Judicial Retirement Benefits Trust (JRBT)	Single-employer defined benefit plan – advance funded through a trust	Judges appointed after December 31, 1989	(\$655)	(7,256)
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	\$1,278	\$22,105
E	State Police Retirement Fund Trust (SPRFT)	Single-employer defined benefit plan – advance funded through a trust	State Police hired before July 1, 1987	\$10,403	\$144,933
F	Judicial Non-Contributory Retirement Plan (JNCRP)	Single employer defined benefit – non trustee – pay-as-you-go plan	Judges appointed before January 1, 1990 who retired before July 1, 2012	\$1,729	\$44,081
	Totals			\$172,594	\$2,830,352
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	\$5,900	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, 2020 actuarial valuations (with the exception of JNCRP which has a June 30, 2021 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	11,215	3,875	8,011	3,187	26,288
JRBT	27	1	15	39	82
RIJRFT	2	—	5	—	7
SPRBT	79	53	53	198	383
SPRFT	257	—	—	—	257
JNCRP	42	—	—	—	42

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 35 th year Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015: for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (3 consecutive highest years)
(AB)	Completed 10 years of service on or before July 1, 2005 but ineligible to retire as of September 30, 2009	Minimum retirement age of 62 and ten years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Effective until June 30, 2012: Same accrual rates as (A) above to September 30, 2009 and then Schedule B rates (below) thereafter Effective July 1, 2012: 1.0% per year through June 30, 2015 Effective July 1, 2015, for members with 20 years of service as of July 1, 2012: 2% per year	80% of final average earnings (5 consecutive highest years)
(B)	Less than 10 years of service before July 1, 2005 and eligible to retire as of September 30, 2009	Age 65 with 10 years of service or after 29 years of service and age 59	Effective until June 30, 2012: 1.6% for each of first ten years 1.8% for each of next ten years 2.0% for each of next five years 2.25% for each of next five years 2.5% for each of next seven years 2.25% for the 38 th year Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years)
(B1)	Less than 10 years of service before July 1, 2005 and ineligible to retire as of September 30, 2009	Age 65 with ten years of service, or age 62 with at least 29 years of service with a downward adjustment of the minimum retirement age based on the years of service credit as of September 30, 2009	Same as Schedule B	75% of final average earnings (5 consecutive highest years)
(B2)	Less than 5 years of service as of July 1, 2012	Social Security Retirement Age and 5 years of contributory service	1.6% for each of first ten years Effective July 1, 2012: 1.0% per year	75% of final average earnings (5 consecutive highest years)

Effective July 1, 2015 general employees with more than 20 years of service at July 1, 2012 increased their employee contribution rates to 11% and participate solely in the defined benefit plan. Members receive a benefit accrual of 2% per year based on the three or five year average compensation.

Effective July 1, 2015 employees are eligible to retire upon attainment of: age 65 with 30 years of service, age 64 with 31 years of service, age 63 with 32 years of service or age 62 with 33 years of service. Members may retire earlier if their RIRSA date is earlier or are eligible under a transition rule.

State correctional officers may retire at age 50 with 20 years of service. However, if not eligible to retire as of September 30, 2009, the minimum retirement age was modified to 55 with 25 years of service credit

for correctional officers and registered nurses at the Department of Behavioral Healthcare, Developmental Disabilities, and Hospitals.

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

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

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

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

Cost of Living Adjustments - The Cost of Living Adjustment (COLA) has been suspended until the collective ERS, SPRBT and JRBT plans reach a funded status of 80%. The COLA provision will be reviewed in a four-year interval while the plans are less than 80% funded. 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 Consumer Price Index for all Urban Consumers (CPI-U) from the prior September 30 (max of 3%) for a total maximum COLA of 3.5%.

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 \$27,901 (indexed as of January 1, 2022) 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 \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) 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 \$27,901).

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 \$27,901 (indexed as of January 1, 2022) 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 \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) 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 \$27,901).

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 have reached the age of 65 years, or have served 15 years, and reached the age of 70 years. These members may retire from regular service and receive a benefit equal to the annual salary the member was receiving at the time of their retirement. Members of the Traffic Tribunal who served as a justice for 20 years, or have served for 10 years and reached age 65 years may retire from regular service and receive a benefit equal to the 75% of the annual salary at the time of retirement. 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 \$27,901 (indexed as of January 1, 2022) 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 \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) 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 \$27,901).

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 \$27,901 (indexed as of January 1, 2022) 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 \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) 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 \$27,901).

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 \$27,901 (indexed as of January 1, 2022) 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 \$27,901 is replaced with \$33,481 (indexed as of January 1, 2022) 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 \$27,901).

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 pay as you go single employer defined benefit pension plan that is closed to new members. The Judicial Non-Contributory Retirement Plan (JNCRP) provides retirement benefits to judges appointed before January 1, 1990 and who retired before July 1, 2012. This plan was created by statute and has historically been funded by the State on a pay-as-you-go basis. Accordingly, no assets have been accumulated to pay benefits under this plan.

Pension benefits paid under the JNCRP are generally determined based on years of service at retirement and are payable to the retiree or their beneficiary. JNCRP members, in general, are eligible for full retirement benefits equal to their final annual compensation at age 65, if the member has served for 20 years, or at age 70 with 15 years of service. The plan has provisions that allow for survivor benefits; the surviving spouse to continue to receive a portion of the participant's benefit.

E. Special Funding Situation – ERS Plan – Teachers

The State is required by law to contribute 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, 2021 is approximately \$2.4 billion and the State's share of the net pension liability is approximately \$1.0 billion. The State's share of the net pension liability for teachers has been allocated based upon the statutory contribution percentage and is reflected in the Statement of Net Position as of June 30, 2022 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 42.58%, a decrease of 0.05% 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 actuarial determined contributions to the respective defined benefit plans.

Actuarial 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 actuarial determined contribution rates (or amounts if not expressed as a rate) for fiscal 2022 were determined based on valuations performed as of June 30, 2020 for all plans, with the exception of RIJRFT which was determined based on a valuation performed as of June 30, 2021.

The Rhode Island Judicial Retirement Fund Trust is not currently advance funded. Employees make contributions to the plan; however the State is not making full actuarial determined contributions. This plan is for a closed group of individuals and the amortization payment has been calculated based on level-dollar amortization over 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 20 years from June 30, 2020. The actuarial accrued liability will be fully amortized by year 2040.

The Judicial Non-Contributory Retirement Plan (JNCRP) is financed on a pay-as-you-go basis. Upon Statutory creation of the RISPRFT in fiscal 2017, an annual contribution amount totaling \$16.4 million was actuarial determined. This amount has been contributed annually since 2017.

A summary of the contribution rates by both the participating employers and members and the State's annual pension plan contributions (expressed in thousands) for the fiscal year ended June 30, 2022 is provided in the table below:

	ERS	JRBT	RIJRFT*	SPRBT	SPRFT*	JNCRP**
Contribution rate:						
State	28.01%	21.82%	\$1,190	19.24%	\$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	10.94%	—	—	—	—	—
Contributions made for state employees	\$199,237	\$2,611	\$405	\$5,211	\$16,387	\$3,873
Contribution made for teachers	\$116,291	—	—	—	—	—

*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 actuarial 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 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 2022, 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 \$108 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 actuarial determined contribution for the State share and the local teacher share. This results in the actual dollar amount of State contributions to be proportionately larger than the stated statutory amount of 40%.

G. Net Pension Liability

The net pension liability of the State and other participating employers in the Employees' Retirement System, a multiple-employer cost-sharing plan, has been apportioned based on the percentage share of total contributions made by each employer in fiscal 2021. The State's proportion for the ERS Plan for State employees was 90.22%, an increase of 0.30% since the prior reporting period. At June 30, 2021 measurement date, the Lottery's proportion was 0.93%, a decrease of 0.02% 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, 2021 (expressed in thousands and excluding amounts related to teachers under the special funding arrangement discussed above):

Total Net Pension Liability - Employees' Retirement System (ERS) - State Employees \$ 1,778,546

Less portion attributable to other entities:

Enterprise Fund - Rhode Island Lottery (Business-Type Activities)		\$	(16,558)
Discretely Presented Component Units			
University of Rhode Island	\$	88,414	
Rhode Island College		28,391	
Community College of RI		24,279	
RI Division of Higher Education Assistance		222	
RI Commerce Corporation		245	
RI Airport Corporation		1,230	
			(142,781)
Related organization - Narragansett Bay Commission			(14,631)
ERS - Net Pension Liability		\$	1,604,576

Net Pension Liability - Single Employer Defined Benefit Pension Plans

RIJRFT		22,105
SPRBT		3,250
SPRFT		144,933
JNCRP		44,081
Total Net Pension Liability - All Plans (Governmental Activities)		\$ 1,818,945

Net Pension Asset - Single Employer Defined Benefit Pension Plans

JRBT		\$ (7,256)
Total Net Pension Asset - Single Employer Defined Benefit Pension Plans		\$ (7,256)

Further details regarding the State's total pension liability (asset) and net pension liability for the single employer trustee defined benefit pension plans (expressed in thousands) which was measured as of June 30, 2021 is presented below:

	JRBT	RIJRFT	SPRBT	SPRFT
Total pension liability	\$ 94,115	\$ 23,526	\$ 199,555	\$ 168,432
Plan fiduciary net position	101,371	1,421	196,305	23,499
Net pension liability (asset)	\$ (7,256)	\$ 22,105	\$ 3,250	\$ 144,933
Plan fiduciary net position as a percentage of total pension liability	107.7 %	6.0 %	98.4 %	14.0 %

a. Actuarial assumptions used in determining total pension liability

The total pension liability was determined by actuarial valuations performed as of June 30, 2020 and rolled forward to the June 30, 2021 measurement date, with the exception of the Judicial Non-Contributory Retirement Plan (JNCRP). The total pension liability for JNCRP is based on a valuation

performed as of June 30, 2021. 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	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	6/30/2020 rolled forward to 6/30/2021	06/30/21
Actuarial Cost Method	Entry Age Normal-the Individual Entry Age Actuarial Cost methodology is used						
<u>Assumptions</u>							
Investment Rate of Return	7.00%	7.00%	7.00%	1.92%	7.00%	7.00%	1.92%
Projected Salary increases	3.25% to 6.25%	3.00% to 13.00%	2.75%	2.75%	3.75% to 11.75%	N/A	N/A
Inflation	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality	Variants of the Pub-10 Median mortality tables-for the improvement scale, update to the ultimate rates of the MP16 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 was provided in fiscal 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%.						

Factors affecting trends for amounts related to the net pension liability

The actuarial assumptions used in the calculation of the total pension liability at the June 30, 2020 measurement date were consistent with the 2020 Actuarial Experience Investigation Study for the six year period ended June 30, 2019.

As part of the 2020 Actuarial Experience Study, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. Significant changes in assumptions included:

- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.

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 39 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, 2021 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	23.20 %	5.83 %
International Developed Equity	11.80 %	6.35 %
Emerging Markets Equity	5.00 %	8.04 %
Private Growth		
Private Equity	11.25 %	9.47 %
Non-Core Real Estate	2.25 %	5.32 %
Opportunistic Private Credit	1.50 %	9.47 %
INCOME		
High Yield Infrastructure	1.00 %	3.19 %
REITS	1.00 %	5.32 %
Equity Options	2.00 %	5.59 %
EMD (50/50 Blend)	2.00 %	1.96 %
Liquid Credit	2.80 %	3.19 %
Private Credit	3.20 %	3.19 %
STABILITY		
Crisis Protection Class		
Treasury Duration	5.00 %	(0.32)%
Systematic Trend	5.00 %	3.39 %
Inflation Protection		
Core Real Estate	3.60 %	5.32 %
Private Infrastructure	2.40 %	5.81 %
TIPs	2.00 %	0.30 %
Volatility Protection		
IG Crop Credit	3.25 %	1.14 %
Securitized Credit	3.25 %	1.14 %
Absolute Return	6.50 %	3.39 %
Cash	2.00 %	(0.32)%
	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 all but one system.

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", 1.92% at June 30, 2021) was applied to all periods of projected benefit payments to determine the total pension liability.

c. Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability (asset) of the employers calculated using the discount rate of 7.0% (for all plans except the RIJRFT and JNCRP), as well as what the employers' net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate. The RIJRFT and JNCRP plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current plan members and consequently the municipal bond index rate of 1.92% at June 30, 2021 was used in the determination of the net pension liability (asset) for those plans with a similar +1/-1 % sensitivity analysis (expressed in thousands):

Governmental Activities:

	1.00% Decrease (6.00%)	Current Discount Rate (7.00%)	1.00% Increase (8.00%)
ERS - State employees	\$ 1,989,527	\$ 1,604,576	\$ 1,113,285
ERS - Teachers (State share)	\$ 1,265,582	\$ 1,002,105	\$ 665,833
JRBT	\$ 816	\$ (7,256)	\$ (17,557)
SPRBT	\$ 20,219	\$ 3,250	\$ (18,406)
SPRFT	\$ 160,168	\$ 144,933	\$ 125,489

	1.00% Decrease (0.92%)	Municipal Bond Index Rate (1.92%)	1.00% Increase (2.92%)
RIJRFT	\$ 24,125	\$ 22,105	\$ 19,662
JNCRP	\$ 47,832	\$ 44,081	\$ 40,836

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	\$ 20,530	\$ 16,558	\$ 11,488

H. Changes in the Net Pension Liability (Asset)

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

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP*
Total Pension Liability					
Service cost	\$ 3,387	\$ 400	\$ 5,827	\$ —	\$ —
Interest	6,213	550	13,110	11,469	1,089
Differences between expected and actual experience	(564)	(656)	(322)	1,256	(1,215)
Changes of assumptions	—	1,176	—	—	1,855
Benefit payments	(3,983)	(396)	(6,872)	(16,269)	(4,184)
Net change in Total Pension Liability	5,053	1,074	11,743	(3,544)	(2,455)
Total Pension Liability - beginning	89,062	22,452	187,812	171,976	46,536
Total Pension Liability - ending	\$ 94,115	\$ 23,526	\$ 199,555	\$ 168,432	\$ 44,081
Plan Fiduciary Net Position					
Employer contributions	\$ 2,246	\$ 399	\$ 5,241	\$ 16,387	\$ 4,184
Employee contributions	1,215	126	2,324	—	—
Net investment income	21,815	178	41,840	6,144	—
Benefit payments	(3,983)	(396)	(6,872)	(16,269)	(4,184)
Administrative expenses	(80)	(1)	(153)	(18)	—
Other	—	—	16	—	—
Net change in Fiduciary Net Position	\$ 21,213	\$ 306	\$ 42,396	\$ 6,244	\$ —
Plan Fiduciary Net Position - beginning	80,158	1,115	153,909	17,255	—
Plan Fiduciary Net Position - ending	\$ 101,371	\$ 1,421	\$ 196,305	\$ 23,499	\$ —
Net Pension Liability (Asset)	\$ (7,256)	\$ 22,105	\$ 3,250	\$ 144,933	\$ 44,081

*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, 2022 the State recognized net pension expense of \$128.5 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 \$44.1 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, 2022 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:

	<u>State Employees</u>	<u>Teachers</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 197,171	\$ 116,291	\$ 313,462
Differences between expected and actual experience	11,109	10,058	21,167
Changes of assumptions	7,395	41,964	49,359
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,028	21,000	33,028
Totals	<u>\$ 227,703</u>	<u>\$ 189,313</u>	<u>\$ 417,016</u>
<u>Deferred Inflows of Resources</u>			
Net difference between projected and actual earnings on pension plan investments	291,915	234,555	526,470
Differences between expected and actual experience	1,205	32,369	33,574
Changes of assumptions	30,680	22,037	52,717
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	20,325	20,325
Totals	<u>\$ 323,800</u>	<u>\$ 309,286</u>	<u>\$ 633,086</u>

The \$197.2 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, 2023. In addition, the \$116.3 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, 2023. 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):

	<u>State Employees</u>	<u>Teachers</u>
Year ended June 30:		
2023	\$ (62,955)	\$ (45,743)
2024	(69,941)	(39,316)
2025	(76,053)	(60,780)
2026	(84,475)	(77,932)
2027	157	(9,943)
Thereafter	—	(2,550)
	<u>\$ (293,267)</u>	<u>\$ (236,264)</u>

Business-type Activities:

For the year ended June 30, 2022, the Lottery, a proprietary fund of the State, recognized pension expense of \$1.8 million. At June 30, 2022, the Lottery reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$	2,066
Differences between expected and actual experience		115
Changes of assumptions		76
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,855
Totals	\$	<u>4,112</u>

Deferred Inflows of Resources

Net difference between projected and actual earnings on pension plan investments		3,012
Differences between expected and actual experience		12
Changes of assumptions		317
Changes in proportion and differences between employer contributions and proportionate share of contributions		390
Totals	\$	<u>3,731</u>

The \$2.1 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, 2023. 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:		
2023	\$	36
2024		(58)
2025		(694)
2026		(955)
2027		(14)
	\$	<u>(1,685)</u>

Other Single Employer Pension Plans

For the fiscal year ended June 30, 2022 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	\$ (655)
RIJRFT	1,278
SPRBT	840
SPRFT	10,403
JNCRP	1,729
Total	<u>\$ 13,595</u>

At June 30, 2022 the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	JRBT	RIJRFT	SPRBT	SPRFT	JNCRP	Totals
<u>Deferred Outflows of Resources</u>						
Employer contributions subsequent to the measurement date	\$ 2,611	\$ 405	\$ 5,211	\$ 16,387	\$ 3,873	\$ 28,487
Differences between expected and actual experience	112	—	6,876	—	—	6,988
Change of Assumptions	1,703	—	5,876	—	—	7,579
Totals	<u>\$ 4,426</u>	<u>\$ 405</u>	<u>\$ 17,963</u>	<u>\$ 16,387</u>	<u>\$ 3,873</u>	<u>\$ 43,054</u>
<u>Deferred Inflows of Resources</u>						
Net difference between projected and actual earnings on pension plan investments	\$ 11,506	\$ 120	\$ 22,052	\$ 3,642	\$ —	\$ 37,320
Differences between expected and actual experience	2,006	—	5,687	—	—	7,693
Change of assumptions	—	—	83	—	—	83
Totals	<u>\$ 13,512</u>	<u>\$ 120</u>	<u>\$ 27,822</u>	<u>\$ 3,642</u>	<u>\$ —</u>	<u>\$ 45,096</u>

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, 2023. 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
2023	\$ (3,395)	\$ (33)	\$ (4,122)	\$ (868)	\$ —	\$ (8,418)
2024	(2,747)	(29)	(3,870)	(859)	—	(7,505)
2025	(2,360)	(28)	(3,954)	(929)	—	(7,271)
2026	(3,196)	(30)	(4,822)	(987)	—	(9,035)
2027	—	—	2,009	—	—	2,009
Thereafter	—	—	(311)	—	—	(311)
	<u>\$ (11,698)</u>	<u>\$ (120)</u>	<u>\$ (15,070)</u>	<u>\$ (3,643)</u>	<u>\$ —</u>	<u>\$ (30,531)</u>

J. Defined Contribution Plan - ERS

Plan Description – Employees participating in the Employees Retirement System (ERS) defined benefit plan with less than 20 years of service as of June 30, 2012, as described above, also participate in a defined contribution plan of the Employees' Retirement System as authorized by General Law Chapter 36-10.3. The defined contribution plan is established under IRS section 401(a) and is administered by TIAA-CREF. Plan Assets are held by J. P. Morgan as investment custodian. The Retirement Board is the plan administrator and plan trustee. The employees ("members") may choose among various investment options available to plan participants. The 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 \$5.9 million for the fiscal year ended June 30, 2022, 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>.

K. Defined Benefit Plan - LIUNA

All State employees who are members of the Laborers' International Union of North America (LIUNA), in addition to participating in ERSRI, also participate in the LIUNA National Pension Fund (the Plan), a cost sharing multi-employer defined benefit plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), as amended. The Plan is administered by the Fund's Board of Trustees. Eligibility and benefit provisions are defined in the Plan document adopted by the Board of Trustees. As of June 30, 2022, 775 employees of the State were members of the Plan.

All employees who are members of LIUNA are eligible to participate in the Plan. An employee is eligible for a regular pension if they have attained age 62, have five or more years of pension credits and have had at least one pension credit in a year after contributions paid to the Plan by an employer on their behalf began. Vesting of benefits is attained for participants who have five or more years of vesting service, at least one year of which was earned during the period for which the employer paid contributions to the Plan on behalf of the participant. Participants who pay their own contributions are immediately and fully vested in their accrued benefits, plus interest credited to their account. Benefit amounts for employees of the same age with the same years of service may be different because their employers'

contribution to the Pension Fund may have been at different levels. The Plan allows for an optional immediate 25% partial lump sum for all surviving spouses of participants who died pre-retirement with an actuarially reduced monthly benefit to be paid at age 55. Information regarding the Plan can be obtained from the Fund Office maintained by the Board of Trustees at the following address: Laborers' International Union of North America National (Industrial) Pension Fund, 905 16th Street, N.W., Washington, DC 20006-1765, or at www.lnipf.org.

The contribution requirements of the State and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$0.77 to \$1.73 per hour up to a maximum of 1,820 hours per year to the Plan for calendar year 2022. The State is not required to contribute to the Plan.

The Multiemployer Pension Plan Amendments Act of 1980 imposes certain liabilities upon employees associated with multiemployer pension plans who withdraw from such a plan or upon termination of said plan. The State has no plans to withdraw or partially withdraw from the plan.

L. Defined Contribution Plan - FICA Alternative Retirement Income Security Program

The State of Rhode Island FICA Alternative Retirement Income Security Program (the FARP) is a defined contribution (money purchase) plan that operates under Section 401(a) of the Internal Revenue Code. The FARP was established under Rhode Island General Law section 36-7-33.1 and was placed under the management of the Department of Administration (DOA), which also serves as the FARP plan sponsor. The FARP took effect on December 15, 2013. TIAA serves as record keeper for the FARP, and FARP assets are held by J.P. Morgan as investment custodian.

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

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

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

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

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

Investment options – Member and employer contributions must be invested in one of the Vanguard Target Retirement 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 \$21.0 million during the year ended June 30, 2022.

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, 2021 measurement date the plans' total pension liabilities exceeded the plans' fiduciary net position by an aggregate amount of \$52.1 million. Accordingly, a net pension liability of that amount has been recorded as of June 30, 2022. For the fiscal year ended June 30, 2022 pension expense of \$6.3 million was recorded related to the plan.
- The second plan, Laborers' International Union of North America National Pension Fund, covers all employees who are members of the Local 808 union. The Plan is administered by the Fund's Board of Trustees. The plan provides retirement, disability and death benefits to plan members. An employee is eligible to receive pension benefits if they have attained age 62, have five or more years of pension credit and have earned at least one of the years of pension credit during the period that his or her employer is contributing to the plan. The amount of regular pension benefits payable to an employee is determined by the highest contribution rate at which he or she earned pension credit and years of pension credits earned (up to a maximum of 30 years of pension credits). The contribution requirements of the Authority and employees are established by contract and may be amended by union negotiation. Employees are required to contribute \$1.49 per hour up to a maximum of 40 hours per week to the Plan for calendar year 2022. The Authority is not required to contribute to the Plan.

Certain other component units have defined benefit pension plans, defined contribution pension plans, and deferred compensation retirement plans. For information regarding these pension and savings plans, please refer to the component units' separately issued financial reports.

Note 19. Post employment Benefit Plans

A. Summary of Employer Plans

The State provides other post employment benefits (OPEB) for its employees through multiple benefit plans as outlined below (expressed in thousands):

	Plan	Plan Type	Covered employees	FY 2022 OPEB expense (credit)	Net OPEB liability (asset) at June 30, 2021 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	\$ (5,007)	\$ 209,192
			Business-type activities	\$ 69	\$ 2,145
B	Teachers	Single-employer plan – advance funded through a trust	Certified public school teachers electing to participate in the System	\$ (2,844)	\$ (9,111)
C	Judges	Single-employer plan - advance funded through a trust	Judges and magistrates	\$ (790)	\$ (5,715)
D	State Police	Single-employer plan - advance funded through a trust	State police officers	\$ (1,769)	\$ (326)
E	Legislators	Single-employer plan - advance funded through a trust	Retired and former members of the General Assembly	\$ (379)	\$ (3,228)
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	\$ (5)	\$ 18
	Totals			\$ (10,725)	\$ 192,975

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 post employment plans as listed above.

The System is administered by the State of Rhode Island OPEB Board and was authorized, created and established under Chapter 36-12.1 of RI General Laws. The Board was established under Chapter 36-12.1 of Rhode Island General Laws as an independent board to hold and administer, in trust, the funds of the OPEB system. The four members of the OPEB Board are: the State Controller, the State Budget Officer, the State Personnel Administrator and the General Treasurer, or their designees.

The System issues a publicly available financial report that includes financial statements and required supplementary information for the plans and a description of the benefit structures. The report may be obtained by writing to: State Controller, Department of Administration, One Capitol Hill, Providence, RI 02908.

The System's financial statements are included as Trust Funds within the Fiduciary Funds.

The OPEB Trust Funds are reported using the economic resources measurement focus and the accrual basis of accounting under which expenses, including benefits and refunds, are recorded when the liability is incurred. Employer contributions are recorded in the accounting period in which they are earned or become measurable.

Additional disclosure regarding the methods used to value investments and investment expenses are included in Note 2D, OPEB Trust Funds.

Employer OPEB expense and related liabilities, and deferred inflows of resources/deferred outflows of resources for defined benefit plans A-F as identified previously, are recognized in the financial statements based on the provisions of GASB Statement No. 75.

Plan membership, based on the June 30, 2020 actuarial valuations, is summarized in the table below:

	Retirees and beneficiaries	Active	Total by Plan
State Employees	6,698	11,184	17,882
Teachers	99	N/A	99
Judges	33	61	94
State Police	163	261	424
Legislators	15	113	128
Board of Education (BOE)	857	1,869	2,726

Terminated employees are not included in the valuation.

B. Benefit Plan Descriptions

Members of the System include State employees, legislators, judges, State police officers, certified public school teachers and employees of certain component units. If these members meet certain eligibility requirements, they are eligible to receive some form of retiree health care benefits. In addition, certain employees of the Board of Education receive benefits through another plan known as the Rhode Island Board of Education Health Care Insurance Retirement Program (hereafter referred to as the "BOE Plan").

Membership and Benefit Provisions

The plans within the System generally provide healthcare coverage to pre-Medicare eligible retirees and health reimbursement account contributions or Medicare supplement coverage for members who are Medicare eligible. Members may purchase coverage for spouses and dependents. Depending on the plan and the time of retirement, the cost to purchase coverage for spouses and dependents is either at the "active rate" applicable to active employees or at the retiree rate. Dental and vision coverage is generally not provided (except for those plans that allow active health care coverage to continue after retirement - judges, state police and legislators). Dental and vision coverage may be purchased by these groups with no state subsidy.

Members of the System must meet the eligibility and services requirements set forth in the RI General Laws (RIGL) or other governing documents. RIGL Sections 16-17.1-1 and 2, 36-10-2, 36-12.1, 36-12-2.2 and 36-12-4 govern the provisions of the System, and they may be amended in the future by action of the General Assembly.

Active employees (other than the Board of Education active members) do not make contributions to the respective plans. Retired member contributions consist of the required retiree share of coverage based on the time of retirement and years of service. Other member contributions include purchased coverage for spouses or dependents or for non-subsidized coverage for dental and vision care.

A summary of the principal provisions of the plans follow:

State Employees

For members age 59 through 64 who retire on or after October 1, 2008, with a minimum of 20 years of service, the State pays 80% of the actual cost of health care coverage.

At age 65, State retirees must purchase Medicare Part B (deducted from their Social Security payment) and may enroll in a health reimbursement account plan (HRA) to which the OPEB Trust contributes an amount. The amount deposited by the State into each HRA varies based on the date of retirement and years of service at retirement but is based on the lowest-cost Medicare supplemental plan available through the program that meets the plan requirements defined by the law. Amounts available in each retiree's HRA can be used for any eligible medical care expense including reimbursement for health insurance premiums.

For State employees who retired on or before September 30, 2008, the State provides two types of subsidies for health care benefits. The Tier I subsidy applies to non-Medicare eligible plans and provides that the State will pay the portion of the cost of retiree health care for the retiree and any dependents above the active group rate. The retiree pays the active group monthly rate and the State pays the difference between the active group rate and the early retiree rate. This subsidy is not based on years of service and ends at age 65. In addition to the Tier I benefits, the State pays a portion of the cost of retiree health care above the Tier I costs for certain retirees meeting eligibility requirements based upon the age and service of the retiree, which is referred to as the Tier II benefit.

Employees retiring on or before September 30, 2008 who are under 60 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 actuarial determined basis. For the fiscal year ended June 30, 2022, the State and other participating employers paid \$52 million into the plans.

The fiscal 2022 contribution rates for the six plans in the System were based on the actuarial valuation of those plans performed as of June 30, 2019.

A summary of the contribution rates by both the participating employers and members and the State's annual plan contributions (dollars are expressed in thousands) for the fiscal year ended June 30, 2022 is provided in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	BOE
Contribution rate:						
Employer	5.28 %	— *	— *	23.27 %	— *	3.5 %
Plan members	—	—	—	—	—	0.9 %
Contributions made	\$ 37,892	\$ —	\$ —	\$5,864	\$ —	\$ 6

* An actuarial valuation determined that no contribution was required for this OPEB plan.

D. Net OPEB Liability (Asset)

The net OPEB liability of the State and other participating employers in the State Employees Plan and the Board of Education Plan, which are multiple employer cost-sharing plans, has been apportioned based on the percentage share of total contributions made by each participating employer during fiscal 2021. The State's proportion for the State Employees Plan and Board of Education Plan for State employees was 90.2% and 0.31%, respectively. At the June 30, 2021 measurement date, the Lottery's proportionate share of the net OPEB liability, reported under Business-type activities, was 0.92%.

Following is a summary of the net OPEB liability of the State and other employers participating in the State Employees Plan, the net OPEB liability of the State's share of the Board of Education Plan and the State's liability (asset) related to the four single employer defined benefit plans it sponsors, all measured as of June 30, 2021 (expressed in thousands):

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

Total Net OPEB Liability - State Employees Plan		\$	231,958
<i>Less portion attributable to other entities:</i>			
Enterprise Fund - Rhode Island Lottery		\$	(2,145)
Discretely Presented Component Units			
University of Rhode Island	\$	11,525	
Rhode Island College		3,739	
Community College of RI		3,184	
RI Division of Higher Education Assistance		29	
RI Commerce Corporation		34	
RI Airport Corporation		197	
			(18,708)
Related organization - Narragansett Bay Commission			(1,913)
State Employees Plan - State's Share of Net OPEB Liability - Governmental Activities		\$	209,192
Board of Education Plan - State's Share of Net OPEB Liability - Governmental Activities			18
State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans - Governmental Activities		\$	209,210
State Employees Plan - Rhode Island Lottery's Share of Net OPEB Liability - Business-type Activities		\$	2,145
Total State's Share of Net OPEB Liability - Multiple Employer Cost-sharing Plans		\$	211,355
Net OPEB Liability - All Plans		\$	211,355
Net OPEB (Asset) - Single Employer OPEB Plans			
Teachers		\$	(9,111)
Judges			(5,715)
State Police			(326)
Legislators			(3,228)
Total Net OPEB (Asset)		\$	(18,381)

Statement of Net Position

	Governmental Activities	Business-Type Activities	Total
Net OPEB Liability	\$ 209,210	\$ 2,145	\$ 211,355
Net OPEB (Asset)	\$ (18,381)	\$ —	\$ (18,381)

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, 2021 is presented below:

	Teachers	Judges	State Police	Legislators
Total OPEB liability	\$ 7,902	\$ 259	\$ 86,126	\$ 1,035
Plan fiduciary net position	17,013	5,974	86,452	4,264
Net OPEB liability (asset)	\$ (9,111)	\$ (5,715)	\$ (326)	\$ (3,228)
Plan fiduciary net position as a percentage of total OPEB liability (asset)	215.29 %	2307.78 %	100.38 %	412.25 %

a. Actuarial assumptions used in determining total OPEB liability

The total OPEB liability was determined by an actuarial valuation performed as of June 30, 2020 and rolled forward to the June 30, 2021 measurement date using the following actuarial assumptions, applied to all periods included in the measurement.

Summary of Actuarial Methods and Assumptions						
	Plan					
	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Individual Entry Age					
Actuarial Assumptions						
Investment Rate of Return	5.00%					
Projected Salary Increases	3.25% to 6.25%	N/A	2.75%	3.75% to 11.75%	3.25% to 6.25%	3.25% to 6.25%
Valuation Health Care Cost Trend Rate	Pre-Medicare: 7.50% in 2021, grading to 3.5% in 2033 Medicare: 6.25% in 2021, grading to 3.5% in 2033					
Mortality Rates	Healthy Male State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for General Healthy Retiree Males, loaded by 115%, projected with Scale Ultimate MP16. Healthy Female State Employees, State Police, Legislators, and Board of Education: PUB-10 Median Table for Healthy General Retiree Females, loaded by 111%, projected with Scale Ultimate MP16. Healthy Male Teachers: PUB-10 Median Table for Healthy Teacher Retiree Males, loaded by 108%, projected with Scale Ultimate MP16. Healthy Female Teachers: PUB-10 Median Table for Healthy Teacher Retiree Females, loaded by 115%, projected with Scale Ultimate MP16. Healthy Judges: Sex distinct PUB-10 Above Median Income Tables for Healthy Retirees, projected with Scale Ultimate MP16.					
Excise Tax Under the Patient Protection and Affordable Care Act	H.R. 1865, Further Consolidated Appropriations Act of 2020.					
Note: Although an inflation rate was not explicitly used, for purposes of determining total OPEB liability inflation was consistent with a 2.75% assumption.						

The actuarial assumptions used in the June 30, 2020 valuation and the calculation of the total OPEB liability (asset) at June 30, 2021 were consistent with an actuarial experience review performed as of June 30, 2017. Most of the demographic assumptions are based on the 2020 Experience Study of the Employees' Retirement System of Rhode Island.

The long-term expected rate of return best-estimate on OPEB plan investments was determined by the actuary using a building-block method. The actuary started by calculating best-estimate future expected real rates of return (expected returns net of OPEB plan expense and inflation) for each major asset class, based on a collective summary of capital market expectations from 39 nationally recognized consulting firms. The June 30, 2021 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%	4.42%
Fixed Income	35%	0.44%

These return assumptions are then weighted by the target asset allocation percentage, factoring in correlation effects, to develop the overall long-term expected rate of return best-estimate on an arithmetic basis.

b. Discount rate

The discount rate used to measure the total OPEB liability of the plans was 5%. The projection of cash flows used to determine the discount rate assumed that the contributions, if any, from the plan members will be made at the current contribution rate and that the contributions from the employers will be made at statutorily required rates, actuarial determined. Based on those assumptions, 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	\$ 278,539	\$ 209,192	\$ 151,253
Teachers	\$ (8,410)	\$ (9,111)	\$ (9,717)
Judges	\$ (5,701)	\$ (5,715)	\$ (5,726)
State Police	\$ 6,881	\$ (326)	\$ (6,774)
Legislators	\$ (3,145)	\$ (3,228)	\$ (3,300)
BOE	\$ 49	\$ 18	\$ (7)

Business-type Activities:

	1.00% Decrease (4.00%)	Current Discount Rate (5.0%)	1.00% Increase (6.00%)
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 2,857	\$ 2,145	\$ 1,551

d. Sensitivity of the net OPEB liability (asset) to changes in the healthcare inflation rate

The following table presents the net OPEB liability (asset) of the employers calculated using the healthcare cost trend rate of 7.5% and gradually decreasing to an ultimate rate of 3.5%, as well what the employers' net OPEB liability (asset) would be if it were calculated using a trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate (expressed in thousands).

Governmental Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
State employees	\$ 132,152	\$ 209,192	\$ 305,716
Teachers	\$ (9,839)	\$ (9,111)	\$ (8,275)
Judges	\$ (5,732)	\$ (5,715)	\$ (5,694)
State Police	\$ (9,414)	\$ (326)	\$ 10,345
Legislators	\$ (3,325)	\$ (3,228)	\$ (3,116)
BOE	\$ (14)	\$ 18	\$ 60

Business-type Activities:

	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Rhode Island Lottery:			
OPEB Plan - State Employees	\$ 1,355	\$ 2,145	\$ 3,135

E. Changes in the Net OPEB Liability (Asset)

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

	Teachers	Judges	State Police	Legislators
Total OPEB Liability				
Service cost	\$ —	\$ 13	\$ 4,280	\$ 39
Interest	477	18	4,210	58
Difference between expected and actual experience	(964)	(144)	(6,873)	(88)
Changes of assumptions	(696)	(7)	4,148	(41)
Benefit payments, net of retiree contributions	(899)	57	(3,388)	(164)
Net change in Total OPEB Liability	<u>(2,082)</u>	<u>(63)</u>	<u>2,377</u>	<u>(196)</u>
Total OPEB Liability - beginning	9,984	322	83,749	1,231
Total OPEB Liability - ending	<u>\$ 7,902</u>	<u>\$ 259</u>	<u>\$ 86,126</u>	<u>\$ 1,035</u>
Plan Fiduciary Net Position				
Employer contributions	\$ —	\$ —	\$ 6,178	\$ —
Net investment income	3,376	1,080	17,041	854
Benefit payments	(899)	57	(3,388)	(164)
Administrative expenses	(2)	(1)	(12)	(1)
Other	109	25	222	53
Net change in Fiduciary Net Position	<u>\$ 2,584</u>	<u>\$ 1,161</u>	<u>\$ 20,041</u>	<u>\$ 742</u>
Plan Fiduciary Net Position - beginning	14,429	4,813	66,411	3,522
Plan Fiduciary Net Position - ending	<u>\$ 17,013</u>	<u>\$ 5,974</u>	<u>\$ 86,452</u>	<u>\$ 4,264</u>
Net OPEB Liability (Asset)	<u>\$ (9,111)</u>	<u>\$ (5,715)</u>	<u>\$ (326)</u>	<u>\$ (3,228)</u>

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, 2022 the State recognized OPEB expense (credit) of \$(4.9) million related to State employees who are covered by the OPEB cost-sharing plans administered by the System.

At June 30, 2022 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:

	<u>State Employees</u>	<u>BOE</u>	<u>Totals</u>
<u>Deferred Outflows of Resources</u>			
State contributions subsequent to the measurement date	\$ 37,502	\$ 6	\$ 37,508
Differences between expected and actual experience	—	11	11
Changes of assumptions	10,448	5	10,453
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,143	46	3,189
Totals	<u>\$ 51,093</u>	<u>\$ 68</u>	<u>\$ 51,161</u>
<u>Deferred Inflows of Resources</u>			
Differences between expected and actual experience	\$ 78,748	\$ 40	\$ 78,788
Net difference between projected and actual investment earnings	49,180	29	49,209
Changes of Assumptions	41,101	37	41,138
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	9	9
Totals	<u>\$ 169,029</u>	<u>\$ 115</u>	<u>\$ 169,144</u>

The \$37.5 million reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date but before the end of the State's reporting period (June 30, 2022), will be recognized as a reduction in the net pension liability in the subsequent fiscal year ended June 30, 2023.

Other amounts reported as deferred outflows (inflows) of resources related to OPEB will be recognized in the determination of OPEB expense as follows (expressed in thousands):

	<u>State Employees</u>	<u>BOE</u>
Year ended June 30:		
2022	\$ (33,162)	\$ (14)
2023	(32,116)	(13)
2024	(30,853)	(12)
2025	(29,506)	(8)
2025	(16,244)	(2)
Thereafter	(13,557)	(5)
	<u>\$ (155,438)</u>	<u>\$ (54)</u>

Business-type Activities:

For the year ended June 30, 2022, the Lottery, a proprietary fund of the State, recognized OPEB expense of \$69 thousand. At June 30, 2022, the Lottery reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources

Contributions subsequent to the measurement date	\$ 390
Changes of assumptions	107
Changes in proportion and differences between employer contributions and proportionate share of contributions	633
Totals	<u>\$ 1,130</u>

Deferred Inflows of Resources

Differences between expected and actual experience	\$ 808
Net difference between projected and actual investment earnings	504
Changes of assumptions	422
Changes in Proportion	89
Totals	<u>\$ 1,823</u>

The \$390 thousand reported as deferred outflows of resources related to pensions resulting from State contributions to the single employer plans subsequent to the measurement date, but before the end of the State's reporting period (June 30, 2022), will be recognized as a reduction in the net pension liability in the subsequent fiscal year ended June 30, 2023.

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:	
2022	\$ (220)
2023	(209)
2024	(196)
2025	(190)
2026	(118)
Thereafter	(150)
	<u>\$ (1,083)</u>

Other Single Employer OPEB Plans

For the fiscal year ended June 30, 2022, 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	\$ (2,844)
Judges	(790)
State Police	(1,769)
Legislators	(379)
Total	<u>\$ (5,782)</u>

The June 30, 2021 measurement date information includes pension credits of \$2,844 thousand, \$790 thousand, \$1,769 thousand, \$379 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, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to its participation in the single employer plans from the following sources (expressed in thousands):

	Teachers	Judges	State Police	Legislators	Totals
<u>Deferred Outflows of Resources</u>					
Employer contributions subsequent to the measurement date	\$ —	\$ —	\$ 5,864	\$ —	\$ 5,864
Differences between expected and actual experience	—	15	403	256	674
Change of Assumptions	—	—	3635	—	3,635
Totals	<u>\$ —</u>	<u>\$ 15</u>	<u>\$ 9,902</u>	<u>\$ 256</u>	<u>\$ 10,173</u>
<u>Deferred Inflows of Resources</u>					
Differences between expected and actual experience	\$ —	\$ 577	\$ 8,243	\$ 136	\$ 8,956
Change of assumptions	—	41	7,886	332	8,259
Net difference between projected and actual investment earnings	2,627	807	13,183	676	17,293
Totals	<u>\$ 2,627</u>	<u>\$ 1,425</u>	<u>\$ 29,312</u>	<u>\$ 1,144</u>	<u>\$ 34,508</u>

The amount of \$5.9 million reported as deferred outflows of resources, related to pensions resulting from the State contributions to the single employer plans after the measurement date, but before the end of the State's reporting period (June 30, 2022), will be recognized as a reduction in the net pension liability in the subsequent year ended June 30, 2023.

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:				
2022	\$ (765)	\$ (523)	\$ (6,272)	\$ (220)
2023	(712)	(490)	(5,991)	(200)
2024	(615)	(225)	(4,786)	(190)
2025	(535)	(172)	(4,313)	(186)
2026	—	—	(1,477)	(74)
Thereafter	—	—	(2,435)	(18)
	<u>\$ (2,627)</u>	<u>\$ (1,410)</u>	<u>\$ (25,274)</u>	<u>\$ (888)</u>

G. Component Unit Post Employment 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, 2022, the plan's total OPEB liability totaled \$64.7 million. The total OPEB liability was determined by an actuarial valuation as of July 1, 2021 rolled forward to June 30, 2022. For the fiscal year ended June 30, 2022 OPEB expense of \$2.5 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, 2022, each institution's proportionate share of net OPEB liability related to participation in the plans was as follows (in thousands):

University of Rhode Island	\$	14,140
Rhode Island College		5,608
Community College of Rhode Island		4,633
Total	\$	<u>24,381</u>

The net OPEB liabilities in the table above were measured as of June 30, 2021, 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, 2020 rolled forward to the June 30, 2021 measurement date. The proportion of net OPEB liability for each institution was based on its share of contributions to the Plans for fiscal 2021 relative to the total contributions of all participating employers for that fiscal year.

For the fiscal year ended June 30, 2022, each institution recognized OPEB expense as follows (in thousands):

University of Rhode Island	\$	(2,113)
Rhode Island College		(1,431)
Community College of Rhode Island		1,095
Total	\$	<u>(2,449)</u>

Other information about the plans can be found in the audited financial statements for each institution as follows:

- University of Rhode Island - www.uri.edu
- Rhode Island College - www.ric.edu
- Community College of Rhode Island - www.ccri.edu

Other Component Units

Certain other component units have OPEB plans. For information regarding these plans, please refer to the component units' separately issued financial reports.

Note 20. Deferred Compensation

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Department of Administration, pursuant to Chapter 36-13 of the General Laws, administers the plan. The Department of Administration contracts with private corporations to provide investment products related to the management of the deferred compensation plan. Plan distributions are normally available to employees without penalty at the later of age 59 or retirement and mandatory distributions must commence once the individual reaches a certain age. The plan also allows for distributions for qualifying events such as termination, death or "unforeseeable emergency."

Current Internal Revenue Service regulations require that amounts deferred under a Section 457 plan be held in trust for the exclusive benefit of participating employees and not be accessible by the government or its creditors. The plan assets also may be held in annuity contracts or custodial accounts, which are treated as trusts.

The State does not serve in a trustee capacity. Accordingly, the plan assets are not included in the State's financial statements.

Note 21. Risk Management

The State uses a combination of commercial insurance and self-insurance to cover the risk of losses to which it may be exposed. The most significant risks include potential loss relating to torts; theft of, damage to, and destruction of assets; errors and omissions; employee injury; information technology security and cybersecurity; employee healthcare, Medicaid managed care contracts, and natural disasters.

To manage losses associated with the theft, damage, or loss of assets (most notably, capital assets), the State has entered into various lines of coverage with commercial insurance carriers for insurance coverage, subject to certain deductibles. Furthermore, the State is required by the General Laws to provide insurance coverage on all motor vehicles owned by the State and operated by State employees. During fiscal 2022, 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, 2022 and June 30, 2021 was calculated based on historical claims data. The change in claims liability (expressed in thousands) is as follows:

	<u>Liability at July 1, 2021</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2022</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 13,596	\$ 278,021	\$ 277,614	\$ 14,003
	<u>Liability at July 1, 2020</u>	<u>Current Year Claims and IBNR Estimate</u>	<u>Claim Payments</u>	<u>Liability at June 30, 2021</u>
Health Insurance				
Internal Service Fund				
Unpaid claims	\$ 16,440	\$ 245,300	\$ 248,144	\$ 13,596

Torts - The State is self-insured for risks of loss related to torts. Tort claims are defended by the State's Attorney General and, when necessary, appropriations are provided to pay claims.

Worker's Compensation - The State is self-insured for various risks of loss related to work-related injuries of State employees. The State contracts with a claims administrator to handle claims processing and provide certain loss prevention services for an administrative fee; however, the cost of worker's compensation claims (benefits) are paid by the State. The State maintains the Assessed Fringe Benefits Fund, an internal service fund that services, among other things, workers' compensation claims. Funding is provided through a fringe benefit rate applied to State payrolls on a pay-as-you-go basis.

Medicaid Managed Care - The State's Medicaid program provides health and dental coverage to a significant percentage of the Medicaid population through risk-based contracts with managed care organizations (MCOs) where the State is exposed to risk when actual medical claims exceed the capitation paid to the MCOs (subject to certain risk corridor limitations). Managed care expenditures represent a relatively large portion of the State's Medical Assistance expenditures. The State's known estimated risk (loss) or gain share amounts related to these contracts have been included in the financial statements.

Information Technology Security and Cybersecurity - The State relies upon a large and complex technology environment to conduct its operations, and accordingly is potentially exposed to cybersecurity threats which could disrupt operations or result in inadvertent disclosure of personal, private, or sensitive information. Additionally, cybersecurity breaches could expose the State to litigation and other legal risks. The State has not obtained insurance coverage specific to cybersecurity risks but does employ multiple forms of cybersecurity and operational safeguards based on strategies developed by the State's Chief Information Security Officer and other coordinating agencies.

Discretely Presented Component Units

The State's component units are also exposed to various risks of loss related to torts, property damage and theft, worker's compensation, employee healthcare, accident and casualty liability, etc.. Component units manage these risks, in most instances, through the purchase of commercial insurance coverage. In certain instances, entities have opted to self-insure and maintain the risk of certain losses.

Specifically, the Rhode Island Public Transit Authority (RIPTA) is self-insured for claims associated with workers' compensation, health insurance and accident and casualty losses. RIPTA has accrued a liability of \$9.5 million at June 30, 2022 for self-insurance claims (accident and casualty related) based on an independent evaluation that it believes is adequate to cover the ultimate liability arising from such claims. However, the recorded liability is based upon estimates of final settlement amounts, which may be more or less than the amounts ultimately paid.

For further detailed information regarding specific component unit risk management practices, please refer to the separately audited financial statements for those entities.

Note 22. Other Information

A. Elimination Entries

When the governmental fund statements and the internal service fund statements are combined into one column for governmental activity on the government-wide financial statements, interfund balances and activity should be eliminated. The following are the eliminations (expressed in thousands) that were made:

	Total Governmental Funds	Internal Service Funds	Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 555,220	\$ 4,649	\$ 559,869	\$ (555,602)	\$ 4,267
Loans to other funds	36,365	195	36,560	(36,560)	—
Total assets	<u>\$ 591,585</u>	<u>\$ 4,844</u>	<u>\$ 596,429</u>	<u>\$ (592,162)</u>	<u>\$ 4,267</u>
Liabilities					
Due to other funds	\$ 553,149	\$ 2,453	\$ 555,602	\$ (555,602)	\$ —
Loans from other funds	30,181	6,379	36,560	(36,560)	—
Total liabilities	<u>\$ 583,330</u>	<u>\$ 8,832</u>	<u>\$ 592,162</u>	<u>\$ (592,162)</u>	<u>\$ —</u>
Program revenue					
General government	\$ —	\$ 437,479	\$ 437,479	\$ (437,479)	\$ —
Public safety	—	9,827	9,827	(9,827)	—
Expenses					
General government	—	(436,483)	(436,483)	436,483	—
Public safety	—	(10,823)	(10,823)	10,823	—
Net revenue (expenses)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 1,196,391	\$ —	\$ 1,196,391	\$ (836,541)	\$ 359,850
Transfers out	(836,541)	—	(836,541)	836,541	—
Net transfers	<u>\$ 359,850</u>	<u>\$ —</u>	<u>\$ 359,850</u>	<u>\$ —</u>	<u>\$ 359,850</u>
Total Business-type Activities					
			Total	Eliminations	Internal Balances
Assets					
Due from other funds	\$ 34	\$ —	\$ 34	\$ (4,301)	\$ (4,267)
Total assets	<u>\$ 34</u>	<u>\$ —</u>	<u>\$ 34</u>	<u>\$ (4,301)</u>	<u>\$ (4,267)</u>
Liabilities					
Due to other funds	\$ 4,301	\$ —	\$ 4,301	\$ (4,301)	\$ —
Total liabilities	<u>\$ 4,301</u>	<u>\$ —</u>	<u>\$ 4,301</u>	<u>\$ (4,301)</u>	<u>\$ —</u>
Transfers					
Transfers in	\$ 28,792	\$ —	\$ 28,792	\$ (28,792)	\$ —
Transfers out	(388,642)	—	(388,642)	28,792	(359,850)
Net transfers	<u>\$ (359,850)</u>	<u>\$ —</u>	<u>\$ (359,850)</u>	<u>\$ —</u>	<u>\$ (359,850)</u>

B. Related Party Transactions

Rhode Island Turnpike and Bridge Authority (RITBA) - The State has transferred custody, control and supervision of the Jamestown and the Sakonnet River Bridges and related land and improvements from the Department of Transportation to the R.I. Turnpike and Bridge Authority (RITBA). While maintenance responsibilities for the two bridges rest with RITBA, ownership and title remains with the State. Per statute, the State earmarks \$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 \$37.7 million during the fiscal year ended June 30, 2022.

The R.I. Industrial-Recreational Building Authority (RIIRBA) - RIIRBA is authorized to insure contractual principal and interest payments mandated by first mortgages and first security agreements issued by a financial institution or the Rhode Island Industrial Facilities Corporation (RIIFC) to private sector entities for industrial or recreational projects in the State up to a maximum of \$60 million of outstanding principal balances for such insured mortgages and security agreements. The RIIRBA has a net deficit as of June 30, 2022 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 \$1.8 million as of June 30, 2022.

I-195 Redevelopment District Commission (I-195 RDC) - The State has transferred land associated with the former Interstate 195 highway in Providence, Rhode Island to the I-195 Redevelopment District Commission (I-195 RDC). The value of the land, which the Commission intends to develop, was reported in the State financial statements as a capital contribution at the historical cost 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 \$2.2 million in fiscal 2022. Also the State appropriated \$1.4 million for operations during fiscal 2022. The State has appropriated \$28 million to I-195 RDC to facilitate the sale of land and project development within the District.

Included in project development expenses for the years ended June 30, 2022 and 2021 is \$502,310 and \$1.4 million respectively, relating to the Project Fund of which \$180,000 and \$764,040 respectively, relate to Providence Innovation District Phase 1 Owner, LLC, an entity of Wexford Science and Technology. Because Wexford is receiving incentives from the Rebuild Rhode Island Tax Credit Act and the I-195 Redevelopment Project Fund Act, the Commission is requiring Wexford to provide for return of investment 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.

Additionally, during the year ended June 30, 2022, I-195 RDC received \$54 thousand of state appropriations funded by the Beach, Clean Water & Green Economy Bond.

Rhode Island College (RIC) - The voters of Rhode Island authorized the issuance of \$30 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 during fiscal 2009 with last payment expected during fiscal 2028.

Rhode Island Higher Education Savings Trust (RIHEST) - All non-Rhode Island resident accounts invested in the CollegeBound 529 savings plan operated by RIHEST are assessed a fee, which is paid to State Administrators to support the administration and operation of CollegeBound 529. These fees are used to fund establishing and marketing educational activities and scholarship funds in the State of Rhode Island. The amount of state administrative fees and expenses includes 0.5 basis points (0.005%) accrued on all investment options in CollegeBound 529, which is remitted to the Treasurer to cover administrative costs. Additionally, 1.5 basis points (0.015%) accrued on all investment options in CollegeBound 529, which is contributed to the Student Fund managed by the Rhode Island Office of the Post-secondary Commissioner are to be used to fund Rhode Island Promise scholarships. For the year ended June 30, 2022 the state administrative fees total \$219 thousand and the Student Fund contributions total \$657 thousand.

In addition to the 1.5 basis points paid to the Student Fund from program assets, Invesco (the investment manager of the fund) is required to contribute 9.5 basis points (0.095%) to the Student Fund. Such contributions, which total \$6.5 million for the year ended June 30, 2022, are paid directly by Invesco and are not included in administrative fees and expenses noted in RIHEST's financial statements.

Rhode Island Health and Educational Building Corporation (RIHEBC) - During fiscal 2016, the State created the School Building Authority Fund program to address high priority school building projects in communities with limited resources. Certain administrative duties related to the management and custody of monetary assets of the program were assigned to the Rhode Island Health and Educational Building Corporation (RIHEBC), including establishing a trust to hold related monies, creating and maintaining program accounting records, and the distribution and management of awards. Approved awards can be loans, grants or a combination of both. Funding is expected to continue through annual appropriations from the legislature, interest earned on loans, bond refinance interest savings or other payments received by RIHEBC pursuant to finance agreements with cities, towns and local education agencies. The State issued \$70 million of General Obligation Bonds (of the total \$250 million authorized by the voters) during December 2019 to fund the School Construction Bond Program administered by RIHEBC, to provide further assistance to cities and towns for school construction projects. For fiscal 2022, RIHEBC reported bond proceed transfers from the State of \$53.3 million and related project cost expenses of \$71.1 million (approved by the State's School Building Authority).

Rhode Island Infrastructure Bank (RIIB) - The Municipal Road and Bridge Revolving Fund was created within the Rhode Island Infrastructure Bank (RIIB) to provide municipalities with low-cost financial assistance for road and bridge projects. In accordance with certain bond mandates, premium received from the issuance of bonds totaling \$2.8 million was transferred to RIIB for this fund during fiscal 2022. 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 \$81.3 million during fiscal 2022 to fund various economic development initiatives on behalf of the State. The Corporation reported approximately \$140.5 million reserved for economic development initiatives at June 30, 2022 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

	Amount	Description
Governmental activities		
General		
University of Rhode Island	\$ 90,435	Operating assistance
Rhode Island College	60,083	Operating assistance
Community College of Rhode Island	56,423	Operating assistance
Central Falls School District	62,701	Operating assistance
The Met	11,699	Operating assistance
I-195 District Commission	761	Operating assistance
R.I. Commerce Corporation	45,173	Operating assistance
R.I. Division of Higher Education Assistance	4,907	Operating assistance
R.I. Public Transit Authority	3,123	Operating assistance
R.I. Health and Educational Building Corporation	65,051	School Building Authority Capital Fund/School Housing Aid
R.I. Housing and Mortgage Finance Corporation	284,735	Infrastructure improvements and bond proceeds
R.I. Infrastructure Bank	21,915	Infrastructure improvements, bond proceeds and bond premiums
IST		
R.I. Public Transit Authority	51,306	Operating assistance
R.I. Turnpike and Bridge Authority	17,722	Infrastructure improvements
Bond Capital		
University of Rhode Island	6,675	Construction, improvement or purchase of assets
Rhode Island College	5,974	Construction, improvement or purchase of assets
R.I. Infrastructure Bank	20,556	Infrastructure improvements, bond proceeds and bond premiums
Quonset Development Corporation	8,846	Infrastructure improvements and bond proceeds
R.I. Health and Educational Building Corporation	51,532	Infrastructure improvements and bond proceeds
R. I. Capital Plan		
University of Rhode Island	11,000	Construction, improvement or purchase of assets
Rhode Island College	4,103	Construction, improvement or purchase of assets
Total Governmental Activities	<u>\$ 884,720</u>	

E. Individual Fund Deficits

The following Internal Service Funds had cumulative fund deficits at June 30, 2022:

- Human Resources (\$356 thousand)
- Records Center (\$91 thousand)
- Health Insurance Active (\$5.56 million)
- Capitol Police (\$17 thousand)

The deficits will be eliminated through service charges during fiscal 2023.

Note 23. Subsequent Events

Primary Government

Issuance of Bonds - In November 2022 the State issued the following General Obligation Bonds; \$162,450,000 Consolidated Capital Development Loan of 2022, Series A (Tax-Exempt) \$60,300,000 Consolidated Capital Development Loan of 2022, Series B (Federally Taxable)

Federal Funds -The State Small Business Credit Initiative (SSBCI) is a federally funded program that provides "funding for (1) credit and investment programs for existing small businesses and start-ups, and (2) technical assistance to small businesses applying for SSBCI funding and other government small business programs." SSBCI was first established in 2010 and reauthorized and expanded under the American Rescue Plan Act (ARPA) of 2021. Rhode Island's allocation for the SSBCI program is \$61 million for the credit and investment programs for existing small businesses and start-ups and \$773,624 for technical assistance, or a total of \$61.7 million. During FY23, the State engaged Rhode Island Commerce, a quasi-public agency to be responsible for the administration of the SSBCI program on behalf of the State. During FY 23, the State has received \$19,739,282 for the credit and investment programs for existing and small businesses and start-ups. Additional funds will be made available to Rhode Island Commerce once 80% of the \$19.7 million is disbursed.

Component Units

Rhode Island Health and Educational Building Corporation - Bond Maturity - In July 2022, the \$118.24 million in Higher Education Facilities Revenue Bonds "Brown University Issue, Series 2012" bonds reached maturity. In November 2022, the \$9.685 million in Higher Education Facilities Revenue Bonds "Providence College Issue, Series 2012 C" bonds reached maturity.

Rhode Island Housing and Mortgage Finance Corporation - Bond Redemption - In November 2022, Rhode Island Housing and Mortgage Finance Corporation redeemed \$25.32 million in Homeownership Opportunity Bonds and \$27.8 million in Multi-Family Funding Bonds.

Rhode Island Housing and Mortgage Finance Corporation - Bond Issuance - In November 2022, Rhode Island Housing and Mortgage Finance Corporation issued \$128.41 million in Homeownership Opportunity Bonds.

Rhode Island Public Transit Authority - New Litigation - In October 2022, the ACLU on behalf of two individual Plaintiffs and on behalf of others similarly situated filed a "Class Action" lawsuit against RIPTA and United Healthcare of New England. The suit alleges damages caused by a RIPTA data breach that occurred on or about August 5, 2021, such damages resulting in alleged harm to the named Plaintiffs as they claim to have been exposed to an "imminent and ongoing risk of fraud and identity theft". The Plaintiffs further allege to have incurred out of pocket expenses that will continue in the future and direct damages related to fraud and identity theft. RIPTA is defending the action through counsel provided through its cyber security insurance policy and with the assistance of "local counsel".

Required Supplementary Information



State of Rhode Island

Fiscal Year Ended

June 30, 2022



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, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues:				
General Revenues:				
Personal Income Tax	\$ 1,656,600	\$ 1,940,800	\$ 1,985,923	\$ 45,123
General Business Taxes:				
Business Corporations	209,900	255,100	288,450	33,350
Public Utilities Gross Earnings	94,300	89,400	90,447	1,047
Financial Institutions	35,700	35,700	36,263	563
Insurance Companies	137,500	155,600	159,708	4,108
Bank Deposits	3,800	4,200	4,209	9
Health Care Provider Assessment	37,200	36,800	38,044	1,244
Sales and Use Taxes:				
Sales and Use	1,432,000	1,475,000	1,511,453	36,453
Motor Vehicle	1,000	1,000	965	(35)
Cigarettes	153,800	144,900	149,746	4,846
Alcohol	23,200	23,900	23,323	(577)
Other Taxes:				
Inheritance and Gift	39,800	35,700	39,302	3,602
Racing and Athletics	500	500	508	8
Realty Transfer Tax	20,500	22,800	22,118	(682)
<i>Total Taxes (1)</i>	<u>3,845,800</u>	<u>4,221,400</u>	<u>4,350,459</u>	<u>129,059</u>
Departmental Revenue	419,200	427,000	433,131	6,131
Total Taxes and Departmental Revenue	<u>4,265,000</u>	<u>4,648,400</u>	<u>4,783,590</u>	<u>135,190</u>
Other Sources:				
Lottery	393,300	389,600	388,642	(958)
Unclaimed Property	14,700	16,100	21,425	5,325
Other Miscellaneous	11,300	16,900	10,586	(6,314)
Total Other Sources	<u>419,300</u>	<u>422,600</u>	<u>420,653</u>	<u>(1,947)</u>
Total General Revenues	<u>4,684,300</u>	<u>5,071,000</u>	<u>5,204,243</u>	<u>133,243</u>
Federal Revenues	4,925,243	4,896,728	4,744,265	(152,463)
Restricted Revenues	369,446	377,753	398,431	20,678
Other Revenues	64,565	66,550	67,036	486
Non-budgeted Capital Lease Proceeds	—	—	4,289	4,289
<i>Total Revenues (2)</i>	<u>10,043,554</u>	<u>10,412,031</u>	<u>10,418,264</u>	<u>6,233</u>
Expenditures:				
General government	1,435,373	2,250,934	1,975,319	275,615
General government - non-budgeted lease expenditures	—	—	1,181	(1,181)
Total general government	<u>1,435,373</u>	<u>2,250,934</u>	<u>1,976,500</u>	<u>274,434</u>
Health and human services	5,211,127	5,733,607	5,450,770	282,837
Health and human services - non-budgeted lease expenditures	—	—	608	(608)
Total health and human services	<u>5,211,127</u>	<u>5,733,607</u>	<u>5,451,378</u>	<u>282,229</u>
Education	2,535,901	2,047,313	2,012,923	34,390
Public safety	625,244	669,817	652,462	17,355
Public safety - non-budgeted lease expenditures	—	—	2,500	(2,500)
Total public safety	<u>625,244</u>	<u>669,817</u>	<u>654,962</u>	<u>14,855</u>
Natural resources	102,421	132,123	114,757	17,366
<i>Total Expenditures (2)</i>	<u>9,910,066</u>	<u>10,833,794</u>	<u>10,210,520</u>	<u>\$ 623,274</u>
Transfer of Excess Budget Reserve to RI Capital Fund	—	—	116,375	
Transfer of scholarship revenue to RI Division of Higher Education (3)	—	—	4,907	
Total Expenditures and Transfers	<u>\$ 9,910,066</u>	<u>\$ 10,833,794</u>	<u>\$ 10,331,802</u>	
Change in Fund Balance			86,462	
Fund balance - beginning			<u>897,255</u>	
Fund balance - ending			<u>\$ 983,717</u>	

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures by Source:				
General Revenues	\$ 4,550,811	\$ 5,214,050	\$ 4,996,269	\$ 217,781
General Revenues - pending FEMA reimbursement (4)	—	278,715	243,669	35,046
Federal Funds	4,925,243	4,896,728	4,588,987	307,741
Restricted Receipts	369,446	377,753	315,280	62,473
Other Funds	64,566	66,548	62,026	4,522
Non-budgeted Lease Expenditures	—	—	4,289	(4,289)
	<u>\$ 9,910,066</u>	<u>\$ 10,833,794</u>	<u>\$ 10,210,520</u>	<u>\$ 623,274</u>

Notes:

Due to rounding, numbers presented may not add up precisely to the totals provided.

(1) Transfers from the Historic Tax Credit Special Revenue Fund reported as "Other Financing Sources" on the General Fund have been allocated to General Revenue Tax Categories on this schedule to align with the State's legally adopted budget format.

Historical Tax Credit Fund Transfers to the General Fund in Fiscal 2022 by Tax Type:

	General Fund Reported Revenue	Historic Tax Credits Applied Transfer from HTCF	Reported Revenue Budget and Actual
Personal Income	\$ 1,984,975	\$ 948	\$ 1,985,923
Business Corporations	288,450	—	288,450
Insurance Corporations	159,708	—	159,708
Financial Institutions	36,263	—	36,263

(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.

(4) Amounts represent claims to FEMA pending reimbursement at June 30, 2022. These amounts are reflected as sourced to General Revenues until approved by FEMA (expected in fiscal 2023).

(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, 2022
(Expressed in Thousands)

(5) *Functional Expenditure Reclassifications - Budgetary presentation compared to Financial Statement Presentation: For financial reporting purposes, certain expenditures (debt service and transfers) have been reclassified to align to the appropriate functional expenditure classification.*

	General Government	Health and Human Services	Education	Public Safety	Natural Resources	Debt Service	Transfers	Total Expenditures
Budgetary Presentation	\$ 1,976,500	\$ 5,451,378	\$ 2,012,923	\$ 654,962	\$ 114,757	\$ —	\$ 121,283	\$ 10,331,802
Reclassifications:								
Debt Service	(159,778)	(4,735)	(47,655)	(1,355)	(2,728)	216,251		—
Other Transfers - TDI	(291)	—	—	—	—	—	291	—
Other Transfers - RICAP	(563,000)	—	—	—	—	—	563,000	—
Other Transfers - RIDHEA	4,907	—	—	—	—	—	(4,907)	—
Other Transfers - RICCA	(24,492)	—	—	—	—	—	24,492	—
Financial Statement Presentation	\$ 1,233,846	\$ 5,446,643	\$ 1,965,268	\$ 653,607	\$ 112,029	\$ 216,251	\$ 704,159	\$ 10,331,802

(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, 2022
(Expressed in Thousands)

Reconciliation of Fund Balance - Financial Reporting Perspective to Budgetary Perspective

	Fund Balance Reported in the Financial Statements	Budgetary Perspective	
		Fund Balance Not Available for Appropriation in Fiscal 2023	Fund Balance Available for Appropriation in Fiscal 2023
Nonspendable	\$ 1,323	\$ —	\$ 1,323
Restricted	461,970	461,970	—
Committed	11,790	11,790	—
Assigned	31,720	21,374	(a) 10,346
Unassigned	476,914	278,933	(b) 197,981
Total Fund Balance	\$ 983,717	\$ 774,067	\$ 209,650 (c)

(a) Assigned fund balance not available for appropriation in fiscal 2023 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) Remaining fund balance available for appropriation.

(Concluded)

See Notes to Required Supplementary Information.

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Intermodal Surface Transportation Fund
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes	\$ 219,240	\$ 228,868	\$ 225,142	\$ (3,726)
Licenses, fines, sales, and services	68,090	66,984	62,228	(4,756)
Departmental restricted revenue	2,589	4,693	1,029	(3,664)
Federal grants	451,047	470,075	417,644	(52,431)
Other revenues	6,030	11,281	4,019	(7,262)
Total revenues	<u>746,995</u>	<u>781,902</u>	<u>710,063</u>	<u>(71,839)</u>
Revenues and other Financing Sources (unbudgeted):				
Miscellaneous revenue			646	
Total revenues			<u>710,709</u>	
Other Financing Sources:				
Transfers from RI Capital Plan			63,453	
Total Other Financing Sources			<u>63,453</u>	
Total Revenues and Other Financing Sources			<u>774,162</u>	
Expenditures (budgeted):				
Central Management				
Federal Funds	16,067	16,695	7,914	8,781
Gasoline Tax	8,918	9,645	7,032	2,613
Total - Central Management	<u>24,985</u>	<u>26,340</u>	<u>14,946</u>	<u>11,394</u>
Management and Budget				
Gasoline Tax	5,381	5,434	3,970	1,464
Total - Management and Budget	<u>5,381</u>	<u>5,434</u>	<u>3,970</u>	<u>1,464</u>
Infrastructure-Engineering-GARVEE/Motor Fuel Tax Bonds				
Federal Funds	416,941	420,542	385,349	35,193
Restricted Receipts	2,589	4,693	2,555	2,138
Gasoline Tax	70,348	71,646	69,850	1,796
Toll Revenue	35,090	31,090	36,844	(5,754)
Land Sale Revenue	5,980	11,282	1,408	9,874
Total - Infrastructure - Engineering	<u>530,948</u>	<u>539,253</u>	<u>496,006</u>	<u>43,247</u>
Infrastructure - Maintenance				
Federal Funds	18,039	32,839	24,120	8,719
Gasoline Tax	29,782	35,412	34,693	719
Non-Land Surplus Property	50	—	—	—
Rhode Island Highway Maintenance Account	87,157	99,485	31,346	68,139
Total - Infrastructure - Maintenance	<u>135,028</u>	<u>167,736</u>	<u>90,159</u>	<u>77,577</u>
Total Expenditures (budgeted)	<u>\$ 696,342</u>	<u>\$ 738,763</u>	<u>\$ 605,081</u>	<u>\$ 133,682</u>
Expenditures and Other Financing Uses (unbudgeted):				
Infrastructure Expenditures - GARVEE and State Match funded by RI Capital Plan and Bond Capital Funds			66,802	
I-195 Redevelopment District project			850	
Mission 360 Loan Program			78	
Transfers to General Fund - Gas Tax			43,939	
Total Expenditures and Other Financing Uses (unbudgeted)			<u>111,669</u>	
Total Expenditures and Other Financing Uses			<u>716,750</u>	
Net change in fund balance			57,412	
Fund balance, beginning			265,818	
Fund balance, ending			<u>\$ 323,230</u>	

See Notes to Required Supplementary Information.

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Capital Plan
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Revenues & Transfers In:				
Statutorily Determined Funding from General Fund	\$ —	\$ —	\$ 116,375	\$ —
Appropriation from General Fund	—	563,000	563,000	—
Other Financing Source - Leases ⁽¹⁾	—	—	7,472	—
Bond Premium ⁽²⁾	4,978	4,978	4,978	—
Investment Earnings ⁽²⁾	81	81	81	—
Total Revenues	5,059	568,059	691,906	—
Expenditures:				
Administration				
State House Renovations	1,478	1,386	459	927
Information Technology Operations Center	800	250	—	250
Cranston Street Armory	325	326	7	319
Cannon Building	800	1,113	314	799
Zambarano Building Rehabilitation	1,350	1,394	126	1,268
Pastore Center Strategic Plan	116	188	19	169
Old State House	100	476	204	272
State Office Building	100	178	98	80
Veterans Memorial Auditorium	285	285	285	—
Washington County Government Center	500	605	40	565
William Powers Administration Building	1,800	2,330	640	1,690
Pastore Center Water Tanks and Pipes	100	208	—	208
Pastore Center Power Plant Rehabilitation	734	1,278	495	783
Replacement of Fueling Tanks	800	1,045	62	983
Environmental Compliance	400	466	110	356
Pastore Center Utilities Upgrade	175	391	113	278
Pastore Center Building Demolition	1,000	1,000	850	150
Chapin Health Laboratory	500	686	394	291
Big River Management Area	250	347	174	174
Rhode Island Convention Center Authority	2,000	2,000	2,000	—
Dunkin Donuts Center	2,300	2,300	2,300	—
Accessibility - Facility Renovations	1,000	1,393	813	580
Energy Efficiency Improvements	1,250	1,250	539	711
Security Measures State Buildings	500	856	651	206
Shepard Building Upgrades	1,500	1,967	59	1,907
BHDDH Group Homes	750	798	619	179
BHDDH DD & Community Homes-Fire Code	325	755	479	276
BHDDH DD & Community Facilities Asset Protection	300	307	166	141

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Capital Plan
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
BHDDH DD Regional Facilities - Asset Protection	450	518	236	282
BHDDH Substance Abuse Asset Protection	375	520	356	164
Pastore Center Non-Medical Blds Asset Protection	3,170	3,513	2,671	842
State Office Reorganization & Relocation	500	1,875	563	1,312
Pastore Cntr Medical Building Asset Protection	750	750	745	5
RICAP - 560 Jefferson Blvd Asset Protection	150	150	35	115
RICAP - Arrigan Center	198	198	—	198
Medical Examiner Building	4,500	500	131	369
Executive Office of Commerce				
I-195 Redevelopment District Commission	578	824	589	235
Quonset Piers	—	20	—	20
Quonset Point Infrastructure	6,000	6,000	6,000	—
Children, Youth, and Families				
Training School Maintenance Building	250	250	57	193
Human Services				
Blind Vending Facilities	165	273	278	(5)
Veterans Home Asset Protection	350	350	42	308
RICAP: Crypt Installation/Cemetery Expansion	380	160	28	132
Behavioral Healthcare, Developmental Disabilities, and Hospitals				
DD Residential Development	100	199	96	103
Hospital Equipment	300	600	286	314
Elementary and Secondary Education				
Davies HVAC	900	27	188	(162)
Davies Asset Protection	665	815	391	424
Met School Asset Protection	250	250	250	—
School for the Deaf Asset Protection	250	250	—	250
Davies School Healthcare Classroom Renovations	500	500	14	486
Public Higher Education				
Northern RI Education Center	3,933	1,000	236	764
University of Rhode Island				
URI - Asset Protection	9,900	9,872	9,913	(41)
URI -Fine Arts Center	—	1,073	1,087	(14)
Rhode Island College				
RIC - Asset Protection	4,733	2,426	1,542	885
RIC - Infrastructure Modernization	4,550	5,506	2,561	2,945
Community College of Rhode Island				
CCRI - Asset Protection	3,038	3,038	1,942	1,096
CCRI - Knight Campus Renewal	3,000	106	106	—
Knight Campus Lab Renovation	888	948	895	54
RICAP: CCRI Flanagan Campus Renewal	2,000	18	—	18
CCRI Data Cabling & Power Infrastructure	1,500	—	—	—

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Capital Plan
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
RI Atomic Energy Commission				
Asset Protection - Atomic Energy Commission	50	55	16	39
Attorney General				
Attorney General Building Repairs	150	154	—	153
Corrections				
Asset Protection - Institutional Support	5,125	5,125	1,784	3,341
Correctional Facilities Renovations	—	3,063	2,449	614
Judiciary				
Judicial Complexes Asset Protection	1,500	1,500	1,410	90
Judicial Complexes - HVAC	1,000	1,143	948	196
Licht Judicial Complex Restoration	750	792	792	1
RICAP - Judicial Complexes – Fan Coil Unit Replacements	750	750	750	—
RICAP - Garrahy Courtroom Restoration	250	250	249	1
RICAP - Murray Courtroom Restoration	700	701	700	1
Military Staff				
Asset Protection - Military Staff	930	1,128	349	778
Armory of Mounted Command Roof Replacement	367	—	—	—
Joint Force Headquarters Building	—	906	906	—
Aviation Readiness Center	535	—	—	—
Public Safety				
DPS Asset Protection	791	798	105	693
Training Academy Upgrades	750	194	151	43
RICAP - RI Statewide Communications System Network	237	231	231	—
State Police Headquarters Roof	—	998	613	385
RICAP - Southern Barracks	2,100	2,100	420	1,680
RICAP - Portsmouth Barracks	350	350	78	272
Emergency Management Agency				
RICAP - Emergency Management Building	250	250	—	250
RI Statewide Communications System Network	1,494	1,494	1,494	—
Environmental Management				
Dam Repair	90	955	693	262
Fort Adams Rehabilitation	300	524	185	338
Recreational Facilities Improvement	3,200	3,358	2,698	660
Galilee Piers Upgrades	5,420	8,983	7,022	1,961
Newport Piers	150	259	—	259
Blackstone Valley Park Improvements	500	990	192	798
Recreational Facilities Asset Protection	750	830	330	500
Health Department				
Laboratory Equipment	600	600	424	176
Coastal Resources Management Council				
Coastal Storm Risk Study	475	475	475	—
Narragansett Bay SAMP	75	144	126	18

(Continued)

State of Rhode Island
Schedule of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual
Rhode Island Capital Plan
For the Fiscal Year Ended June 30, 2022
(Expressed in Thousands)

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget
Transportation				
Maintenance Facility Improvements	900	1,079	349	730
RIPTA - Land and Buildings	1,330	1,255	540	715
Salt Storage Facilities	2,500	2,000	1,658	342
Maintenance/Capital Equipment Replacement	1,499	1,499	—	1,499
Train Station Maintenance and Repairs	450	680	368	312
Highway Improvement Program	63,451	63,451	63,451	—
RIPTA-Providence Transit Connector	—	36	36	—
RIPTA-Pawtucket Bus Hub	—	598	(273)	871
RIPTA Warwick Bus Hub	260	260	—	260
Bike Facilities Maintenance	400	384	(16)	400
Welcome Center	150	150	77	73
RICAP - URI Mobility Hub	600	600	—	600
Subtotal	\$ 177,040	\$ 179,199	\$ 135,034	\$ 44,165
Capital Outlay-Leases			7,472	
Total Expenditures			<u>142,506</u>	
Net change in fund balance			549,400	
Fund balance - beginning			\$ 149,825	
Fund balance - ending			<u>\$ 699,225</u>	

(Concluded)

⁽¹⁾ Generally Accepted Accounting Principles require reporting lease transactions as other financing sources- leases and related capital outlay.

⁽²⁾ Revenues are not legislatively adopted, budgeted revenues for these line items are assumed to equal actual amounts.

Certain items included in the budget and actual comparison schedule are presented as transfers to other funds on the Rhode Island Capital Plan financial statements.

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 2022 reflect a June 30, 2021 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 Eight Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
State's proportion of the net pension liability	90.2 %	89.9 %	89.7 %	89.5 %	89.2 %	88.9 %	89.0 %	89.0 %	89.0 %
State's proportionate share of the net pension liability	\$ 1,604,576	\$ 2,044,888	\$ 2,031,989	\$ 2,013,417	\$ 2,010,955	\$ 1,887,351	\$ 1,767,095	\$ 1,585,647	
State's covered payroll	\$ 668,135	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466	\$ 581,589	
State's proportionate share of the net pension liability as a percentage of its covered payroll	240.2 %	301.0 %	315.3 %	320.8 %	324.0 %	308.3 %	297.3 %	272.6 %	
Plan fiduciary net position as a percentage of the total pension liability	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %	

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

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

Rhode Island Lottery

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Lottery's proportion of the net pension liability	0.9 %	1.0 %	0.9 %	0.8 %	0.7 %	0.8 %	0.8 %	0.7 %
Lottery's proportionate share of the net pension liability	\$ 16,558	\$ 21,652	\$ 20,850	\$ 17,142	\$ 16,869	\$ 16,260	\$ 15,074	\$ 13,315
Lottery's covered payroll	\$ 6,899	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071	\$ 4,891
Lottery's proportionate share of the net pension liability as a percentage of its covered payroll	240.0 %	300.8 %	315.3 %	322.8 %	325.3 %	315.4 %	297.3 %	272.2 %
Plan fiduciary net position as a percentage of the total pension liability	63.2 %	52.6 %	52.8 %	52.5 %	51.8 %	51.9 %	55.0 %	58.6 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

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

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
State's proportion of the net pension liability	42.6 %	42.6 %	42.8 %	42.7 %	43.1 %	40.7 %	40.6 %	40.7 %
State's proportionate share of the net pension liability	\$ 1,002,105	\$ 1,361,982	\$ 1,366,538	\$ 1,357,444	\$ 1,357,577	\$ 1,212,754	\$ 1,117,395	\$ 990,129
Plan fiduciary net position as a percentage of the total pension liability	66.5 %	54.3 %	54.6 %	54.3 %	54.0 %	54.1 %	57.6 %	61.4 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

Employees' Retirement System-State Employees-Governmental Activities

	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 197,171	\$ 184,004	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contributions in relation to the actuarially determined contribution	\$ 197,171	\$ 184,004	\$ 179,281	\$ 169,365	\$ 156,083	\$ 157,299	\$ 144,696	\$ 138,689
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 703,931	\$ 668,135	\$ 679,351	\$ 644,463	\$ 627,595	\$ 620,754	\$ 612,081	\$ 594,466
Contributions as a percentage of covered payroll	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

** The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.*

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

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

Rhode Island Lottery

	2022	2021	2020	2019*	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,066	\$ 1,900	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contributions in relation to the actuarially determined contribution	\$ 2,066	\$ 1,900	\$ 1,900	\$ 1,738	\$ 1,321	\$ 1,314	\$ 1,219	\$ 1,183
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,377	\$ 6,899	\$ 7,199	\$ 6,613	\$ 5,311	\$ 5,186	\$ 5,156	\$ 5,071
Contributions as a percentage of covered payroll	28.01 %	27.54 %	26.39 %	26.28 %	24.87 %	25.34 %	23.64 %	23.33 %

* The 2019 contributions as a percentage of covered payroll includes the actuarially determined contribution rate of 25.75% and an additional contribution of .53% representing an elective contribution by the State to offset the impact of a voluntary retirement incentive offered to State employees in 2017.

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

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

	2022	2021	2020	2019	2018	2017	2016	2015
Statutorily required contribution	\$ 116,291	\$ 112,623	\$ 108,636	\$ 102,239	\$ 98,121	\$ 96,542	\$ 87,998	\$ 84,944
Contributions in relation to the statutorily required contribution	116,291	112,623	108,636	102,239	98,121	96,542	87,998	84,944
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 2022 reflect a June 30, 2021 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 Eight Fiscal Years
(Expressed in Thousands)

State Police Retirement Benefits Trust

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability								
Service cost	\$ 5,827	\$ 5,788	\$ 5,342	\$ 4,999	\$ 4,498	\$ 4,316	\$ 4,198	\$ 5,122
Interest	13,110	12,405	11,590	10,763	9,393	9,058	8,540	7,768
Benefit Changes	—	—	—	—	—	—	1,170	—
Differences between expected and actual experience	(322)	(3,126)	624	1,912	10,694	(4,139)	(3,522)	—
Changes of assumptions	—	1,541	—	—	9,274	—	—	(364)
Benefit payments	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Net Change in Total Pension Liability	11,743	10,379	11,509	11,650	28,717	4,650	7,889	10,759
Total Pension Liability-Beginning	187,812	177,433	165,924	154,274	125,557	120,907	113,018	102,259
Total Pension Liability-Ending	\$ 199,555	\$ 187,812	\$ 177,433	\$ 165,924	\$ 154,274	\$ 125,557	\$ 120,907	\$ 113,018
Plan Fiduciary Net Position								
Employer contributions	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,797	\$ 2,980	\$ 4,005	\$ 3,432	\$ 3,331
Employee contributions	2,324	2,346	2,130	1,994	2,060	2,035	1,732	2,034
Net investment income	41,840	5,642	9,161	10,298	13,694	58	2,656	14,124
Benefit payments	(6,872)	(6,229)	(6,047)	(6,024)	(5,142)	(4,585)	(2,497)	(1,767)
Transfers of member contributions	—	—	—	—	—	—	—	—
Administrative expenses	(153)	(158)	(140)	(137)	(125)	(103)	(100)	(83)
Other	16	25	1	16	5	1	4	5
Net Change in Plan Fiduciary Net Position	\$ 42,396	\$ 6,504	\$ 8,672	\$ 8,944	\$ 13,472	\$ 1,411	\$ 5,227	\$ 17,644
Plan Fiduciary Net Position-Beginning	153,909	147,405	138,733	129,789	116,317	114,906	109,679	92,035
Plan Fiduciary Net Position-Ending	\$ 196,305	\$ 153,909	\$ 147,405	\$ 138,733	\$ 129,789	\$ 116,317	\$ 114,906	\$ 109,679
Net Pension Liability	\$ 3,250	\$ 33,903	\$ 30,028	\$ 27,191	\$ 24,485	\$ 9,240	\$ 6,001	\$ 3,339
Plan Fiduciary Net Position as a Percentage of the Total								
Pension Liability	98.4 %	81.9 %	83.1 %	83.6 %	84.1 %	92.6 %	95.0 %	97.0 %
Covered Payroll	\$ 26,438	\$ 26,419	\$ 24,216	\$ 22,590	\$ 22,728	\$ 20,985	\$ 19,701	\$ 23,051
Net Pension Liability as a Percentage of Covered Payroll	12.3 %	128.3 %	124.0 %	120.4 %	107.7 %	44.0 %	30.5 %	14.5 %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

Judicial Retirement Benefits Trust

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability								
Service cost	\$ 3,387	\$ 3,335	\$ 3,184	\$ 3,215	\$ 3,001	\$ 2,859	\$ 3,024	\$ 3,002
Interest	6,213	5,663	5,526	5,303	5,031	4,744	4,540	4,134
Benefit Changes	—	—	—	—	—	—	253	—
Differences between expected and actual experience	(564)	180	(3,165)	(2,032)	(1,788)	(1,206)	(2,857)	—
Changes of assumptions	—	2,515	—	—	5,173	—	—	(672)
Benefit payments	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Net Change in Total Pension Liability	5,053	7,969	1,936	3,530	8,677	3,866	3,151	4,833
Total Pension Liability-Beginning	89,062	81,093	79,158	75,628	66,951	63,085	59,934	55,101
Total Pension Liability-Ending	\$ 94,115	\$ 89,062	\$ 81,094	\$ 79,158	\$ 75,628	\$ 66,951	\$ 63,085	\$ 59,934
Plan Fiduciary Net Position								
Employer contributions	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,058	\$ 2,057	\$ 2,410	\$ 2,709	\$ 2,543
Employee contributions	1,215	1,204	1,109	1,142	1,118	1,053	1,121	1,093
Net investment income	21,815	2,955	4,821	5,377	7,107	29	1,368	7,221
Benefit payments	(3,983)	(3,724)	(3,609)	(2,956)	(2,740)	(2,531)	(1,809)	(1,631)
Transfers of member contributions	—	—	—	—	—	—	—	—
Administrative expenses	(80)	(80)	(74)	(71)	(65)	(53)	(51)	(43)
Other	—	—	—	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 21,213	\$ 2,544	\$ 4,169	\$ 5,550	\$ 7,477	\$ 908	\$ 3,338	\$ 9,183
Plan Fiduciary Net Position-Beginning	80,158	77,614	73,445	67,895	60,418	59,510	56,172	46,989
Plan Fiduciary Net Position-Ending	\$ 101,371	\$ 80,158	\$ 77,614	\$ 73,445	\$ 67,895	\$ 60,418	\$ 59,510	\$ 56,172
Net Pension Liability (Asset)	\$ (7,256)	\$ 8,904	\$ 3,480	\$ 5,713	\$ 7,733	\$ 6,533	\$ 3,575	\$ 3,762
Plan Fiduciary Net Position as a Percentage of the Total								
Pension Liability	107.7 %	90.0 %	95.7 %	92.8 %	89.8 %	90.2 %	94.3 %	93.7 %
Covered Payroll	\$ 10,387	\$ 10,284	\$ 9,474	\$ 9,653	\$ 9,532	\$ 8,981	\$ 9,570	\$ 9,314
Net Pension Liability as a Percentage of Covered Payroll	(69.9)%	(86.6)%	36.7 %	59.2 %	81.1 %	72.7 %	37.4 %	40.4 %

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 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 Eight Fiscal Years
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability									
Service cost	\$ 400	\$ 323	\$ 277	\$ 294	\$ 350	\$ 466	\$ 416	\$ 498	\$ 498
Interest	550	640	685	726	586	719	673	710	710
Benefit Changes	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	(656)	(646)	—	(1,953)	—	(1,060)	(642)	1,617	1,617
Changes of assumptions	1,176	2,060	917	(116)	(666)	1,865	859	(1,160)	(1,160)
Benefit payments	(396)	(399)	(399)	(399)	(399)	(231)	—	—	—
Net Change in Total Pension Liability	1,074	1,978	1,480	(1,448)	(129)	1,759	1,306	1,665	1,665
Total Pension Liability-Beginning	22,452	20,474	18,994	20,442	20,571	18,812	17,506	15,841	15,841
Total Pension Liability-Ending	\$ 23,526	\$ 22,452	\$ 20,474	\$ 18,994	\$ 20,442	\$ 20,571	\$ 18,812	\$ 17,506	\$ 17,506
Plan Fiduciary Net Position									
Employer contributions	\$ 399	\$ 399	\$ 399	\$ 399	\$ 332	\$ 140	\$ —	\$ —	\$ —
Employee contributions	126	126	122	117	117	135	159	153	153
Net investment income	178	23	38	44	64	4	9	12	12
Benefit payments	(396)	(399)	(399)	(399)	(399)	(231)	—	—	—
Transfers of member contributions	—	—	—	—	—	—	—	—	—
Administrative expenses	(1)	(1)	(1)	(1)	(1)	—	—	—	—
Other	—	—	—	—	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 306	\$ 148	\$ 159	\$ 160	\$ 113	\$ 48	\$ 168	\$ 165	\$ 165
Plan Fiduciary Net Position-Beginning	1,115	966	807	647	534	486	318	153	153
Plan Fiduciary Net Position-Ending	\$ 1,421	\$ 1,114	\$ 966	\$ 807	\$ 647	\$ 534	\$ 486	\$ 318	\$ 318
Net Pension Liability	\$ 22,105	\$ 21,338	\$ 19,508	\$ 18,187	\$ 19,795	\$ 20,037	\$ 18,326	\$ 17,188	\$ 17,188
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability									
Covered Payroll	\$ 1,051	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 963	\$ 1,321	\$ 1,276	\$ 1,276
Net Pension Liability as a Percentage of Covered Payroll	2103.2 %	2040.0 %	1946.9 %	1783.0 %	2003.3 %	2189.2 %	1387.4 %	1346.8 %	1346.8 %

The State of Rhode Island adopted GASB Statement No. 68 during 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 Five Fiscal Years
(Expressed in Thousands)

State Police Retirement Fund Trust

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total Pension Liability					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	11,469	11,878	12,193	11,712	12,589
Benefit Changes	—	—	—	—	—
Differences between expected and actual experience	1,256	(162)	—	12,187	—
Changes of assumptions	—	(1,136)	—	—	4,214
Benefit payments	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Net Change in Total Pension Liability	(3,544)	(6,001)	(4,606)	6,626	(589)
Total Pension Liability-Beginning	171,976	177,977	182,583	175,957	176,546
Total Pension Liability-Ending	\$ 168,432	\$ 171,976	\$ 177,977	\$ 182,583	\$ 175,957
Plan Fiduciary Net Position					
Employer contributions	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 31,566
Employee contributions	—	—	—	—	—
Net investment income	6,144	868	770	1,137	1,839
Benefit payments	(16,269)	(16,581)	(16,799)	(17,273)	(17,392)
Administrative expenses	(18)	(17)	(17)	(6)	—
Other	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	\$ 6,244	\$ 657	\$ 341	\$ 245	\$ 16,013
Plan Fiduciary Net Position-Beginning	17,255	16,599	16,258	16,013	—
Plan Fiduciary Net Position-Ending	\$ 23,499	\$ 17,256	\$ 16,599	\$ 16,258	\$ 16,013
Net Pension Liability	\$ 144,933	\$ 154,720	\$ 161,378	\$ 166,325	\$ 159,944
Plan Fiduciary Net Position as a Percentage of the Total					
Pension Liability	14.0 %	10.0 %	9.3 %	8.9 %	9.1 %
Covered Payroll	\$ —	\$ —	\$ —	\$ —	\$ —
Net Pension Liability as a Percentage of Covered Payroll	— %	— %	— %	— %	— %

There is no covered payroll because there are no active members of the plan.

The State of Rhode Island adopted GASB Statement No. 68 during fiscal 2015. This schedule is required prospectively until 10 years of data are presented. However, there are only four 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 Eight Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Retirement Benefits Trust

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 5,211	\$ 5,241	\$ 4,878	\$ 3,567	\$ 2,802	\$ 2,980	\$ 4,005	\$ 3,432
Contributions in relation to the actuarially determined contribution	5,211	5,241	4,878	3,567	2,802	2,980	4,005	3,432
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 27,083	\$ 26,442	\$ 26,394	\$ 24,199	\$ 22,930	\$ 22,191	\$ 23,258	\$ 19,907
Contributions as a percentage of covered payroll	19.24 %	19.82 %	18.48 %	14.74 %	12.22 %	13.43 %	17.22 %	17.24 %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal 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 Eight Fiscal Years Ended June 30
(Expressed in Thousands)

Judicial Retirement Benefits Trust

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 2,611	\$ 2,246	\$ 2,189	\$ 1,922	\$ 2,064	\$ 2,057	\$ 2,410	\$ 2,709
Contributions in relation to the actuarially determined contribution	2,611	2,246	2,189	1,922	2,064	2,057	2,410	2,709
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 11,967	\$ 10,393	\$ 10,278	\$ 9,477	\$ 9,768	\$ 9,532	\$ 8,993	\$ 9,566
Contributions as a percentage of covered payroll	21.82 %	21.61 %	21.30 %	20.28 %	21.13 %	21.58 %	26.80 %	28.32 %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal 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 Eight Fiscal Years Ended June 30
(Expressed in Thousands)

Rhode Island Judicial Retirement Fund Trust

	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 1,190	\$ 1,242	\$ 1,215	\$ 1,224	\$ 1,322	\$ 1,241	\$ 1,200	\$ 1,623
Contributions in relation to the actuarially determined contribution	405	399	399	399	399	332	140	—
Contribution deficiency (excess)	<u>\$ 785</u>	<u>\$ 843</u>	<u>\$ 816</u>	<u>\$ 825</u>	<u>\$ 923</u>	<u>\$ 909</u>	<u>\$ 1,060</u>	<u>\$ 1,623</u>
Covered payroll	\$ 1,038	\$ 1,046	\$ 1,046	\$ 1,002	\$ 1,020	\$ 988	\$ 964	\$ 1,321
Contributions as a percentage of covered payroll	39.02 %	38.15 %	38.15 %	39.82 %	39.12 %	33.60 %	14.52 %	— %

The State of Rhode Island adopted GASB Statement No. 68 during fiscal 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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Retirement Fund Trust

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387	\$ 16,387
Contributions in relation to the actuarially determined contribution	16,387	16,387	16,387	16,387	16,387
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 five 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 actuarial determined advance employer contribution is made nor are assets accumulated in a trust to pay future benefits. A separate actuarial valuation is performed to provide an accounting measure of the total pension liability for the plan.

A Schedule of Changes in Total Pension Liability is presented for this plan. The amounts included in this schedule for fiscal 2022 reflects a June 30, 2021 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 Eight Fiscal Years
(Expressed in Thousands)

Judicial Non-Contributory Retirement Plan

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability									
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	1,089	1,170	1,413	1,497	1,380	1,860	2,172	2,334	2,334
Benefit changes	—	—	—	—	—	—	—	—	—
Differences between expected and actual experience	(1,215)	3,560	521	916	182	—	328	—	—
Changes of assumptions	1,855	6,757	1,250	(166)	(2,291)	3,510	1,885	—	—
Benefit payments	(4,184)	(4,659)	(5,029)	(5,486)	(5,763)	(6,107)	(6,020)	(6,173)	(6,173)
Net Change in Total Pension Liability	(2,455)	6,828	(1,845)	(3,239)	(6,492)	(737)	(1,635)	(3,839)	(3,839)
Total Pension Liability-Beginning	46,536	39,705	41,550	44,789	51,281	52,018	53,653	57,492	57,492
Total Pension Liability-Ending	\$ 44,081	\$ 46,533	\$ 39,705	\$ 41,550	\$ 44,789	\$ 51,281	\$ 52,018	\$ 53,653	\$ 53,653

The State of Rhode Island adopted GASB Statement No. 68 in fiscal 2015. This schedule is to be reported 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 actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. The actuarial determined contribution rates for fiscal 2022 were determined based on valuations performed as of June 30, 2019, with the exception of the Rhode Island Judicial Retirement Fund Trust (RIJRFT) contribution which was determined based on a valuation performed as of June 30, 2021. 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	17 years	19 years	20 years	20 years	20 years	17 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%				1.92%	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 Ultimate values of the MP scale. Female Teachers: RP-2014 Combined Healthy for Females with White Collar adjustments, projected with Ultimate values of the MP scale.					
Inflation	2.5%					

The required contribution for the State Police Retirement Fund Trust (SPRFT), a plan newly created in fiscal 2017 covering a closed group of retired individuals, was calculated based on a level-dollar amortization over 18 years from June 30, 2016. Upon statutory creation of the RISPRFT, an annual contribution amount totaling \$16.4 million was actuarial determined. This amount has been contributed annually since 2017.

Cost of Living Adjustments

Post-retirement Benefit Increase: Post-retirement benefit increases are assumed to be 2.1%, per annum, while the plan has a funding level that exceeds 80%; however, an interim COLA will be granted in four-year intervals while the COLA is suspended. The first such COLA will be applicable in Calendar Year 2017 and the second such COLA will be applicable in Calendar Year 2021. 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, 2021 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, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 measurement date:

As part of the 2020 Actuarial Experience Study for the six-year period ending June 30, 2019 as approved by the System Board on May 22, 2020, certain assumptions were modified and reflected in the determination of net pension liability (asset) at the June 30, 2020 measurement date. The following summarizes the more significant changes in assumptions:

- Separated Correctional Officers from State Employees for all assumptions.
- Updated the underlying mortality tables from the RP-2014 set of tables to the public sector-based PUB (10) tables.
- Increased slightly the probabilities of turnover.
- Decreased slightly the probabilities of retirement.
- Modified slightly the probabilities of disability, including adding material incidence of disability for members in the age ranges that historically have been eligible to retire but under prospective provisions are not.
- Lowered wage assumptions for Judges from 3.00% to 2.75%.

The RIJRFT and JNCRP plans used the municipal bond index rate of 2.45% instead of the plan's assumed investment rate of return of 3.13%.

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 RIJFT 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 RIJFT 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 2022 reflect a June 30, 2021 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 Five Fiscal Years
(Expressed in Thousands)

State Employees-Governmental Activities

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	90.2 %	89.9 %	89.6 %	89.4 %	89.2 %
State's proportionate share of the net OPEB liability	\$ 209,192	\$ 324,502	\$ 391,135	\$ 455,475	\$ 463,597
State's covered payroll	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562	\$ 632,672
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	31.0 %	47.6 %	59.5 %	71.9 %	73.3 %
Plan fiduciary net position as a percentage of the total OPEB liability	60.5 %	42.5 %	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 Five Fiscal Years
(Expressed in Thousands)

State Employees-Business-Type Activities

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
<i>Rhode Island Lottery</i>					
Lottery's proportion of the net OPEB liability	0.9 %	0.9 %	0.9 %	0.8 %	0.7 %
Lottery's proportionate share of the net OPEB liability	\$ 2,145	\$ 3,420	\$ 3,990	\$ 3,876	\$ 3,864
Lottery's covered payroll	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308	\$ 5,186
Lottery's proportionate share of the net OPEB liability as a percentage of its covered payroll	31.0 %	47.6 %	59.5 %	73.0 %	74.5 %
Plan fiduciary net position as a percentage of the total OPEB liability	60.5 %	42.5 %	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 Five Fiscal Years
(Expressed in Thousands)

State's Share of Board of Education Plan

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
State's proportion of the net OPEB liability	0.3 %	0.2 %	0.2 %	0.2 %	0.2 %
State's proportionate share of the net OPEB liability	\$ 18	\$ 89	\$ 80	\$ 87	\$ 111
State's covered payroll	\$ 417	\$ 335	\$ 276	\$ 411	\$ 264
State's proportionate share of the net OPEB liability as a percentage of its covered payroll	4.3 %	26.6 %	29.0 %	21.2 %	42.0 %
Plan fiduciary net position as a percentage of the total OPEB liability	91.4 %	57.3 %	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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Governmental Activities

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 37,502	\$ 36,998	\$ 45,323	\$ 39,302	\$ 37,887
Contributions in relation to the actuarial determined contribution	37,502	36,998	45,323	39,302	\$ 37,887
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 710,271	\$ 673,924	\$ 681,554	\$ 657,222	\$ 633,562
Contributions as a percentage of covered payroll	5.28 %	5.49 %	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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

State Employees-Business-Type Activities

Rhode Island Lottery

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 390	\$ 379	\$ 478	\$ 401	\$ 317
Contributions in relation to the actuarial determined contribution	390	379	478	401	\$ 317
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 7,386	\$ 6,911	\$ 7,182	\$ 6,705	\$ 5,308
Contributions as a percentage of covered payroll	5.28 %	5.49 %	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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

State's Share of Board of Education Plan

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 6	\$ 12	\$ 14	\$ 12	\$ 18
Contributions in relation to the actuarial determined contribution	6	12	14	12	\$ 18
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 169	\$ 417	\$ 335	\$ 276	\$ 411
Contributions as a percentage of covered payroll	3.50 %	2.93 %	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 2022 reflect a June 30, 2021 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 Five Fiscal Years
(Expressed in Thousands)

Teachers Plan

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	\$ —	\$ —	\$ —	\$ —	\$ —
Interest	477	556	581	612	562
Benefit Changes	—	—	(1,952)	—	—
Differences between expected and actual experience	(964)	(1,212)	1,954	91	1,625
Changes of assumptions	(696)	(164)	(45)	—	217
Benefit payments	(899)	(629)	(1,438)	(1,202)	(1,610)
Net Change in Total OPEB Liability	(2,082)	(1,449)	(900)	(499)	794
Total OPEB Liability-Beginning	9,984	11,433	12,333	12,832	12,038
Total OPEB Liability-Ending	\$ 7,902	\$ 9,984	\$ 11,433	\$ 12,333	\$ 12,832
Plan Fiduciary Net Position					
Employer contributions	\$ —	\$ —	\$ 2,277	\$ 2,321	\$ 2,321
Net investment income	3,376	1,082	1,101	780	864
Benefit payments	(899)	(629)	(1,438)	(1,202)	(1,610)
Administrative expenses	(2)	(24)	(2)	(17)	7
Other	109	150	117	136	103
Net Change in Plan Fiduciary Net Position	\$ 2,584	\$ 579	\$ 2,055	\$ 2,018	\$ 1,685
Plan Fiduciary Net Position-Beginning	14,429	13,850	11,795	9,777	8,092
Plan Fiduciary Net Position-Ending	\$ 17,013	\$ 14,429	\$ 13,850	\$ 11,795	\$ 9,777
Net OPEB Liability (Asset)	\$ (9,111)	\$ (4,445)	\$ (2,417)	\$ 538	\$ 3,055
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	215.3 %	144.5 %	121.1 %	95.6 %	76.2 %
Covered Payroll	\$ —	\$ —	\$ —	\$ —	\$ —
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	N/A	N/A	N/A	N/A	N/A

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 Five Fiscal Years
(Expressed in Thousands)

Judges Plan

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	\$ 13	\$ 22	\$ 22	\$ 15	\$ 20
Interest	18	64	60	68	50
Benefit Changes	—	—	(42)	—	—
Differences between expected and actual experience	(144)	(960)	102	(271)	(306)
Changes of assumptions	(7)	(69)	(11)	—	503
Benefit payments	57	(18)	(54)	72	138
Net Change in Total OPEB Liability	(63)	(961)	77	(116)	405
Total OPEB Liability-Beginning	322	1,283	1,206	1,322	917
Total OPEB Liability-Ending	\$ 259	\$ 322	\$ 1,283	\$ 1,206	\$ 1,322
Plan Fiduciary Net Position					
Net investment income	1,080	327	341	293	334
Benefit payments	57	(18)	(54)	72	138
Administrative expenses	(1)	(2)	—	(6)	—
Other	25	56	49	54	26
Net Change in Plan Fiduciary Net Position	\$ 1,161	\$ 363	\$ 336	\$ 413	\$ 498
Plan Fiduciary Net Position-Beginning	4,813	4,449	4,113	3,700	3,202
Plan Fiduciary Net Position-Ending	\$ 5,974	\$ 4,812	\$ 4,449	\$ 4,113	\$ 3,700
Net OPEB Liability (Asset)	\$ (5,715)	\$ (4,490)	\$ (3,166)	\$ (2,907)	\$ (2,378)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2307.8 %	1494.3 %	346.8 %	341.0 %	279.9 %
Covered Payroll	\$ 11,985	\$ 11,636	\$ 11,297	\$ 10,746	\$ 10,746
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(47.7)%	(38.6)%	(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 Five Fiscal Years
(Expressed in Thousands)

State Police Plan

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	\$ 4,280	\$ 4,481	\$ 4,108	\$ 3,920	\$ 3,836
Interest	4,210	4,391	4,369	4,148	4,202
Benefit Changes	—	—	(4,790)	—	—
Differences between expected and actual experience	(6,873)	(2,230)	630	(907)	(174)
Changes of assumptions	4,148	(6,974)	(1,161)	—	(6,005)
Benefit payments	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Net Change in Total OPEB Liability	2,377	(3,341)	355	4,312	(1,271)
Total OPEB Liability-Beginning	83,749	87,090	86,735	82,423	83,694
Total OPEB Liability-Ending	\$ 86,126	\$ 83,749	\$ 87,090	\$ 86,735	\$ 82,423
Plan Fiduciary Net Position					
Employer contributions	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919	\$ 7,702
Net investment income	17,041	4,775	4,683	3,413	3,491
Benefit payments	(3,388)	(3,009)	(2,801)	(2,849)	(3,130)
Administrative expenses	(12)	(35)	(12)	(73)	(1)
Other	222	335	277	197	163
Net Change in Plan Fiduciary Net Position	\$ 20,041	\$ 9,863	\$ 10,404	\$ 8,607	\$ 8,225
Plan Fiduciary Net Position-Beginning	66,411	56,548	46,144	37,537	29,312
Plan Fiduciary Net Position-Ending	\$ 86,452	\$ 66,411	\$ 56,548	\$ 46,144	\$ 37,537
Net OPEB Liability (Asset)	\$ (326)	\$ 17,338	\$ 30,542	\$ 40,591	\$ 44,886
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	100.4 %	79.3 %	64.9 %	53.2 %	45.5 %
Covered Payroll	\$ 25,401	\$ 24,661	\$ 23,943	\$ 21,334	\$ 21,334
Net OPEB Liability as a Percentage of Covered Payroll	(1.3)%	70.3 %	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 Five Fiscal Years
(Expressed in Thousands)

Legislators Plan

Year Ended	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
Measurement Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total OPEB Liability					
Service cost	\$ 39	\$ 57	\$ 71	\$ 54	\$ 63
Interest	58	80	79	74	66
Benefit Changes	—	—	(257)	—	—
Differences between expected and actual experience	(88)	(83)	284	102	168
Changes of assumptions	(41)	(350)	(61)	—	(45)
Benefit payments	(164)	(85)	(98)	(161)	(36)
Net Change in Total OPEB Liability	(196)	(381)	18	69	216
Total OPEB Liability-Beginning	1,231	1,612	1,594	1,525	1,309
Total OPEB Liability-Ending	\$ 1,035	\$ 1,231	\$ 1,612	\$ 1,594	\$ 1,525
Plan Fiduciary Net Position					
Employer contributions	\$ —	\$ —	\$ 15	\$ 14	\$ 27
Net investment income	854	263	276	247	283
Benefit payments	(164)	(85)	(98)	(161)	(36)
Administrative expenses	(1)	(2)	—	(4)	—
Other	53	79	32	42	29
Net Change in Plan Fiduciary Net Position	\$ 742	\$ 255	\$ 225	\$ 138	\$ 303
Plan Fiduciary Net Position-Beginning	3,522	3,267	3,042	2,904	2,601
Plan Fiduciary Net Position-Ending	\$ 4,264	\$ 3,522	\$ 3,267	\$ 3,042	\$ 2,904
Net OPEB Liability (Asset)	\$ (3,228)	\$ (2,291)	\$ (1,655)	\$ (1,448)	\$ (1,379)
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	412.3 %	287.6 %	202.6 %	190.9 %	190.4 %
Covered Payroll	\$ 1,925	\$ 1,868	\$ 1,814	\$ 1,719	\$ 1,719
Net OPEB Liability (Asset) as a Percentage of Covered Payroll	(167.7)%	(122.6)%	(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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

Teachers Plan

	2022*	2021*	2020*	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	2,321	\$ 2,321
Contributions in relation to the actuarial determined contribution	—	—	—	2,277 **	2,321
Contribution deficiency (excess)	\$ —	\$ —	\$ —	44	\$ —
Covered payroll	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A

**An actuarial valuation determined that no contribution was required for this OPEB plan.*

*** The contribution funded in Fiscal 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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

Judges Plan

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions in relation to the actuarial determined contribution	—	—	—	—	—
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 12,960	\$ 11,932	\$ 11,589	\$ 11,297	\$ 10,746
Contributions as a percentage of covered payroll	— %	— %	— %	— %	— %

An actuarial valuation determined that no contribution was required for this OPEB plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

State Police Plan

	2022	2021	2020	2019	2018
Actuarial determined contribution	\$ 5,864	\$ 6,178	\$ 7,797	\$ 8,257	\$ 7,919
Contributions in relation to the actuarial determined contribution	5,864	6,178	7,797	8,257	7,919
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$25,201	\$26,505	\$26,297	\$23,666	\$22,698
Contributions as a percentage of covered payroll	23.3 %	23.3 %	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 Five Fiscal Years Ended June 30
(Expressed in Thousands)

Legislators Plan

	2022*	2021*	2020*	2019	2018
Actuarial determined contribution	\$ —	\$ —	\$ —	\$ 15	\$ 14
Contributions in relation to the actuarial determined contribution	—	—	—	15	14
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —
Covered payroll	\$ 1,919	\$ 1,897	\$ 1,856	\$ 1,812	\$ 1,728
Contributions as a percentage of covered payroll	— %	— %	— %	0.8 %	0.8 %

* An actuarial valuation determined that no contribution was required for this OPEB plan.

The State of Rhode Island adopted GASB Statement No. 75 in fiscal 2018. This schedule is to be reported prospectively until 10 years of data are presented.

See Notes to Required Supplementary Information.

Required Supplementary Information - OPEB**Significant Methods and Assumptions used in calculating the actuarial determined contributions**

The actuarial determined contribution rates for fiscal 2022 were determined based on valuations performed as of June 30, 2019. Significant methods and assumptions are summarized for each plan in the table below:

	State Employees	Teachers	Judges	State Police	Legislators	Board of Education
Actuarial Cost Method	Individual Entry Age Normal					
Amortization Method	Level Percent of Pay	Level Dollar	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay	Level Percent of Pay
Remaining amortization period	17 Years Closed	Determined by Statutory Contribution	30 Years Open	17 Years Closed	30 Years Open	17 Years Closed
Asset valuation method	4 Year smoothed market, 20% corridor					
Actuarial Assumptions						
Investment Rate of Return	5%, net of OPEB plan expenses, including inflation					
Projected Salary Increases	3.0% 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-2014 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 8.25% 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.					

Factors affecting trends for amounts related to the net OPEB liability

The actuarial methods and assumptions used to calculate the net OPEB liability of the participating employers are described in Note 19 to the financial statements. The following information is presented about factors that significantly affect trends in the amounts reported between years.

June 30, 2021 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2021 measurement date compared to the June 30, 2020 measurement date.

June 30, 2020 measurement date:

The “Cadillac tax”, which was a tax provision from the federal Affordable Care Act (ACA), was repealed in December 2019. As a result, liability amounts previously included for the “Cadillac tax” within the development of the total OPEB liability have been removed as of the June 30, 2020 measurement date.

June 30, 2019 measurement date:

The June 30, 2018 actuarial valuation rolled forward to the June 30, 2020 measurement date reflected a change in Excise Tax load on pre-65 liabilities from 11.0% to 9.5%. The healthcare cost trend rate used in determining the OPEB liability at June 30, 2019 measurement date decreased slightly from the previous measurement date.

June 30, 2018 Measurement date:

There were no changes in actuarial methods or assumptions reflected in the calculation of the net OPEB liability of the plan as of the June 30, 2018 measurement date compared to the June 30, 2017 measurement date.

June 30, 2017 Measurement date:

Certain actuarial assumptions for State Employees were updated to match the assumptions used for State Employees in the pension valuation for the Employees’ Retirement System of Rhode Island (ERSRI) and the results of an actuarial experience investigation performed for ERSRI at June 30, 2016. Changes were made to the following assumptions:

- Merit and longevity portion of the salary increase assumption
- Rates of separation from active membership
- Rates of retirement
- Rates of disability
- The rate of wage inflation
- The mortality assumption
- The trend assumption
- Aging factors and health and inflation trends

The excise tax load on pre-65 liabilities was changed from 13.8% to 11.0%. The Patient Protection and Affordable Care Act includes an excise tax on high cost health plans beginning in 2022. The excise tax is 40% of costs above a threshold. The actual actuarial assumptions used in the most recent valuations assume that the plans will be subject to the excise tax in 2022.

Actuarial determined contributions

Generally, actuarial determined contributions are calculated as of June 30, three years prior to the fiscal year in which the contribution rates are applicable. For example, the annual required contributions for fiscal 2021 were based on the actuarial valuation for the fiscal year ended June 30, 2018.

Schedule of Expenditures
of Federal Awards



Schedule of Expenditures of
Federal Awards

Table of Contents

	<u>Page</u>
Schedule of Expenditures of Federal Awards.....	B-1
Notes to the Schedule of Expenditures of Federal Awards.....	B-21

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, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients	
U.S. Department of Agriculture (USDA)								
Agricultural Research Basic and Applied Research	10.001					\$ 255,333		
Plant and Animal Disease, Pest Control, and Animal Care	10.025					250,350		
Federal-State Marketing Improvement Program	10.156					24,650	\$ 22,954	
Inspection Grading and Standardization	10.162					3,282		
Specialty Crop Block Grant Program - Farm Bill	10.170					293,024	163,189	
Organic Certification Cost Share Programs	10.171					832		
Trade Mitigation Program Eligible Recipient Agency Operational Funds	10.178					(11)		
Agricultural Worker Pandemic Relief and Protection Program	10.181	COVID-19				18,671		
Farm and Ranch Stress Assistance Network Competitive Grants Program	10.525					243,678	238,983	
CACFP Meal Service Training Grants	10.534					324		
SNAP Fraud Framework Implementation Grant	10.535					127,878		
Child Nutrition-Technology Innovation Grant	10.541					1,987		
Pandemic EBT Food Benefits	10.542	COVID-19				43,987,479		
SNAP Cluster:								
Supplemental Nutrition Assistance Program	10.551				\$ 430,991,800			
Supplemental Nutrition Assistance Program	10.551	COVID-19			716,154			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561				23,841,625		1,466,626	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	COVID-19			1,420,182	456,969,761		
Child Nutrition Cluster:								
School Breakfast Program	10.553				17,441,903		16,561,375	
National School Lunch Program (See Notes 4 and 9)	10.555				68,112,376		59,062,970	
National School Lunch Program (See Notes 4 and 9)	10.555	COVID-19			3,927,632		3,660,734	
Special Milk Program for Children	10.556				18,560		18,560	
Summer Food Service Program for Children (See Notes 4 and 9)	10.559				2,534,568		2,012,822	
Summer Food Service Program for Children (See Notes 4 and 9)	10.559	COVID-19			(5,000)			
Fresh Fruit and Vegetable Program	10.582				1,570,170	93,600,209	1,351,788	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557				18,731,913		2,943,096	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (See Note 5)	10.557	COVID-19			749,030	19,480,943	748,581	
Child and Adult Care Food Program	10.558				7,272,749		7,101,427	
Child and Adult Care Food Program	10.558	COVID-19			1,119,170	8,391,919	1,084,016	
State Administrative Expenses for Child Nutrition	10.560					1,045,684		
Food Distribution Cluster:								
Commodity Supplemental Food Program	10.565				161,405		137,908	
Emergency Food Assistance Program (Administrative Costs)	10.568				353,977		353,794	
Emergency Food Assistance Program (Administrative Costs)	10.568	COVID-19			268,451	783,833	268,451	
WIC Farmers' Market Nutrition Program (FMNP)	10.572					44,389	34,662	
Farm to School Grant Program	10.575					48,496		
Senior Farmers Market Nutrition Program	10.576					157,656	120,797	
WIC Grants to States (WGS)	10.578					113,484		
Child Nutrition Discretionary Grants Limited Availability	10.579					53,555	53,553	
Supplemental Nutrition Assistance Program, Process and Technology Improvement Grants	10.580					690,208		
Pandemic EBT Administrative Costs	10.649	COVID-19				967,211	553,572	
Cooperative Forestry Assistance	10.664					577,000	135,803	
Forest Legacy Program	10.676					5,517		
State and Private Forestry Cooperative Fire Assistance	10.698					29,472	28,720	
Environmental Quality Incentives Program	10.912					71,143		
Total U.S. Department of Agriculture (USDA)					\$	628,237,957	\$	98,124,381

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
U.S. Department of Commerce (DOC)							
NOAA Mission-Related Education Awards	11.008					\$ 15,650	
Economic Development Cluster:							
Investments for Public Works and Economic Development Facilities	11.300				\$ 474,990		
Economic Adjustment Assistance	11.307				9,909,040		
Economic Adjustment Assistance	11.307	COVID-19			68,360	10,452,390	
Interjurisdictional Fisheries Act of 1986	11.407					126,502	
Sea Grant Support	11.417					10,603	
Coastal Zone Management Administration Awards	11.419					1,654,590	\$ 71,567
Coastal Zone Management Estuarine Research Reserves	11.420					742,998	
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427					15,378	
Marine Fisheries Initiative	11.433					645,151	
Regional Fishery Management Councils	11.441					6,178	
Unallied Management Projects	11.454	COVID-19				108,059	
Office for Coastal Management	11.473					137,441	13,072
Atlantic Coastal Fisheries Cooperative Management Act	11.474					738,366	
State and Local Implementation Grant Program	11.549					(45)	
Total U.S. Department of Commerce (DOC)						<u>\$ 14,653,261</u>	<u>\$ 84,639</u>
U.S. Department of Defense (DOD)							
Procurement Technical Assistance for Business Firms	12.002					\$ 329,000	
State Memorandum of Agreement Program for the Reimbursement of Technical Services	12.113					640,711	
Military Construction, National Guard	12.400					1,349,962	
National Guard Military Operations and Maintenance (O&M) Projects	12.401					20,366,348	
GenCyber Grants Program	12.903					85,217	
Total U.S. Department of Defense (DOD)						<u>\$ 22,771,238</u>	<u>\$ -</u>
U.S. Department of Housing and Urban Development (HUD)							
Mortgage Insurance Homes (See Note 3)	14.117					\$ 397,631,583	
Qualified Participating Entities (QPE) Risk Sharing (See Note 3)	14.189					276,828,906	
Section 8 Project-Based Cluster:							
Section 8 Housing Assistance Payments Program	14.195				\$ 200,581,574		
Section 8 Housing Assistance Payments Program	14.195	COVID-19			270,158		
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation	14.856				492,573	201,344,305	
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228				14,439,555		\$ 5,707,297
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (See Note 3)	14.228	COVID-19			1,924,418	16,363,973	1,757,668
Emergency Solutions Grant Program	14.231				934,906		901,610
Emergency Solutions Grant Program	14.231	COVID-19			1,702,735	2,637,641	1,405,809
Home Investment Partnerships Program (See Note 3)	14.239					30,145,207	
Housing Opportunities for Persons with AIDS	14.241				426,000		420,415
Housing Opportunities for Persons with AIDS	14.241	COVID-19			44,879	470,879	41,224
Continuum of Care Program	14.267					3,383,739	
CDBG - Disaster Recovery Grants - Pub. L. No. 113-2 Cluster:							
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants (CDBG-DR)	14.269				1	1	
Housing Trust Fund (See Note 3)	14.275					8,945,576	
Project Rental Assistance Demonstration (PRA Demo) Program of Section 811							
Supportive Housing for Persons with Disabilities	14.326					456,096	
Fair Housing Assistance Program State and Local	14.401					223,092	

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Housing Voucher Cluster:							
Section 8 Housing Choice Vouchers	14.871				18,240,833	18,240,833	
Family Self-Sufficiency Program	14.896					275,161	
Lead-Based Paint Hazard Control in Privately-Owned Housing	14.900					176,887	
Total U.S. Department of Housing and Urban Development (HUD)						\$ 957,123,879	\$ 10,234,023
U.S. Department of the Interior (DOI)							
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423					\$ 110,870	
Fish and Wildlife Cluster:							
Sport Fish Restoration	15.605				\$ 2,927,630		
Wildlife Restoration and Basic Hunter Education	15.611				4,955,013	7,882,643	
Fish and Wildlife Management Assistance	15.608					9,711	
Cooperative Endangered Species Conservation Fund	15.615					94,678	
Clean Vessel Act	15.616					40,609	\$ 34,973
Sportfishing and Boating Safety Act	15.622					1,556,815	933,117
Coastal	15.630					23,707	18,109
State Wildlife Grants	15.634					637,744	
Hurricane Sandy Disaster Relief Activities-FWS	15.677					1	
White-nose Syndrome National Response Implementation	15.684					677	
Historic Preservation Fund Grants-In-Aid	15.904					632,902	57,709
Water Use and Data Research	15.981					82,772	
Total U.S. Department of the Interior (DOI)						\$ 11,073,129	\$ 1,043,908
U.S. Department of Justice (DOJ)							
Sexual Assault Services Formula Program	16.017					\$ 417,001	\$ 401,571
Coronavirus Emergency Supplemental Funding Program	16.034	COVID-19				357,992	
Juvenile Justice and Delinquency Prevention	16.540					33,457	5,245
Missing Children's Assistance	16.543					296,349	
State Justice Statistics Program for Statistical Analysis Centers	16.550					17,677	
National Criminal History Improvement Program (NCHIP)	16.554					760,440	
Crime Victim Assistance	16.575					5,820,096	4,947,581
Crime Victim Compensation	16.576					251,902	
Edward Byrne Memorial Formula Grant Program	16.579					32,787	
Crime Victim Assistance/Discretionary Grants	16.582					38,453	
Drug Court Discretionary Grant Program	16.585					381,208	
Violence Against Women Formula Grants	16.588					891,893	480,422
Grants to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590					9	
Residential Substance Abuse Treatment for State Prisoners	16.593					130,830	
State Criminal Alien Assistance Program	16.606					1,252,168	
Bulletproof Vest Partnership Program	16.607					(1,925)	
Project Safe Neighborhoods	16.609					23,846	17,979
Special Data Collections and Statistical Studies	16.734					216,400	
PREA Program: Strategic Support for PREA Implementation	16.735					351	
Edward Byrne Memorial Justice Assistance Grant Program	16.738					254,733	152,586
DNA Backlog Reduction Program	16.741					344,294	
Paul Coverdell Forensic Sciences Improvement Grant Program	16.742					60,054	
Support for Adam Walsh Act Implementation Grant Program	16.750					276,321	
Harold Rogers Prescription Drug Monitoring Program	16.754					941,446	
Second Chance Act Reentry Initiative	16.812					76,862	
John R. Justice Prosecutors and Defenders Incentive Act	16.816					32,580	
Smart Prosecution Initiative	16.825					127,897	
Justice Reinvestment Initiative	16.827					153,333	

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Comprehensive Opioid, Stimulant, and Substance Abuse Program	16.838					1,034,088	450,394
Equitable Sharing Program	16.922					1,814,055	
Total U.S. Department of Justice (DOJ)						\$ 16,036,597	\$ 6,455,778
U.S. Department of Labor (DOL)							
Labor Force Statistics	17.002					\$ 833,991	
Compensation and Working Conditions	17.005					13,893	
Employment Service Cluster:							
Employment Service/Wagner-Peyser Funded Activities	17.207				\$ 3,619,659		
Jobs for Veterans State Grants	17.801				312,319	3,931,978	
Unemployment Insurance (See Note 6)	17.225				157,249,769		
Unemployment Insurance (See Note 6)	17.225	COVID-19			327,619,364	484,869,133	
Senior Community Service Employment Program	17.235					426,869	
Trade Adjustment Assistance	17.245					271,736	
WIOA Cluster:							
WIOA Adult Program	17.258				2,118,289		\$ 558,529
WIOA Youth Activities	17.259				2,769,397		1,007,120
WIOA Dislocated Worker Formula Grants	17.278				3,741,535	8,629,221	735,764
H-1B Job Training Grants	17.268					(138)	
WIOA National Dislocated Worker Grants/WIA National Emergency Grants	17.277					1,729,767	
WIOA Dislocated Worker National Reserve Demonstration Grants	17.280					148,355	
Apprenticeship USA Grants	17.285					693,927	221,902
Consultation Agreements	17.504					355,327	
Local Veterans' Employment Representative Program	17.804					353,515	
Total U.S. Department of Labor (DOL)						\$ 502,257,574	\$ 2,523,315
U.S. Department of Transportation (DOT)							
Airport Improvement Program	20.106				\$ 18,743,404		
Airport Improvement Program	20.106	COVID-19			12,068,138	\$ 30,811,542	
Highway Research and Development Program	20.200					44,808	
Highway Planning and Construction Cluster:							
Highway Planning and Construction	20.205				345,759,353		\$ 988,463
Highway Planning and Construction	20.205	COVID-19			24,120,052		
Recreational Trails Program	20.219				31,901	369,911,306	
Highway Training and Education	20.215					2,977	
FMCSA Cluster:							
Motor Carrier Safety Assistance	20.218				1,255,593		
Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	20.237				61,425	1,317,018	
Commercial Driver's License Program Implementation Grant	20.232					414,549	
Fuel Tax Evasion - Intergovernmental Enforcement Effort	20.240					55,136	
Consolidated Rail Infrastructure and Safety Improvements	20.325					1,493,616	
Federal-State Partnership for State of Good Repair	20.326					908,428	
Federal Transit Cluster:							
Federal Transit Capital Investment Grants	20.500				1,483,755		1,165,200
Federal Transit Formula Grants	20.507				35,531,428		219,093
Federal Transit Formula Grants	20.507	COVID-19			20,847,444		
State of Good Repair Grants Program	20.525				7,028,451		
Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs	20.526				725,727	65,616,805	
Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	20.505					571,984	
Formula Grants for Rural Areas and Tribal Transit Program	20.509					150,059	
Public Transportation Innovation	20.530					26,306	

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Highway Safety Cluster:							
State and Community Highway Safety	20.600				2,855,331		992,790
National Priority Safety Programs	20.616				3,113,450	5,968,781	1,635,638
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608					4,255,934	1,670,877
National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	20.614					70,251	
Pipeline Safety Program State Base Grant	20.700					475,263	
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703					19,684	3,766
National Infrastructure Investments	20.933					17,966,170	
Total U.S. Department of Transportation (DOT)						\$ 500,080,617	\$ 6,675,827
U.S. Department of the Treasury (TREAS)							
Capital Magnet Fund (See Note 3)	21.011					\$ 6,445,243	
Equitable Sharing	21.016					31,874	
Coronavirus Relief Fund (See Note 9)	21.019	COVID-19				47,992,082	\$ 9,503,597
Emergency Rental Assistance Program (See Note 9)	21.023	COVID-19				240,368,808	
Homeowner Assistance Fund (See Note 9)	21.026	COVID-19				6,293,551	
Coronavirus State and Local Fiscal Recovery Funds (See Note 9)	21.027	COVID-19				52,054,213	
State Small Business Credit Initiative Technical Assistance Grant Program	21.031	COVID-19				562,342	
Total U.S. Department of the Treasury (TREAS)						\$ 353,748,113	\$ 9,503,597
Equal Employment Opportunity Commission (EEOC)							
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002					\$ 88,581	
Total Equal Employment Opportunity Commission (EEOC)						\$ 88,581	\$ -
General Services Administration (GSA)							
Donation of Federal Surplus Personal Property (See Notes 4 and 9)	39.003					\$ 752,036	\$ 752,036
Total General Services Administration (GSA)						\$ 752,036	\$ 752,036
National Endowment for the Arts (NEA)							
Promotion of the Arts Grants to Organizations and Individuals	45.024	COVID-19				\$ 576,583	\$ 571,946
Promotion of the Arts Partnership Agreements	45.025					876,430	496,009
Promotion of the Humanities Division of Preservation and Access	45.149					9,906	
Grants to States	45.310				\$ 1,469,650		374,845
Grants to States	45.310	COVID-19			1,453,482	2,923,132	1,411,796
Total National Endowment for the Arts (NEA)						\$ 4,386,051	\$ 2,854,596
U.S. Department of Veterans Affairs (VA)							
Veterans State Nursing Home Care	64.015					\$ 8,543,745	
All-Volunteer Force Educational Assistance	64.124					600	
Veterans Cemetery Grants Program	64.203					389,191	
All Volunteer Force Education Assistance	64.U01	V101(223C)--P-5453				(5,479)	
State Extended Care Facilities for Veterans	64.U02	COVID-19; COVID250MSHARE				462,300	
Total U.S. Department of Veterans Affairs (VA)						\$ 9,390,357	\$ -
Environmental Protection Agency (EPA)							
State Indoor Radon Grants	66.032					\$ 152,041	
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034					1,048,627	
Diesel Emissions Reduction Act (DERA) National Grants	66.039					453,746	\$ 453,746
Diesel Emissions Reduction Act (DERA) State Grants	66.040					289,999	289,999
Healthy Communities Grant Program	66.110					14,409	14,405
Southeast New England Coastal Watershed Restoration Program	66.129					21,579	

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Multipurpose Grants to States and Tribes	66.204					45,969	
State Public Water System Supervision	66.432					563,126	
Assistance for Small and Disadvantaged Communities Drinking Water Grant Program (SDWA 1459A)	66.442					119,129	119,129
Water Quality Management Planning	66.454					181,908	
National Estuary Program	66.456					1,060	
Clean Water State Revolving Fund Cluster:							
Capitalization Grants for Clean Water State Revolving Funds	66.458				\$ 28,491,481	28,491,481	28,491,481
Drinking Water State Revolving Fund Cluster:							
Capitalization Grants for Drinking Water State Revolving Funds	66.468				14,789,382	14,789,382	11,777,788
Beach Monitoring and Notification Program Implementation Grants	66.472					185,611	
Performance Partnership Grants	66.605					4,963,894	17,738
Environmental Information Exchange Network Grant Program and Related Assistance	66.608					1,536	
Toxic Substances Compliance Monitoring Cooperative Agreements	66.701					132,746	
TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	66.707					22,255	
Pollution Prevention Grants Program	66.708					81,659	
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802					323,501	
Underground Storage Tank (UST) Prevention, Detection, and Compliance Program	66.804					288,821	
Leaking Underground Storage Tank Trust Fund Corrective Action Program	66.805					641,661	
Superfund State and Indian Tribe Core Program Cooperative Agreements	66.809					113,719	
State and Tribal Response Program Grants	66.817					710,836	
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818					97,699	
Total Environmental Protection Agency (EPA)						\$ 53,736,394	\$ 41,164,286
U.S. Department of Energy (DOE)							
State Energy Program	81.041				\$ 614,165		
State Energy Program	81.041	ARRA			35,772	\$ 649,937	
Weatherization Assistance for Low-Income Persons	81.042					897,216	\$ 890,143
Office of Science Financial Assistance Program	81.049					134,898	102,914
Conservation Research and Development	81.086					239,065	211,983
State Energy Program Special Projects	81.119					89,753	43,879
State Heating Oil and Propane Program	81.138					19,008	
Maintaining Grid Health in Rural Communities	81.U01	AGR-2020-10203				47,504	
Total U.S. Department of Energy (DOE)						\$ 2,077,381	\$ 1,248,919
U.S. Department of Education (ED)							
Adult Education - Basic Grants to States	84.002					\$ 2,017,795	\$ 1,482,390
Student Financial Assistance Cluster: (See Note 7)							
Federal Supplemental Educational Opportunity Grants	84.007				\$ 2,902,558		
Federal Work-Study Program	84.033				1,962,477		
Federal Perkins Loan Program - Federal Capital Contributions (See Note 3)	84.038				5,114,953		
Federal Pell Grant Program	84.063				47,686,078		
Federal Direct Student Loans (See Note 3)	84.268				106,847,103		
Teacher Education Assistance for College and Higher Education Grants (TEACH Grants)	84.379				16,974	164,530,143	
Title I Grants to Local Educational Agencies	84.010					50,667,692	46,994,743
Title I State Agency Program for Neglected and Delinquent Children and Youth	84.013					269,268	
Overseas Programs - Group Projects Abroad	84.021					1,095	

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Special Education (IDEA) Cluster:							
Special Education Grants to States	84.027				43,453,075		35,942,696
Special Education Grants to States	84.027	COVID-19			39,910		39,910
Special Education Preschool Grants	84.173				1,449,159		995,542
Special Education Preschool Grants	84.173	COVID-19			8,331	44,950,475	8,331
Higher Education Institutional Aid	84.031					244,551	
TRIO Cluster:							
TRIO Student Support Services	84.042				1,351,918		
TRIO Talent Search	84.044				653,944		
TRIO Upward Bound	84.047				658,986		
TRIO Educational Opportunity Centers	84.066				977,446		
TRIO McNair Post-Baccalaureate Achievement	84.217				251,615	3,893,909	
Career and Technical Education - Basic Grants to States	84.048					4,908,792	3,589,266
Career and Technical Education - National Programs	84.051					130,281	
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126					9,617,981	
Rehabilitation Services Independent Living Services for Older Individuals Who Are Blind	84.177					219,904	
Special Education - Grants for Infants and Families	84.181				3,075,532		1,618,035
Special Education - Grants for Infants and Families	84.181	COVID-19			680,144	3,755,676	580,477
School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities - National Programs)	84.184					1,182,947	242,470
Supported Employment Services for Individuals with the Most Significant Disabilities	84.187					463,207	
Education for Homeless Children and Youth	84.196					326,440	240,977
Charter Schools	84.282					1,576,258	1,559,287
Twenty-First Century Community Learning Centers	84.287					6,517,006	6,235,116
Special Education - State Personnel Development	84.323					407,356	102,390
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325				236,621		
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325		University of Connecticut Health Center	H325B170008	25,768	262,389	
Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	84.326					81,806	
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334					4,010,582	4,009,540
English Language Acquisition State Grants	84.365					1,808,259	1,478,218
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367					9,037,310	7,972,549
Grants for State Assessments and Related Activities	84.369					3,148,819	
Comprehensive Literacy Development	84.371					4,530,075	3,767,259
Statewide Longitudinal Data Systems	84.372					1,117,016	
School Improvement Grants	84.377					153,411	53,127
Transition Programs for Students with Intellectual Disabilities into Higher Education	84.407					52,382	
Education Innovation and Research (formerly Investing in Innovation (i3) Fund)	84.411					458,627	52,611
Preschool Development Grants	84.419					202	
Student Support and Academic Enrichment Program	84.424					4,691,114	4,315,345
Education Stabilization Fund:							
Discretionary Grants: Rethink K-12 Education Model Grants	84.425B	COVID-19			2,566,326		
Governors' Emergency Education Relief (GEER) Fund	84.425C	COVID-19			8,019,908		3,029,066
Elementary and Secondary School Emergency Relief (ESSER) Fund	84.425D	COVID-19			85,247,725		74,122,339
Higher Education Emergency Relief Fund (HEERF) - Student Aid Portion	84.425E	COVID-19			41,300,291		
Higher Education Emergency Relief Fund (HEERF) - Institution Portion	84.425F	COVID-19			46,674,346		
Higher Education Emergency Relief Fund (HEERF) - Strengthening Institutions Program	84.425M	COVID-19			2,302,719		

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Education Stabilization Fund (continued) :							
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)	84.425U	COVID-19			13,135,226		11,235,077
American Rescue Plan - Emergency Assistance to Non-Public Schools (ARP EANS) Program	84.425V	COVID-19			62,097		
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	COVID-19			200,759	199,509,397	176,191
Randolph-Sheppard – Financial Relief and Restoration Payments	84.426	COVID-19				80,884	
National Assessment Of Educational Programs	84.U01	91990020C0023				161,392	
Total U.S. Department of Education (ED)						\$ 524,784,441	\$ 209,842,952
Consumer Product Safety Commission (CPSC)							
Virginia Graeme Baker Pool and Spa Safety	87.002					\$ 69,945	
Total Consumer Product Safety Commission (CPSC)						\$ 69,945	\$ -
National Archives and Records Administration (NARA)							
National Historical Publications and Records Grants	89.003					\$ 926	
Total National Archives and Records Administration (NARA)						\$ 926	\$ -
Election Assistance Commission (EAC)							
2018 HAVA Election Security Grants	90.404					\$ 999,626	
Total Election Assistance Commission (EAC)						\$ 999,626	\$ -
U.S. Department of Health and Human Services (HHS)							
Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041					\$ 23,624	
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042				\$ 86,361		\$ 86,361
Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	93.042	COVID-19			44,691	131,052	44,183
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043				122,227		122,195
Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	COVID-19			2,200	124,427	
Aging Cluster:							
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044				2,843,840		2,148,386
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	COVID-19			922,365		690,882
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045				2,992,771		2,337,547
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	COVID-19			1,564,312		1,526,366
Nutrition Services Incentive Program	93.053				400,117	8,723,405	400,000
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048				310,670		211,966
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	COVID-19			226,591	537,261	169,272
National Family Caregiver Support, Title III, Part E	93.052				1,008,760		1,008,484
National Family Caregiver Support, Title III, Part E	93.052	COVID-19			360,001	1,368,761	352,679
Public Health Emergency Preparedness	93.069					5,209,418	549,244
Environmental Public Health and Emergency Response	93.070					1,876,971	65,394
Medicare Enrollment Assistance Program	93.071					138,082	108,189
Lifespan Respite Care Program	93.072					327,578	230,420
Birth Defects and Developmental Disabilities - Prevention and Surveillance	93.073					15,718	
Hospital Preparedness Program (HPP) and public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074					46,967	10,101
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079					107,335	
Advancing System Improvements for Key Issues in Women's Health	93.088					127,726	26,966

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Guardianship Assistance	93.090				933,749		
Guardianship Assistance	93.090	COVID-19			<u>105,704</u>	1,039,453	
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092					176,329	101,841
Food and Drug Administration Research	93.103					799,857	
Maternal and Child Health Federal Consolidated Programs	93.110				1,579,947		840,118
Maternal and Child Health Federal Consolidated Programs	93.110	COVID-19	Rhode Island Hospital	5T73MC30121-02-00	(20,291)		
Maternal and Child Health Federal Consolidated Programs	93.110				<u>120,211</u>	1,679,867	
Environmental Health	93.113					199	
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116					249,893	
Emergency Medical Services for Children	93.127					134,183	4,325
Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	93.130					216,537	
Injury Prevention and Control Research and State and Community Based Programs	93.136				6,711,037		2,836,448
Injury Prevention and Control Research and State and Community Based Programs	93.136	COVID-19			<u>53,772</u>	6,764,809	
Projects for Assistance in Transition from Homelessness (PATH)	93.150					295,914	295,832
Grants to States for Loan Repayment	93.165					478,958	
Childhood Lead Poisoning Prevention Projects, State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	93.197					467,971	
Family Planning Services	93.217					1,640,517	1,192,640
Traumatic Brain Injury State Demonstration Grant Program	93.234					263,168	98,094
Grants to States to Support Oral Health Workforce Activities	93.236					363,750	
State Capacity Building	93.240					614,776	
Mental Health Research Grants	93.242					50,267	
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243					10,890,906	6,183,634
Early Hearing Detection and Intervention	93.251					271,532	71,911
Immunization Cooperative Agreements (See Note 4)	93.268				15,804,983		111,132
Immunization Cooperative Agreements (See Note 4)	93.268	COVID-19			<u>8,759,111</u>	24,564,094	656,175
Viral Hepatitis Prevention and Control	93.270					579,034	182,239
Drug Abuse and Addiction Research Programs	93.279					277,594	33,852
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283					16,341,307	3,540,172
State Partnership Grant Program to Improve Minority Health	93.296					(14)	
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					42	
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314					162,766	
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323				2,755,167		22,659
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	COVID-19			<u>38,176,314</u>	40,931,481	5,137,837
State Health Insurance Assistance Program	93.324					340,072	162,617
The Healthy Brain Initiative: Technical Assistance to Implement Public Health Actions related to Cognitive Health, Cognitive Impairment, and Caregiving at the State and Local Levels	93.334					261,306	19,158
Behavioral Risk Factor Surveillance System	93.336					470,973	
Student Financial Assistance Cluster: (See Note 7)							
Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students (See Note 3)	93.342				2,270,666		
Nursing Student Loans (See Note 3)	93.364				<u>2,046,784</u>	4,317,450	
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354				28		
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	COVID-19			<u>3,678,477</u>	3,678,505	940,537

STATE OF RHODE ISLAND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
State Actions to Improve Oral Health Outcomes and Partner Actions to Improve Oral Health Outcomes	93.366					1,076,603	121,733
ACL Independent Living State Grants	93.369					305,139	
National and State Tobacco Control Program	93.387					1,288,985	126,634
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	COVID-19				4,269,233	2,422,038
The State Flexibility to Stabilize the Market Grant Program	93.413					96,378	
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421				5,333		
Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.421	COVID-19			102,155	107,488	
1332 State Innovation Waivers	93.423					5,239,671	5,239,671
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426					2,245,615	370,905
ACL National Institute on Disability, Independent Living, and Rehabilitation Research	93.433		The Ohio State University	90RTHF0002-03-00		37,997	
Every Student Succeeds Act/Preschool Development Grants	93.434					8,074,458	6,799,893
Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke	93.435					1,090,936	318,602
Well-Integrated Screening and Evaluation for Women Across the Nation (WISEWOMAN)	93.436					459,264	50,409
Food Safety and Security Monitoring Project	93.448					1,932	
ACL Assistive Technology	93.464					452,692	
Alzheimer's Disease Program Initiative (ADPI)	93.470					203,555	151,725
Community Health Workers for Public Health Response and Resilient	93.495	COVID-19				1,138,999	492,115
Pregnancy Assistance Fund Program	93.500					18	
Public Health Training Centers Program	93.516					24,542	
State Planning and Establishment Grants for the Affordable Care Act's (ACA)'s Exchanges	93.525					1,074,532	
MaryLee Allen Promoting Safe and Stable Families Program	93.556					1,002,510	
Temporary Assistance for Needy Families	93.558				51,530,212		9,141,238
Temporary Assistance for Needy Families	93.558	COVID-19			27,032	51,557,244	
Child Support Enforcement	93.563					12,553,619	
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566					725,103	461,679
Low-Income Home Energy Assistance	93.568				20,647,651		18,288,212
Low-Income Home Energy Assistance	93.568	COVID-19			13,267,841	33,915,492	12,947,175
Community Services Block Grant	93.569				3,307,401		3,274,382
Community Services Block Grant	93.569	COVID-19			1,493,879	4,801,280	1,493,804
CCDF Cluster:							
Child Care and Development Block Grant	93.575				12,906,156		4,215,197
Child Care and Development Block Grant	93.575	COVID-19			73,941,082		789,213
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596				12,578,169	99,425,407	
Refugee and Entrant Assistance Discretionary Grants	93.576					58,722	43,502
State Court Improvement Program	93.586				167,651		
State Court Improvement Program	93.586	COVID-19			44,340	211,991	
Community-Based Child Abuse Prevention Grants	93.590				174,912		
Community-Based Child Abuse Prevention Grants	93.590	COVID-19			129,350	304,262	25,000
Grants to States for Access and Visitation Programs	93.597					89,444	
Chafee Education and Training Vouchers Program (ETV)	93.599				366,748		
Chafee Education and Training Vouchers Program (ETV)	93.599	COVID-19			(77,147)	289,601	
Head Start	93.600					114,506	2,250
Adoption and Legal Guardianship Incentive Payments	93.603					10,003	
The Affordable Care Act – Medicaid Adult Quality Grants	93.609					(7,110)	
Community Health Access and Rural Transformation (CHART) Model	93.624					(8,866)	

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
University Centers for Excellence in Developmental Disabilities Education, Research, and Service	93.632					662,821	
Support for Ombudsman and Beneficiary Counseling Programs for States Participating in Financial Alignment Model Demonstrations for Dually Eligible Individuals	93.634					501,917	218,209
Children's Justice Grants to States	93.643					48,434	
Stephanie Tubbs Jones Child Welfare Services Program	93.645				673,993		
Stephanie Tubbs Jones Child Welfare Services Program	93.645	COVID-19			152,865	826,858	
Adoption Opportunities	93.652					66,316	
Foster Care Title IV-E	93.658				13,812,539		
Foster Care Title IV-E	93.658	COVID-19			500,368	14,312,907	
Adoption Assistance	93.659				11,048,821		
Adoption Assistance	93.659	COVID-19			1,003,877	12,052,698	
Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act	93.664					1,238,432	
Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	COVID-19				2,193,291	1,947,540
Social Services Block Grant	93.667					14,732,401	2,823,102
Child Abuse and Neglect State Grants	93.669				385,838		
Child Abuse and Neglect State Grants	93.669	COVID-19			3,283	389,121	
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671				1,040,141		1,014,046
Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	93.671	COVID-19			10,727	1,050,868	6,995
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674				982,960		
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	COVID-19			1,142,997	2,125,957	
Mental and Behavioral Health Education and Training Grants	93.732					611,632	
Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs, financed by Prevention and Public Health Funds (PPHF)	93.734					46,930	
State Public Health Approaches for Ensuring QUILTINE Capacity, funded in part by Prevention and Public Health Funds (PPHF)	93.735					(2)	
Elder Abuse Prevention Interventions Program	93.747				190,586		96,574
Elder Abuse Prevention Interventions Program	93.747	COVID-19			257,727	448,313	119,800
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations, financed in part by Prevention and Public Health Funds (PPHF)	93.752					1,699,426	383,583
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease and Stroke (PPHF)	93.757					4,254	3,573
Preventive Health and Health Services Block Grant, funded solely with Prevention and Public Health Funds (PPHF)	93.758					81	
Children's Health Insurance Program (See Note 5)	93.767				86,007,260		
Children's Health Insurance Program (See Note 5)	93.767	COVID-19			5,181,337	91,188,597	
Medicaid Cluster:							
State Medicaid Fraud Control Units	93.775				950,247		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777				4,002,528		
State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	93.777	COVID-19			130,851		
Medical Assistance Program (See Notes 5, 8 and 9)	93.778				2,235,349,596		
Medical Assistance Program (See Notes 5, 8 and 9)	93.778	COVID-19			161,415,466	2,401,848,688	
Centers for Medicare and Medicaid Services (CMSS) Research, Demonstrations and Evaluations	93.779					493,801	
Opioid STR	93.788					6,544,438	5,261,122
Money Follows the Person Rebalancing Demonstration	93.791					2,178,684	
Organized Approaches to Increase Colorectal Cancer Screening	93.800					523,612	141,375

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	93.817					4,007	
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829					6	
Promoting Population Health through Increased Capacity in Alcohol Epidemiology	93.845					114,600	
Allergy and Infectious Diseases Research	93.855					210,631	9,030
Biomedical Research and Research Training	93.859					82,751	
Maternal, Infant and Early Childhood Home Visiting Grant	93.870				7,562,708		6,146,327
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	COVID-19			163,046	7,725,754	108,164
National Bioterrorism Hospital Preparedness Program	93.889				1,083,290		587,464
National Bioterrorism Hospital Preparedness Program	93.889	COVID-19			2	1,083,292	
Family and Community Violence Prevention Program	93.910					196,320	139,399
Grants to States for Operation of State Offices of Rural Health	93.913					230,336	42,536
HIV Care Formula Grants (See Note 5)	93.917					(2,666,497)	
HIV Prevention Activities Health Department Based	93.940					1,670,670	586,576
Assistance Programs for Chronic Disease Prevention and Control	93.945					451,805	37,708
Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	93.946					188,650	
Block Grants for Community Mental Health Services	93.958				4,142,130		3,623,576
Block Grants for Community Mental Health Services	93.958	COVID-19			519,211	4,661,341	186,280
Block Grants for Prevention and Treatment of Substance Abuse	93.959				9,194,984		8,189,654
Block Grants for Prevention and Treatment of Substance Abuse	93.959	COVID-19			2,588,445	11,783,429	2,336,644
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977				346,611		38,938
Sexually Transmitted Diseases (STD) Prevention and Control Grants	93.977	COVID-19			435,638	782,249	
Mental Health Disaster Assistance and Emergency Mental Health	93.982	COVID-19				737,371	565,922
Preventive Health and Health Services Block Grant	93.991					786,565	279,001
Maternal and Child Health Services Block Grant to the States	93.994					1,796,042	859,249
Mammography Quality Standards Act	93.U01	HHSF223201710206C				113,174	
Vital Records - National Death Index	93.U02	200-2017-M-93737				24,732	
Vital Records - SSA Death Data	93.U03	SS00-12-60050				19,785	
Vital Records - SSA Birth Data/EAB	93.U04	SS00-14-61090				27,235	
Food Inspections	93.U05	HHSF223201710096C				32,012	
Vital Records - Data Collection	93.U06	200-2017-92545				433,533	
Ovarian Cancer Care Improvement	93.U07	19BFSK0021				14,852	
Transformation Transfer Initiative	93.U08	SC-3011.3-RI-01				57,918	45,848
Childhood Cancer Star Project	93.U09	75D30119C04797				93,393	93,374
Total U.S. Department of Health and Human Services (HHS)						\$ 2,955,759,497	\$ 135,186,842
Corporation for National and Community Service (CNCS)							
State Commissions	94.003					\$ 263,324	
AmeriCorps	94.006					1,403,994	\$ 1,348,664
Training and Technical Assistance	94.009					122,710	
Foster Grandparent/Senior Companion Cluster:							
Senior Companion Program	94.016				\$ 398,607	398,607	211,184
Total Corporation for National and Community Service (CNCS)						\$ 2,188,635	\$ 1,559,848
Social Security Administration (SSA)							
Disability Insurance/SSI Cluster:							
Social Security Disability Insurance	96.001				\$ 9,759,201	\$ 9,759,201	
Social Security - Work Incentives Planning and Assistance Program	96.008					244,564	
Social Security Investigations	96.U01	10.066.3005117				221,351	
Total Social Security Administration (SSA)						\$ 10,225,116	\$ -

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security (DHS)							
Non-Profit Security Program	97.008					\$ 291,709	\$ 291,708
Boating Safety Financial Assistance	97.012					1,130,659	
Community Assistance Program State Support Services Element (CAP-SSSE)	97.023					87,588	
Emergency Food and Shelter National Board Program	97.024					15,511	
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 9)	97.036				\$ 1,495,590		111,545
Disaster Grants - Public Assistance (Presidentially Declared Disasters) (See Note 9)	97.036	COVID-19			236,371,022	237,866,612	60,407,558
National Dam Safety Program	97.041					198,495	
Emergency Management Performance Grants	97.042				2,960,104		429,395
Emergency Management Performance Grants	97.042	COVID-19			186,087	3,146,191	
Assistance to Firefighters Grant	97.044					524,297	
BRIC: Building Resilient Infrastructure and Communities	97.047					35	
Federal Disaster Assistance to Individuals and Households in Presidential Declared Disaster Areas	97.048					88,108	55,362
Presidentially Declared Disaster Assistance to Individuals and Households - Other Needs	97.050					263,431	
Port Security Grant Program	97.056					192,195	
Homeland Security Grant Program	97.067					3,456,189	424,825
Aviation Research Grants	97.069					97,479	
National Explosives Detection Canine Team Program	97.072					90,905	
Law Enforcement Officer Reimbursement Agreement Program	97.090					112,680	
Total U.S. Department of Homeland Security (DHS)						\$ 247,562,084	\$ 61,720,393
NeighborWorks America							
Housing Stability Counseling Program	99.U19	COVID-19				\$ 59,731	
Total NeighborWorks America						\$ 59,731	\$ -
Research and Development Cluster: (See Note 1)							
U.S. Department of Agriculture (USDA)							
Agricultural Research Basic and Applied Research	10.001				\$ 54,147		
Plant and Animal Disease, Pest Control, and Animal Care	10.025				113,728		
Plant and Animal Disease, Pest Control, and Animal Care	10.025		University of Connecticut, Storrs	146838169	2,697		
Plant and Animal Disease, Pest Control, and Animal Care	10.025		Louisiana State University	000076657	(274)		
Specialty Crop Block Grant Program - Farm Bill	10.170				154,553		\$ 84,072
Acer Access Development Program	10.174				251,908		
Grants for Agricultural Research, Special Research Grants	10.200				165,076		
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	91285-2511204	52,423		3,690
Grants for Agricultural Research, Special Research Grants	10.200		University of Maryland	91289-2511208	56,163		33,433
Payments to Agricultural Experiment Stations Under the Hatch Act	10.203				1,730,908		
Animal Health and Disease Research	10.207				41,800		
Sustainable Agriculture Research and Education	10.215		University of Vermont	ONE21-390-35383	3,087		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE15-342-29994	(1,662)		
Sustainable Agriculture Research and Education	10.215		University of Vermont	SNE20-012-RI-34268	20,135		
Sustainable Agriculture Research and Education	10.215		University of Vermont	LNE19-381-33243	58,094		
Higher Education - Multicultural Scholars Grant Program	10.220				33,650		
Extension Collaborative on Immunization Teaching & Engagement	10.229		Extension Foundation	EXCI-2021-2086	20,570		
Integrated Programs	10.303		West Virginia University	18-726-URI	25,395		
Homeland Security Agricultural	10.304		Michigan State University	RIC112910N	18,115		
Homeland Security Agricultural	10.304		Michigan State University	RC106556AF	3,329		
Organic Agriculture Research and Extension Initiative	10.307				27,447		13,746
Specialty Crop Research Initiative	10.309				1,460		
Specialty Crop Research Initiative	10.309		Pennsylvania State University	S000323-USDA	23,955		

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Agriculture and Food Research Initiative (AFRI)	10.310				871,350		145,995
Agriculture and Food Research Initiative (AFRI)	10.310		University of Washington	UWSC10287	14,982		
Agriculture and Food Research Initiative (AFRI)	10.310		University of Connecticut, Storrs	420026	1,708		
Agriculture and Food Research Initiative (AFRI)	10.310		Ohio State University	60079113	8,207		
Crop Protection and Pest Management Competitive Grants Program	10.329				85,919		
Cooperative Extension Service	10.500				1,351,977		
Expanded Food and Nutrition Education Program	10.514				63,997		
Renewable Resources Extension Act and National Focus Fund Projects	10.515				1,210		
Forest Health Protection	10.680				1,483		
Soil and Water Conservation	10.902				250,091		148,615
Soil Survey	10.903				4,885		
Environmental Quality Incentives Program	10.912				90,147		25,557
Technical Agricultural Assistance	10.960				498,212		
Other Research and Development - Department of Agriculture	10.RD	57326	National Crop Insurance Services	57326	(263)		
Other Research and Development - Department of Agriculture	10.RD	RIRCD McWilliams 100219	RI Resource Conservation & Development	RIRCD McWilliams 100219	80,408		
U.S. Department of Commerce (DOC)							
Ocean Exploration	11.011				34,150		
Ocean Exploration	11.011		Smithsonian Institute	22-SUBC-440-0000468472	33,260		
Integrated Ocean Observing System (IOOS)	11.012		University of Delaware	UDR000081	57,212		
Integrated Ocean Observing System (IOOS)	11.012		NERACOOS	N21A013007	34,461		
Integrated Ocean Observing System (IOOS)	11.012		NERACOOS	A008-003	63,874		
Integrated Ocean Observing System (IOOS)	11.012		Rutgers University	731601	2,045		
Economic Development Technical Assistance	11.303				990		
Economic Adjustment Assistance	11.307		401 Tech Bridge	2022-05	6,208		
Economic Adjustment Assistance	11.307		401 Tech Bridge	2022-02	8,581		
Economic Adjustment Assistance	11.307		401 Tech Bridge	2022-03	6,294		
Sea Grant Support	11.417				2,644,919		286,399
Sea Grant Support	11.417		University of Connecticut, Storrs	36463	25,885		
Sea Grant Support	11.417		University of Connecticut, Storrs	368948	86,585		
Sea Grant Support	11.417		Northeast States Emergency Consortium	NA19NWS467011-SUD	96		
Sea Grant Support	11.417		Northeast States Emergency Consortium	NA20NWS4670061-SURI	25,356		
Sea Grant Support	11.417		The Nature Conservancy	NOAA-2	9,210		
Fisheries Development and Utilization Research and Development Grants and Cooperative Agreements Program	11.427				22,956		
Climate and Atmospheric Research	11.431				147,168		5,894
Climate and Atmospheric Research	11.431		RI Natural History Survey	2019-1	75,769		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432				16,266,152		14,558,143
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Northeast States Emergency Consortium	NA21NWS4670007	6,552		
National Oceanic and Atmospheric Administration (NOAA) Cooperative Institutes	11.432		Woods Hole Oceanographic Institution	A101446	7,051		
Marine Fisheries Initiative	11.433				80,793		20,113
Office for Coastal Management	11.473		National Fish and Wildlife Foundation	0318.20.069217	43,952		
Atlantic Coastal Fisheries Cooperative Management Act	11.474		Rutgers University	1194043	90,761		
Center for Sponsored Coastal Ocean Research Coastal Ocean Program	11.478				329,961		39,192
Manufacturing Extension Partnership	11.611				63,917		
Other Research and Development - Department of Commerce	11.RD	2021-022	Ocean Exploration Trust	2021-022	129,798		
U.S. Department of Defense (DOD)							
Community Economic Adjustment Assistance for Responding to Threats to the Resilience of a Military Installation	12.003		City of Newport, Rhode Island	001	278,126		
National Defense Education Program	12.006		University of Connecticut, Storrs	150275136	36,235		

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Basic and Applied Scientific Research	12.300				3,063,467		96,138
Basic and Applied Scientific Research	12.300		Navatek	00-K493-90000	628,027		
Basic and Applied Scientific Research	12.300		HiRigh Optics, Inc.	2021_URI	7,815		
Basic and Applied Scientific Research	12.300		Creare LLC	103289	49,663		
Basic and Applied Scientific Research	12.300		McLaughlin Research Corporation	PO-20-0902	8,864		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158902343	9,211		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157507720	7,515		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157334323	17,086		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157336841	2,876		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157333334	12,678		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	157330959	11,138		
Basic and Applied Scientific Research	12.300		University of Connecticut, Avery Point	158905075	7,827		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	165273	2,890		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	347117	15,984		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	347127	119,237		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	347128	19,496		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	347129	16,057		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	347130	(87)		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386364	8,725		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386368	921		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386373	20,807		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386378	80,397		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386381	82,892		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386382	177,559		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	386388	346,285		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	388683	35,893		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	388687	452		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	389994	39,454		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	390719	19,772		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	405429	75,106		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	405447	153,287		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419209	39,021		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419210	136,808		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419212	83,366		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419214	123,072		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419215	36,236		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419221	72,705		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	419224	113,556		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422919	74,537		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422920	22,691		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422924	34,187		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422925	82,405		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422926	79,544		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422927	36,236		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422928	52,061		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422929	7,788		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422930	67,565		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422931	3,767		

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	422932	42,017		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	423318	69,921		
Basic and Applied Scientific Research	12.300		University of Connecticut, Storrs	426742	167,484		
Basic and Applied Scientific Research	12.300		Naval Undersea Warfare Center	N00174-19-1-0005	71,027		
Basic and Applied Scientific Research	12.300		Goetz Composites	N66604-18-9-0001	98,455		
Basic and Applied Scientific Research	12.300		Goetz Composites	PO#1477	7,000		
Basic and Applied Scientific Research	12.300		University of North Carolina, Chapel Hill	5120732	10,166		
Basic and Applied Scientific Research	12.300		Rite Solutions	RITE002706	34,645		
Basic and Applied Scientific Research	12.300		Physical Science Inc.	SC-8030-001	132,775		
Basic and Applied Scientific Research	12.300		Triton Systems Inc.	TSI-5032-21-20206309	25,013		
Basic and Applied Scientific Research	12.300		US Office of Naval Research	N00014-21-1-2281	49,261		
Scientific Research - Combating Weapons of Mass Destruction	12.351				429,975		
Scientific Research - Combating Weapons of Mass Destruction	12.351		Northeastern University	505201-78050	178,611		
Military Medical Research and Development	12.420				195,110		
Military Medical Research and Development	12.420						
			The Research Foundation for SUNY	1156130-85693	45,254		
Basic Scientific Research	12.431				127,726		45,726
The Language Flagship Grants to Institutions of Higher Education	12.550				591,779		
Basic, Applied, and Advanced Research in Science and Engineering	12.630				244,829		70,120
Basic, Applied, and Advanced Research in Science and Engineering	12.630		Harvard University	124152-5105177	104,567		
Air Force Defense Research Sciences Program	12.800				144,030		
Air Force Defense Research Sciences Program	12.800		Brown University	1913	9,692		
Air Force Defense Research Sciences Program	12.800		Cherokee Nation Technology Solutions	15700-0040/001	49,349		
U.S. Department of the Interior (DOI)							
Science and Technology Projects Related to Coal Mining and Reclamation	15.255				75,406		
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423				194,819		29,753
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423		HDR / e2M	1000300001036	42,026		
Bureau of Ocean Energy Management (BOEM) Environmental Studies (ES)	15.423		University of Alaska	UA22-0040	116,286		
Fish and Wildlife Management Assistance	15.608		Wildlife Management Institute	GSA 00076 Supplement	3,434		
North American Wetlands Conservation Fund	15.623				19,644		
Coastal	15.630				112,847		
Coastal	15.630		Wildlife Management Institute	GSA 00076	25,877		
National Wildlife Refuge System Enhancements	15.654				15,127		
Migratory Bird Monitoring, Assessment and Conservation	15.655				6,932		
Hurricane Sandy Disaster Relief Activities - FWS	15.677				36,560		
Cooperative Ecosystem Studies Units	15.678				39,515		
Assistance to State Water Resources Research Institutes	15.805				118,957		
U.S. Geological Survey Research and Data Collection	15.808		Geological Survey	G21AC10789	20,636		
National Cooperative Geologic Mapping	15.810				20,575		
Natural Resource Stewardship	15.944		New Mexico Department of Game & Fish	51600-0000077833	28,331		
Cooperative Research and Training Programs - Resources of the National Park System	15.945				253,862		13,444
Other Research and Development - Department of the Interior	15.RD	CI - M17PS00057			58,706		31,856
Other Research and Development - Department of the Interior	15.RD	AV18-RI-01	AmericaView	AV18-RI-01	30,324		
U.S. Department of Transportation (DOT)							
Other Research and Development - Department of Transportation	20.RD	UMS-1185	University of Maine	UMS-1185	274,284		
National Aeronautics and Space Administration (NASA)							
Science	43.001				369,008		
Science	43.001		University of Washington	UWSC10146	15,930		
Science	43.001		Farallon Institute	020-241-URI	25,380		
Science	43.001		University of Maine	UMS1296	89,702		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001617	8,750		

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001796	26,214		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001799	18,683		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001823	40,930		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001858	52,899		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001859	40,830		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001860	48,130		
Office of Stem Engagement (OSTEM)	43.008		Brown University	00001896	593		
National Science Foundation (NSF)							
Engineering	47.041				1,526,232		28,637
Engineering	47.041		University of Southern Mississippi	8006386-01.01 URI	998		
Engineering	47.041		Florida International University	510	8,970		
Engineering	47.041		Arizona State University	asub00000339	(1)		
Mathematical and Physical Sciences	47.049				237,446		
Geosciences	47.050				10,045,998		252,447
Geosciences	47.050		Princeton University	SUB0000525	41,748		
Geosciences	47.050		Columbia University	32C(GG009393-04)	20,031		
Geosciences	47.050		Columbia University	32D(GG009393-4)	31,235		
Geosciences	47.050		Woods Hole Oceanographic Institution	82423600	6,904		
Geosciences	47.050		Woods Hole Oceanographic Institution	85568600	186,304		
Computer and Information Science and Engineering	47.070				782,154		213
Computer and Information Science and Engineering	47.070		Columbia University	3(GG014586-02)	14,165		
Computer and Information Science and Engineering	47.070		Columbia University	9(GG014586-02)	3,060		
Computer and Information Science and Engineering	47.070		Yale University	GR109669(CON-80002382)	42,116		
Biological Sciences	47.074				972,145		33,427
Social, Behavioral, and Economic Sciences	47.075				104,329		
Education and Human Resources	47.076				1,310,114		46,444
Education and Human Resources	47.076		University of Connecticut, Storrs	147203923	32,689		
Education and Human Resources	47.076		University of Michigan	5500020997	5,000		
Polar Programs	47.078				197		
Polar Programs	47.078		University of Connecticut, Storrs	KFS#5628610, PO13627	34,704		
Office of International Science and Engineering	47.079				48,467		10,742
Office of International Science and Engineering	47.079		The University of Texas at Austin	UTAUS-SUB00000011	1,133		
Integrative Activities	47.083				3,819,032		1,144,799
Integrative Activities	47.083		University of California, Santa Barbara	KK2235	87,860		
Integrative Activities	47.083		Dartmouth College	R1302	189,421		
Integrative Activities	47.083		University of Southern California	66919743	52,796		
Other Research and Development - National Science Foundation	47.RD	IGA112277782	Oregon State University	IGA112277782	42,102		
Small Business Administration (SBA)							
Small Business Development Centers	59.037				1,121,378		
Environmental Protection Agency (EPA)							
Southeast New England Coastal Watershed Restoration Program	66.129		Restore America's Estuaries	SNEPWG18-6-URI	59,359		11,588
Southeast New England Coastal Watershed Restoration Program	66.129		Restore America's Estuaries	SNEPWG20-6-URI-MHB	154,723		
Southeast New England Coastal Watershed Restoration Program	66.129		Barnstable County	00A00249	(1,031)		
Southeast New England Coastal Watershed Restoration Program	66.129		Town of Charlestown	56.000.G210.000	1,218		
Southeast New England Coastal Watershed Restoration Program	66.129		University of Maine	SNEP1-06	35,914		
Southeast New England Coastal Watershed Restoration Program	66.129		University of Maine	SNEP1--11	10,000		
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	3,801		
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	84007801	12,911		
Research, Development, Monitoring, Public Education, Outreach, Training, Demonstrations, and Studies	66.716		Extension Foundation	Alm_Extension_123122	6,754		

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Environmental Education Grants	66.951				57,521		16,581
U.S. Department of Energy (DOE)							
Office of Science Financial Assistance Program	81.049				325,591		53,208
Office of Science Financial Assistance Program	81.049		Deep Reach Technologies	T2022-URI-004	7,271		
Office of Science Financial Assistance Program	81.049		Donald Danforth Plant Science Center	23021-R	303,398		
Office of Science Financial Assistance Program	81.049		Pennsylvania State University	5027-URI-DOE-1090	181,004		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00001808	38,290		
Office of Science Financial Assistance Program	81.049		University of Georgia	SUB00002708	12,994		
Los Alamos National Laboratory - Fire Protection	81.140		Triad National Security, LLC	526876	11,985		
Los Alamos National Laboratory - Fire Protection	81.140		Triad National Security, LLC	526766	3,783		
Other Research and Development - Department of Energy	81.RD	103701-00001(ST0001)	Tufts University	103701-00001(ST0001)	49,564		
Other Research and Development - Department of Energy	81.RD	TSI-2576-19-109768	Triton Systems, Inc.	TSI-2576-19-109768	79,067		
Other Research and Development - Department of Energy	81.RD	TSI-2576-19-108768	Triton Systems, Inc.	TSI-2576-19-108768	43,760		
Other Research and Development - Department of Energy	81.RD	USABC-Gotion	Gotion	USABC-Gotion	59,120		
Other Research and Development - Department of Energy	81.RD	378690	Brookhaven National Laboratories	378690	106,449		
U.S. Department of Education (ED)							
Ready-to-Learn Television	84.295		PBS	URI/Sweetman	9,725		
Education Research, Development and Dissemination	84.305		University of Wisconsin, Madison	184	7,678		
Election Assistance Commission (EAC)							
Help America Vote Act Requirements Payments	90.401				102,726		
U.S. Department of Health and Human Services (HHS)							
Food and Drug Administration Research	93.103				111,706		
Area Health Education Centers	93.107		Brown University	00001125	58,532		
Maternal and Child Health Federal Consolidated Programs	93.110				14,634		
Environmental Health	93.113				342,477		
Oral Diseases and Disorders Research	93.121				433,278		131,791
NIEHS Superfund Hazardous Substances - Basic Research and Education	93.143				1,446,303		571,777
NIEHS Superfund Hazardous Substances - Basic Research and Education	93.143		Enchem Engineering Inc.	2R44ES028649-02-001	32,528		
Human Genome Research	93.172				94,077		
Research on Healthcare Costs, Quality and Outcomes	93.226				161,879		21,269
Mental Health Research Grants	93.242		Brown University	00001682	52,113		
Mental Health Research Grants	93.242		Women & Infants Hospital of RI	5001541-2	17,467		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243				73,993		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Community Care Alliance	MCA_CCA_URI	86,725		
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		Newport County CHMC, Inc	MCA_NMH_URI_2	370,592		15,870
Advanced Nursing Education Workforce Grant Program	93.247				700,698		179,470
Occupational Safety and Health Program	93.262				51,052		
Alcohol Research Programs	93.273				748,119		25,281
Drug Abuse and Addiction Research Programs	93.279				345,706		108,152
Drug Abuse and Addiction Research Programs	93.279		Brown University	0001483	203,404		
Drug Abuse and Addiction Research Programs	93.279		Oregon Health & Science University	1011948_URI	233,745		
Drug Abuse and Addiction Research Programs	93.279		Oregon Health & Science University	1016803_URI	42,778		
Drug Abuse and Addiction Research Programs	93.279		University of Oregon	217300C	5,736		
Drug Abuse and Addiction Research Programs	93.279		Boston Medical Center	BMC ID 6706	(7,445)		
Drug Abuse and Addiction Research Programs	93.279		Brandeis	GR403953_URI	14,750		
Drug Abuse and Addiction Research Programs	93.279		Butler Hospital	5001781URI	16,575		
Minority Health and Health Disparities Research	93.307		University of California, Riverside	S-001198	15,534		
Trans-NIH Research Support	93.310		Brown University	00001759	30,749		
Emerging Infections Programs	93.317				67,869		7,794

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor Program Title	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Nursing Research	93.361				740,853		63,548
Nursing Research	93.361		Yale University	M17A12609(A10935)	(3,430)		
Cancer Cause and Prevention Research	93.393				15		
Cancer Biology Research	93.396				370,456		
Cancer Research Manpower	93.398		Brown University	00000941	(41)		
Child Care and Development Block Grant	93.575		RI Association for the Education of Young Children	3669269	102,669		
Developmental Disabilities Basic Support and Advocacy Grants	93.630				581,413		552,359
Elder Abuse Prevention Interventions Program	93.747		Disabled Persons Protection Commission	Venkatasubramanian_MDPPC	87,346		
Opioid STR	93.788				177,003		
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Newport County CHMC, Inc	MCA_NMH_URI	45,077		30,674
Section 223 Demonstration Programs to Improve Community Mental Health Services	93.829		Thrive Behavioral Health, Inc.	CCBHC-URI	196,276		18,094
Cardiovascular Diseases Research	93.837				686,743		67,548
Cardiovascular Diseases Research	93.837		University of California, Los Angeles	031690-01-URI	183,940		
Lung Diseases Research	93.838				458,840		192,200
Lung Diseases Research	93.838		Ocean State Research Institute, Inc	122208	24,972		
Blood Diseases and Resources Research	93.839				337,340		
Arthritis, Musculoskeletal and Skin Diseases Research	93.846		Massachusetts General Hospital	236365	31,739		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853				1,628,955		170,873
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Johns Hopkins University	2004741519	(19,298)		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Johns Hopkins University	2005138518	82,780		
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		Johns Hopkins University	60054064	141,326		
Allergy and Infectious Diseases Research	93.855				2,476,993		1,186,885
Allergy and Infectious Diseases Research	93.855		Columbia University	8(GG014746-23)	413		
Biomedical Research and Research Training	93.859				4,550,696		2,510,624
Biomedical Research and Research Training	93.859		Brown University	00000938	18,727		
Biomedical Research and Research Training	93.859		Brown University	00001023	4,776		
Biomedical Research and Research Training	93.859		Brown University	00001920	13,230		
Biomedical Research and Research Training	93.859		Brown University	00001926	109,963		
Biomedical Research and Research Training	93.859		Brown University	00001928	59,909		
Biomedical Research and Research Training	93.859		Brown University	00001939	61,182		
Biomedical Research and Research Training	93.859		Ocean State Research Institute, Inc	312240	12,582		
Biomedical Research and Research Training	93.859		Yale University	GR108643(CON-80002175)	322,981		
Biomedical Research and Research Training	93.859		Lifespan	7139196DSL	36,298		
Biomedical Research and Research Training	93.859		Celdara Medical, LLC	CMCho2018	13,110		
Biomedical Research and Research Training	93.859		Rhode Island Hospital	7137384NHW	19,153		
Biomedical Research and Research Training	93.859		Butler Hospital	5001511-16	15,574		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123	24,832		
Biomedical Research and Research Training	93.859		The Miriam Hospital	7147123KLL	13,398		
Child Health and Human Development Extramural Research	93.865				121,109		
Child Health and Human Development Extramural Research	93.865		Florida State University	R000002706	75,878		
Aging Research	93.866				289,903		7,649
Aging Research	93.866		The Research Foundation for SUNY	82900	289,621		
Aging Research	93.866		Rhode Island Hospital	701-7137507	25,169		

STATE OF RHODE ISLAND
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Fiscal Year Ended June 30, 2022

Federal Grantor	Assistance Listing Number	Additional Award Identification Number	Name of Pass-through Entity	Pass-through Entity Award Number	Federal Expenditures	Total Program or Cluster Expenditures	Passed Through to Subrecipients
Research, Prevention, and Education Programs on Lyme Disease in the United States	93.942		Western Connecticut State University	CDC2019A	34,149		
Block Grants for Prevention and Treatment of Substance Abuse	93.959		Newport County CHMC, Inc	MCA_NMH_URI_3	75,154		
PPHF Geriatric Education Centers	93.969				767,900		171,659
PPHF Geriatric Education Centers	93.969		Bay State Medical Center	FED712-19163-N3	10,612		
Other Research and Development - Department of Health and Human Services	93.RD	75D30119C05160			34,526		
Other Research and Development - Department of Health and Human Services	93.RD	A20-0501-S001	University of California at Davis	A20-0501-S001	83,499		
U.S. Department of Homeland Security (DHS)							
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5101662	224,117		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5117116	9,256		
Centers for Homeland Security	97.061		University of North Carolina, Chapel Hill	5119463	184,296		
Centers for Homeland Security	97.061		Northeastern University	SUB 505245-78058	190,531		
Centers for Homeland Security	97.061		Northeastern University	SUB 505035-78059	(2,274)		
Other Research and Development - Department of Homeland Security	97.RD	S-539-G40001-00-URI	Applied Research Associates	S-539-G40001-00-URI	58,942		
U.S. Agency for International Development (USAID)							
USAID Foreign Assistance for Programs Overseas	98.001				6,514,440		2,999,161
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	19300.312455.04	385,996		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04E	15,553		
USAID Foreign Assistance for Programs Overseas	98.001		Mississippi State University	193900.312455.04D	14,218		
USAID Foreign Assistance for Programs Overseas	98.001						
USAID Foreign Assistance for Programs Overseas	98.001		International Union for Conservation	IUCN-Ricci06102019	44,361		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	261-009519	541,189		
USAID Foreign Assistance for Programs Overseas	98.001		PACT	265-011929	231,378		
USAID Foreign Assistance for Programs Overseas	98.001		DAI Global LLC	1004343-S21-35515	843		
Other Research and Development - Agency for International Development	98.RD	193900.312455.04C	Mississippi State University	193900.312455.04C	17,084		
Total Research and Development Cluster						\$ 90,030,173	\$ 26,282,650
Total Expenditures of Federal Awards						\$ 6,908,093,339	\$ 615,257,990

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the State of Rhode Island (the State). This Schedule is presented for purposes of additional analysis and in accordance with Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”).

The reporting entity is defined in the Notes to the Basic Financial Statements that are presented in *Section A* of this report (see Note 1 to the basic financial statements – Summary of Significant Accounting Policies – B. Reporting Entity). When federal financial assistance is received by one state entity and passed through to another state organization (contained within the reporting entity), the federal financial assistance is reflected by the primary recipient organization to avoid duplication and overstatement of the aggregate level of federal financial assistance expended by the State.

Expenditures reported on the Schedule are recognized consistent with the specific federal compliance requirements for each program regarding allowable costs and, when applicable, the cost principles contained in the Uniform Guidance. Any matching expenditures from non-federal sources are not included in the Schedule.

Programs are generally listed in the Assistance Listing numerical order by federal funding agency. When the Assistance Listing number is not available from the State or component unit’s accounting records, the federal funding agency is identified and these amounts are included in the Schedule along with federal awards for that federal grantor agency (e.g., 84.U01). Certain Research and Development expenditures of federal awards are similarly reflected in the accompanying Schedule when the federal awarding agency is known but not the specific Assistance Listing number (e.g., 15.RD).

The Research and Development (R&D) Cluster is presented at the end of the Schedule because there are multiple federal funding agencies. As a result, total expenditures of federal awards presented for some federal funding agencies do not include expenditures for R&D programs.

The State received COVID-19 pandemic related federal assistance under several programs to address the effects of managing the impact of the global pandemic. The related expenditures to this funding have been identified in the Schedule with “COVID-19” as the additional award identification number.

The State expended some residual federal assistance from the American Recovery and Reinvestment Act of 2009 (ARRA) in fiscal 2022. The related expenditures to this funding have been identified in the Schedule with “ARRA” as the additional award identification number.

Cash assistance is presented using the same basis of accounting as that used in reporting the expenditures (or expenses) of the related funds and component units in the State’s basic financial statements (see Note 1 to the basic financial statements – Summary of Significant Accounting Policies – D. Measurement Focus and Basis of Accounting).

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Loans have been included in the Schedule in accordance with the Uniform Guidance, whereby, loans with continuing federal compliance requirements are recorded at the value of new loans made or received during the audit period, plus the beginning of the audit period balance of loans from previous years, plus cash and/or administrative cost allowances. Loans that do not have continuing federal compliance requirements are recorded at the value of new loans made or received during the audit period, plus cash and/ or administrative cost allowances.

NOTE 1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

None of the State’s large loan programs met the criteria that would require such amounts to be excluded from the State’s Type “A” major program threshold.

Non-monetary assistance is also included in the Schedule consistent with Uniform Guidance requirements. Additionally, all non-monetary assistance has been included in determining major programs as defined by the Uniform Guidance. Non-monetary assistance included in the Schedule is listed by federal program in Note 4 to this Schedule.

NOTE 2. DE MINIMIS INDIRECT COST RATE

Agencies that have never received a negotiated cost rate may elect to charge a de minimis rate of 10% of modified total direct costs that may be used indefinitely. This methodology must be used consistently for all federal awards until such time as an agency chooses to negotiate for a rate, which an agency may apply to do at any time. Certain programs administered by the Office of the Attorney General, the Department of Behavioral Healthcare, Developmental Disabilities and Hospitals, the Department of Revenue, the Department of Public Safety, and the Office of Healthy Aging within the Department of Human Services elected to use the 10% de minimis rate in fiscal year 2022.

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.

<u>Assistance Listing Number</u>	<u>Program</u>	<u>Expenditures of Federal Awards Year Ended June 30, 2022</u>	<u>Loan Outstanding Balance June 30, 2022</u>
14.117	Mortgage Insurance Homes	\$ 397,631,583	N/A
14.189	Qualified Participating Entities (QPE) Risk Sharing	276,828,906	\$ 266,898,275
14.228	Community Development Block Grants/State’s Program and Non-Entitlement Grants in Hawaii	16,363,973	8,458,372
14.239	Home Investment Partnerships Program	30,145,207	29,775,149
14.275	Housing Trust Fund	8,945,576	8,945,575
21.011	Capital Magnet Fund	6,445,243	6,042,038
84.038	Federal Perkins Loan Program – Federal Capital Contributions	5,114,953	3,325,487
84.268	Federal Direct Student Loans	106,847,103	N/A
93.342	Health Professions Student Loans, Including Primary Care Loans/Loans for Disadvantaged Students	2,270,666	2,049,050
93.364	Nursing Student Loans	2,046,784	1,744,915

Note: Outstanding Loan Balance containing “N/A” indicates no continuing compliance requirements.

NOTE 3. LOAN, LOAN GUARANTEE AND INSURANCE PROGRAMS (continued)

Federal awards which include loan, loan guarantee and insurance programs are presented as follows:

- Mortgage Insurance Homes (14.117), a guaranteed/insured mortgage loan program is reported at the value of loans originated or purchased during the fiscal year.
- Other guaranteed/insured mortgage loan programs are reported at the beginning loan balances of the audit period plus loans originated or purchased during the fiscal year: Qualified Participating Entities (QPE) Risk Sharing (14.189); Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228); Home Investment Partnerships Program (14.239); Housing Trust Fund (14.275); Capital Management Fund (21.011). *Note: the amount of expenditures of federal awards as detailed above for the Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (14.228) includes non-loan related expenditures of \$7,905,602.*
- 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.

<u>Assistance Listing Number</u>	<u>Program</u>	<u>Expenditures of Federal Awards Year Ended June 30, 2022</u>	<u>Non-Monetary Assistance Year Ended June 30, 2022</u>
10.555	National School Lunch Program	\$ 72,040,008	\$ 6,255,961
10.559	Summer Food Service Program for Children	2,529,568	173,899
39.003	Donation of Federal Surplus Personal Property	752,063	752,063
93.268	Immunization Cooperative Agreements	24,564,094	13,660,065

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.

NOTE 4. NON-MONETARY ASSISTANCE (continued)

During fiscal 2022, the State received donated vaccines, personal protective equipment, including masks, and testing kits from the federal government to address the COVID-19 pandemic. Per federal guidance the value of such amounts is not included in the SEFA for fiscal 2022.

NOTE 5. REBATES OF PROGRAM EXPENDITURES

The State received the following program expenditure rebates during fiscal 2022:

<u>Assistance Listing Number</u>	<u>Program</u>	<u>Rebate Amount</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants and Children	\$ 6,136,555
93.767	Children's Health Insurance Program (CHIP)	2,312,381
93.778	Medical Assistance Program	119,650,670
93.917	HIV Care Formula Grants	7,996,935

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 2022. 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 \$137.7 million funded from the State's account in the federal Unemployment Trust Fund, \$327.6 million funded by COVID-19 federal grants (CARES Act), and \$19.5 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 \$168,847,593.

NOTE 8. MEDICAL ASSISTANCE PROGRAM – ACCRUED PROGRAM EXPENDITURES

The Schedule of Expenditures of Federal Awards reports federal expenditures for the Medical Assistance Program (93.778) on an accrual basis causing timing differences with federal expenditures claimed on a cash basis on federal reports. These accrued expenditures are typically claimed/reported in the next quarter. In certain instances, as described below, the timing differences may be longer. The following are examples of accruals made for the Medical Assistance Program to properly reflect the following program activity in the State’s financial statements:

- a) The federal share of medical claims for Medicaid recipients relating to services incurred but not yet billed at year-end by fee-for-service providers.
- b) The federal share of contract settlements with managed care organizations was estimated for financial reporting purposes (including the SEFA). These amounts are not claimed on federal reports until final settlements are calculated and paid or received by the State.
- c) The federal share of accrued drug rebates was estimated for financial reporting purposes based on the claim date of service. These rebate credits are claimed on federal reports when received from the drug manufacturer.

NOTE 9. RECONCILIATION BETWEEN THE STATE’S BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Total Federal Expenditures Reported in Financial Statements	\$ 6,894,207,949
Additions to Schedule of Expenditures of Federal Awards:	
National School Lunch Program (10.555) – USDA donated food commodities ^(a)	6,255,961
Summer Food Service Program for Children (10.559) – USDA donated food commodities ^(a)	173,899
Federal Donated Surplus Property (39.003) ^(a)	752,036
Medicaid (93.778) Health System Transformation Program ^(b)	13,048,195
Reductions from Schedule of Expenditures of Federal Awards:	
Coronavirus State and Local Fiscal Recovery Funds (21.027) – local recovery funds passed through to Non-entitlement Units of Local Government (NEUs) ^(c)	(131,957,593)
Emergency Rental Assistance Program (21.023) – amounts passed through to discretely presented component unit ^(d)	(224,871)
Homeowner Assistance Fund (21.026) – amounts passed through to discretely presented component unit ^(d)	(19,214,101)
Coronavirus State and Local Fiscal Recovery Funds (21.027) – amounts passed through to discretely presented component units ^(d)	(31,209,990)
Adjustments to SEFA for Prior Period Activity:	
Coronavirus Relief Fund (21.019) – restatement of July 1, 2020 beginning balance ^(e)	23,669,697
Disaster Grants – Public Assistance (97.036) – revenues received in fiscal 2022 for expenditures incurred in fiscal 2020 and 2021 ^(f)	155,772,029
Disaster Grants – Public Assistance (97.036) – items adjusted on the fiscal 2021 SEFA recorded in the accounting system in fiscal 2022 ^(g)	(3,179,872)
Net Additions to Schedule of Expenditures of Federal Awards	13,885,390
Total Expenditures on Schedule of Expenditures of Federal Awards	\$ 6,908,093,339

NOTE 9. RECONCILIATION BETWEEN THE STATE'S BASIC FINANCIAL STATEMENTS AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (continued)

(a) Non-monetary assistance (Note 4) for National School Lunch Program (10.555), Summer Food Service Program for Children (10.559), and Donation of Federal Surplus Personal Property (39.003) is included in the Schedule of Expenditures of Federal Awards; however, these amounts are not included in the State's basic financial statements.

(b) The Health System Transformation Program (HSTP) is funded through regular federal financial participation (FFP) for the Medical Assistance Program (93.778) and specific qualifying expenditures of the State's public institutions of higher education related to the training of students in the health care related fields pursuant to the Designated State Health Programs (DSHP). The State has authority to claim FFP under the DSHP to solely support the goals of the HSTP. The DSHP qualifying expenditures are quantified and reimbursed by the federal government independent of the HSTP expenditures. For financial reporting purposes in the basic financial statements, the DSHP amounts are reported as restricted revenue when drawn (to designate their HSTP restricted use) with the State share of HSTP expenditures funded by that restricted revenue source. For purposes of presentation in the Schedule of Expenditures of Federal Awards, the State share of HSTP expenditures is presented (reclassified) as expenditures of federal awards to recognize the expenditure of the DSHP federal reimbursement to the State.

(c) Per Part 4 of the Compliance Supplement for the Coronavirus State and Local Fiscal Recovery Funds (21.027), "The States that distributed award funds to the NEUs must not report the amounts provided to the NEUs on their SEFA."

(d) For the Emergency Rental Assistance Program (21.023), Homeowner Assistance Fund (21.026), and Coronavirus State and Local Fiscal Recovery Funds (21.027), amounts passed through to discretely presented component units by the primary government in fiscal 2022 were not fully expended by those component units during the fiscal year. As these component units are included as part of reporting entity for the Single Audit, the Schedule was adjusted to reflect the amounts that were recognized as expenditures in fiscal 2022 by the component units, netting against amounts in the State's accounting system that were expended by the primary government as pass-through awards.

(e) The State reclassified certain expenditures reimbursed through the Coronavirus Relief Fund (21.019) in fiscal 2020 and these amounts were reflected as adjustments to July 1, 2020 beginning balances (refer to Note 10 of the 2021 *Annual Comprehensive Financial Report*). Reported expenditures were reduced on the 2021 Schedule of Expenditures of Federal Awards to recognize the reclassification of these funds reported in fiscal 2020. Subsequently, the reduction was recorded in the State's accounting system in fiscal 2022 in order to comply with U.S. Treasury guidance that final reporting on the Coronavirus Relief Fund must align with the State's general ledger. The negative adjustment posted to the general ledger is offset by the addition to the Schedule, presenting the accurate amount of federal expenditures for the program in fiscal 2022.

(f) The State was reimbursed for eligible COVID-19 related expenditures under the FEMA Stafford Act, Public Assistance (PA) Category B (97.036) in fiscal 2022 for expenditures that were incurred in fiscal 2020 and 2021. For presentation of the Schedule these amounts have been included in fiscal 2022 as expenditures of federal awards. These amounts were not previously reported on the State's Schedule of Expenditures of Federal Awards in fiscal 2020 or 2021.

(g) In fiscal 2021, the SEFA was adjusted to reconcile with the actual revenues received under the FEMA Stafford Act (97.036) during the fiscal year. In fiscal 2022, these reconciling items from 2021 were recorded in the State's accounting system, and rolled up into the 2022 SEFA. As these items were accounted for in the fiscal 2021 SEFA, they are removed from the 2022 SEFA in order to not duplicate the recognition of these expenditures.

Auditor's Reports



Auditor’s Reports

Table of Contents

	<u>Page</u>
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	C-1
Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance as Required by the Uniform Guidance.....	C-4



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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, 2022, and the related notes to the financial statements, which collectively comprise the State’s basic financial statements and have issued our report thereon dated January 31, 2023. Our report includes a reference to other auditors who audited the financial statements of:

- the Tobacco Settlement Financing Corporation, a blended component unit which represents less than 1% of the assets and deferred outflows and the revenues of the governmental activities and less than 1% of the assets and 5% of the revenues of the aggregate remaining fund information;
- the Convention Center Authority, a major fund, which represents 32% of the assets and deferred outflows and less than 2% of the revenues of the business-type activities;
- the Ocean State Investment Pool - an investment trust fund, and the HealthSource RI, Rhode Island Higher Education Savings, and ABLE private-purpose trust funds, which collectively represent 26% of the assets and 1% of the revenues, including additions, of the aggregate remaining fund information; and
- all the component units comprising the aggregate discretely presented component units.

This report includes our consideration of the results of the other auditors’ testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the State’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State’s internal control. Accordingly, we do not express an opinion on the effectiveness of the State’s internal control.

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

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 2022-001, 2022-002, 2022-003, 2022-005, 2022-008, 2022-009, 2022-010, 2022-012, 2022-016, and 2022-019 to be material weaknesses. Other auditors of the discretely presented component units considered the deficiencies described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2022-027, 2022-031, 2022-033, and 2022-034 to be material weaknesses.

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 2022-004, 2022-006, 2022-007, 2022-011, 2022-013, 2022-014, 2022-015, 2022-017, 2022-018, 2022-020, 2022-021, 2022-022, 2022-023, 2022-024, 2022-025, and 2022-026 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 2022-028, 2022-029, 2022-032, 2022-035, and 2023-036 to be significant deficiencies.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed a matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as finding 2022-002. Other auditors of the discretely presented component units disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Questioned Costs* as finding 2022-030.

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

State's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the State's responses to the findings identified in our audit and described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



David A. Bergantino, CPA, CFE
Auditor General
January 31, 2023



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

Finance Committee of the House of Representatives and
 Joint Committee on Legislative Services, General Assembly,
 State of Rhode Island:

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the State of Rhode Island's (State's) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the State's major federal programs for the year ended June 30, 2022. The State's major federal programs are identified in Section I - *Summary of Auditor's Results* of the accompanying *Schedule of Findings and Questioned Costs* (Section D).

We did not audit the major federal programs or portions of federal programs listed below. These programs were audited by other auditors whose reports on compliance with requirements applicable to each major federal program were furnished to us, and our opinion, insofar as it relates to compliance requirements for these programs, is based solely on the reports of the other auditors.

2022 Major Programs Audited by Other Auditors	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
Mortgage Insurance Homes ¹	14.117
Section 8 Project Based Cluster ¹	14.195, 14.856
Airport Improvement Program ¹	20.106
Federal Transit Cluster ²	20.500, 20.507, 20.525, 20.526
Coronavirus Relief Fund ³	21.019
Emergency Rental Assistance Program ³	21.023
Homeowner Assistance Fund ³	21.026
Coronavirus State and Local Fiscal Recovery Funds ³	21.027
Clean Water State Revolving Fund (CWSRF) Cluster ¹	66.458
Education Stabilization Fund ²	84.425
<p>¹ These programs were solely administered by component units and audited by their respective auditors.</p> <p>² These programs were administered by both the primary government and component units through direct awards. Awards made to the component units were audited by the component unit auditors.</p> <p>³ These programs were administered by the primary government and funds were passed through to component units. These pass-through funds were audited by the component unit auditors.</p>	

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

Qualified Opinions on Unemployment Insurance, Coronavirus Relief Fund, Epidemiology and Laboratory Capacity for Infectious Diseases, Temporary Assistance for Needy Families, CCDF Cluster, Children’s Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance

In our opinion, and the opinions of the other auditors, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Unemployment Insurance, Coronavirus Relief Fund, Epidemiology and Laboratory Capacity for Infectious Diseases, Temporary Assistance for Needy Families, CCDF Cluster, Children’s Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, and the opinions of the other auditors, the State complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in Section I - *Summary of Auditor’s Results* of the accompanying *Schedule of Findings and Questioned Costs* for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We, and the other auditors, conducted our audits of compliance in accordance with the auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the State and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide legal determination of the State’s compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinions on Unemployment Insurance, Coronavirus Relief Fund, Epidemiology and Laboratory Capacity for Infectious Diseases, Temporary Assistance for Needy Families, CCDF Cluster, Children’s Health Insurance Program, Medicaid Cluster, and Disaster Grants – Public Assistance

As identified in the following table and as described in the accompanying *Schedule of Findings and Questioned Costs*, the State did not comply with requirements that are applicable to the following major federal programs:

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

Assistance Listing No.	Program / Cluster Name	Compliance Requirement	Finding
17.225	Unemployment Insurance	Eligibility Special Tests and Provisions – UI Program Integrity – Benefit Overpayments	2022-041 2022-042
21.019	Coronavirus Relief Fund	Subrecipient Monitoring	2022-039
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	Subrecipient Monitoring	2022-039
93.558	Temporary Assistance for Needy Families	Subrecipient Monitoring	2022-039
93.575 93.596	CCDF Cluster	Subrecipient Monitoring Eligibility	2022-039 2022-062
93.767	Children’s Health Insurance Program	Eligibility Special Tests and Provisions – Managed Care Financial Audit Special Tests and Provisions – Medicaid Managed Care Organizations – Provider Eligibility	2022-064 2022-065 2022-066
93.775 93.777 93.778	Medicaid Cluster	Special Tests and Provisions – Managed Care Financial Audit Special Tests and Provisions – Medicaid Managed Care Organizations – Provider Eligibility	2022-065 2022-066
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)	Subrecipient Monitoring	2022-039

Compliance with such requirements is necessary, in our opinion, for the State to comply with the requirements applicable to those major federal programs.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the State’s federal programs.

Auditor’s Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the State’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the State’s compliance with the requirements of each major federal program as a whole.

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the State's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the State's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures, and the audit procedures of the other auditors, disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2022-037, 2022-038, 2022-047, 2022-054, 2022-055, 2022-057, 2022-058, 2022-060, and 2022-063. Our opinion on each major program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the noncompliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Our consideration, and the consideration of the other auditors, of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We, and the other auditors, consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2022-039, 2022-041, 2022-042, 2022-044, 2022-045, 2022-049, 2022-052, 2022-054, 2022-061, 2022-062, 2022-064, 2022-065, 2022-066, 2022-067, 2022-069, and 2022-070 to be material weaknesses.

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

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We, and the other auditors, consider the deficiencies in internal control over compliance described in the accompanying *Schedule of Findings and Questioned Costs* as findings 2022-038, 2022-040, 2022-043, 2022-046, 2022-047, 2022-048, 2022-050, 2022-051, 2022-053, 2022-055, 2022-056, 2022-057, 2022-058, 2022-059, 2022-060, 2022-068, 2022-071, 2022-072, 2022-073, 2022-074, and 2022-075 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the State's response to the internal control over compliance findings identified in our compliance audit described in the accompanying *Schedule of Findings and Questioned Costs*. The State's responses, included in *Corrective Action Plans* (Section E), were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



David A. Bergantino, CPA, CFE
Auditor General
May 15, 2023

Schedule of Findings
and Questioned Costs



**Schedule of Findings and
Questioned Costs**

Table of Contents

	<u>Page</u>
Section I – Summary of Auditor’s Results.....	D-1
Section II – Financial Statement Findings.....	D-4
Section III – Federal Award Findings and Questioned Costs	
Table of Findings by Major Program.....	D-43

Basic Financial Statements

1) The independent auditor’s report on the basic financial statements expressed the following opinions:

<u>Opinion Unit</u>	<u>Opinion</u>
Governmental Activities	Unmodified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
Major funds –	
General	Unmodified
Intermodal Surface Transportation	Unmodified
Rhode Island Capital Plan	Unmodified
Lottery	Unmodified
Convention Center Authority	Unmodified
Employment Security	Unmodified
Aggregate Remaining Fund Information	Unmodified

2) The audit of the basic financial statements disclosed significant deficiencies and material weaknesses in internal control over financial reporting.

3) The audit disclosed an instance of noncompliance, which was material to the basic financial statements, and is required to be reported in accordance with *Government Auditing Standards*.

Federal Awards

4) The audit disclosed significant deficiencies in internal control over major programs, some of which were classified as material weaknesses.

5) The independent auditor’s report on compliance for major programs expressed:

a qualified opinion for the following major programs:

<i>Program / Cluster Title</i>	<i>Assistance Listing No(s).</i>
Unemployment Insurance	17.225
Coronavirus Relief Fund	21.019
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Temporary Assistance for Needy Families	93.558
CCDF Cluster	93.575, 93.596
Children’s Health Insurance Program	93.767
Medicaid Cluster	93.775, 93.777, 93.778
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

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.

2022 Major Programs	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
Pandemic EBT Food Benefits	10.542
SNAP Cluster	10.551, 10.561
Mortgage Insurance Homes	14.117
Section 8 Project-Based Cluster	14.195, 14.856
Unemployment Insurance	17.225
Airport Improvement Program	20.106
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526
Highway Safety Cluster	20.600, 20.616
Coronavirus Relief Fund	21.019
Emergency Rental Assistance Program	21.023
Homeowner Assistance Fund	21.026
Coronavirus State and Local Fiscal Recovery Funds	21.027
Clean Water State Revolving Fund (CWSRF) Cluster	66.458
Title I Grants to Local Education Agencies	84.010
Education Stabilization Fund	84.425
Immunization Cooperative Agreements	93.268
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323
Temporary Assistance for Needy Families	93.558
CCDF Cluster	93.575, 93.596
Children’s Health Insurance Program	93.767
Medicaid Cluster	93.775, 93.777, 93.778
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036

8) The dollar threshold used to distinguish between Type A and Type B programs was \$20,724,280.

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:

2022 Major Programs Audited by Other Auditors	
<i>Program / Cluster Title:</i>	<i>Assistance Listing No(s).</i>
Mortgage Insurance Homes ¹	14.117
Section 8 Project Based Cluster ¹	14.195, 14.856
Airport Improvement Program ¹	20.106
Federal Transit Cluster ²	20.500, 20.507, 20.525, 20.526
Coronavirus Relief Fund ³	21.019
Emergency Rental Assistance Program ³	21.023
Homeowner Assistance Fund ³	21.026
Coronavirus State and Local Fiscal Recovery Funds ³	21.027
Clean Water State Revolving Fund (CWSRF) Cluster ¹	66.458
Education Stabilization Fund ²	84.425
<p>¹ These programs were solely administered by component units and audited by their respective auditors.</p> <p>² These programs were administered by both the primary government and component units through direct awards. Awards made to the component units were audited by the component unit auditors.</p> <p>³ These programs were administered by the primary government and funds were passed through to component units. These pass-through funds were audited by the component unit auditors.</p>	

Finding 2022-001

(material weakness – repeat finding – 2021-001)

IMPLEMENTATION OF AN ENTERPRISE RESOURCE PLANNING (ERP) SYSTEM TO ADDRESS THE STATE’S CRITICAL FINANCIAL AND ADMINISTRATIVE FUNCTIONS

The multi-year implementation of an ERP system will require substantial resources and planning to ensure a successful outcome. It is critical that the State remain committed to the selected software vendor to ensure a fully integrated system capable of addressing the current internal control deficiencies, business continuity risks, and inefficient processes inherent in the State’s current financial and administrative systems.

Background: Subsequent to fiscal year 2022, the State’s ERP system planning had advanced to the selection of a software solution and an integration vendor, two very important decisions necessary to ensure that the State can achieve its vision of a fully integrated ERP system. Planning, business process analysis, and evaluation of the State’s current systems and data are beginning in fiscal 2023.

Criteria: Management needs well-designed financial systems that support comprehensive internal controls over financial reporting, enable organization-wide efficiencies, and promote business continuity. Integrated functionalities support appropriate internal controls and eliminate inefficiencies resulting from multiple systems, duplicate data entry and ineffective communication between systems.

Condition: Important functionalities are minimally met through legacy systems, the existing statewide accounting system, and multiple departmental processes without intended integration and efficiencies. This results in business continuity risk, decreased efficiency and effectiveness, and control weaknesses. Some of the State’s critical systems utilize outdated technology which makes these operations vulnerable from a business continuity and systems security perspective. Certain legacy systems utilize software that is no longer supported and the availability of skilled personnel to work on these systems is limited. Many of the needed financial functionalities are interdependent and, consequently, the risk of failed integration is increased absent appropriate strategic planning and sequencing.

The State’s current financial systems design and limitations has resulted in numerous control deficiencies relating to internal control largely due to ineffective manual procedures being implemented in place of systemic integration that minimizes the risks of errors. The following control deficiencies most significantly impact the State’s controls over financial reporting:

- *General ledger access* – Effective accounting systems restrict general ledger access to those individuals knowledgeable about the State’s accounting and financial reporting. The current system allows wide access to the general ledger which results from recording cash receipts through journal entries rather than a cash receipts module. This significantly increases the risk of accounting errors being made and not being detected in a timely manner.
- *Recording accruals during the fiscal close* – The State currently relies on the manual accumulation of accruals (except for system generated accounts payable) as part of their fiscal closing process. These manual processes are more likely to omit or misstate the recording of accruals as the process lacks effective controls to ensure the completeness and accuracy of recorded amounts.
- *Recording financial activity from subsidiary systems* – Financial activity processed (and in certain situations disbursed) by subsidiary systems often prevents detailed transaction data from being reported in the accounting system. In addition, reconciliations of subsidiary systems to the State accounting system is a lacking compensating control needed in response to the decentralized use of multiple financial systems.

- *Federal revenue and expenditure reporting* – With the majority of the State’s expenditures being funded by federal grants, controls over their reporting are material to the State’s financial reporting. The State’s accounting system does not meet the State’s needs in three important and interrelated areas relating to the reporting of federal revenue and expenditures – time reporting/payroll, grants management, and cost allocation – all functionalities that are integral to the management of federal programs. These functions are currently performed independent of RIFANS and generally through multiple departmental systems - most of which are duplicative and utilize old and sometimes unsupported technology. Because these systems and processes are decentralized, they do not ensure that federal expenditures are only reported when available grant award authority exists and that federal expenditures are recorded in the proper period due to delays in cost allocation results being reflected in the accounting system.
- *Capital projects reporting* – the State currently tracks capital projects using Excel. Project costs are accumulated in Excel and reported as construction in progress before being reclassified to the proper capital asset category upon completion. This process is inefficient and lacks the controls that a fully integrated capital projects module would provide.

Cause: The State’s current accounting and financial reporting system lacks the integration, functionality, and controls of a comprehensive 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

- | | |
|-----------|--|
| 2022-001a | Manage the business process re-engineering required to align the State’s processes to the software-as-a-service functionalities within the ERP system. |
| 2022-001b | Ensure sufficient subject matter experts are involved in the implementation process to ensure a high likelihood of success. |
| 2022-001c | Ensure that the new ERP system addresses identified internal control deficiencies relating to financial reporting. |

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

Finding 2022-002

(material weakness / other matter required to be reported by Government Auditing Standards – repeat finding – 2021-002)

CONTROLS OVER UNEMPLOYMENT INSURANCE BENEFIT PAYMENTS

See related Federal Award Finding 2022-041.

Controls over the processing of unemployment insurance claims were insufficient to prevent fraudulent unemployment insurance benefit payments. Recoveries of fraudulent unemployment insurance benefits have not been recognized or credited to the federal grantor.

Background: Since the start of the pandemic, the Department of Labor and Training (DLT) has paid more than \$2.7 billion in unemployment insurance benefits. 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. Expanded pandemic unemployment benefits continued during fiscal 2022, through September 2021, exceeding \$300 million.

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.

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.

Collections on overpayments due to error or fraud must be reported and credited to the appropriate federal award that funded the unemployment insurance benefit.

Condition: DLT’s internal control procedures were not sufficiently effective to ensure that unemployment benefit payments were made only to eligible individuals. DLT estimated another \$10 million in fraudulent claims were paid in fiscal 2022 prior to the end of expanded benefits in September 2021. DLT implemented additional measures since the commencement of the enhanced federal benefits which aided fraud prevention but did not fully eliminate such activities. The federal government required (effective in December 2020) stricter documentation requirements of income provisions for self-employed individuals; however, most claimants did not provide the required documentation and benefits continued.

In some limited instances, recoveries of amounts paid to fraudulent beneficiaries were made. DLT has not yet credited those amounts to the appropriate federal award.

Beyond the above control considerations, DLT’s current mainframe system has reached end-of-life and poses significant business continuity risks to unemployment insurance benefit operations.

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.

When fraudulent benefits are successfully recovered, the funding source for that benefit must be investigated and determined. The investigation and accounting for these amounts has lagged and was still pending at June 30, 2022.

Effect: Fraudulent UI 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. The federal grantor has not yet been credited for their share of fraud recoveries.

RECOMMENDATIONS

- 2022-002a Implement a strategic plan to address the required modernization of the unemployment benefit claims processing system. The modernization should include strengthening controls to prevent fraudulent benefit payments.
- 2022-002b Research recoveries of overpayments or fraudulent payments and credit the federal government (appropriate federal award) for amounts recovered.

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

Finding 2022-003

(material weakness – repeat finding – 2021-003 and 2021-004)

MEDICAID PROGRAM COMPLEXITY AFFECTS FINANCIAL REPORTING AND OVERALL PROGRAM CONTROLS

See related Federal Award Finding 2022-067.

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 just under \$3.6 billion in expenditures or approximately 37% of the State’s General Fund expenditures. Consequently, the financial aspects of this program are material to the State’s financial reporting objectives. Expenditures for individuals covered under managed care approximate \$2 billion representing the majority of benefit expenditures reported for Medicaid.

Criteria: Management of the Executive Office of Health and Human Services (EOHHS) is responsible for establishing and maintaining internal control over financial reporting to ensure accurate and complete reporting of transactions in accordance with generally accepted accounting principles.

Condition: Significant Medicaid program activity is currently being accounted for external to the systemic controls and processes designed within the Medicaid Management Information System (MMIS). The MMIS was developed as a claims processing system over 30 years ago and was not designed to meet the current processing and reporting needs of the State’s managed care programs. Managed care requires a system that can handle capitation adjustments and a more robust adjudication of encounter data submitted by the State’s contracted managed care organizations (MCOs). While the MMIS has been modified over time to handle the disbursement of capitation and the submission of encounter data, it lacks the functionality to completely process and account for managed care activity.

Risks relating to inaccurate financial activity and federal compliance have increased due to the length of settlement periods, eligibility discrepancies between the claims payment system and the State’s integrated eligibility system, retroactive capitation adjustments, and the volume of transactions being accumulated and evaluated independent of regular program controls.

The following were examples of control deficiencies during fiscal 2022 which led to a significant number of audit adjustments to correct financial reporting:

- Receivables and liabilities relating to the Medicaid Program at year-end each totaled in excess of \$200 million. The estimation, calculation, and reporting of year-end accruals is an entirely manual process involving no systemic controls to ensure the accuracy and completeness of reported amounts;
- Payments to and recoupments from providers and managed care organizations totaling more than \$110 million and \$30 million, respectively, were made through system and manual transactions made by the fiscal agent with authorization by the State Medicaid Agency. These payments are not subjected to the claims processing controls of the MMIS and often require substantial off-line manual calculations to determine the transaction amounts. These transactions are often netted within the normal claims processing cycle activity and the MMIS system lacks sufficient reporting capability for these transactions. During fiscal 2022, the volume of these transactions was significant (more than 1,600 transactions) and individual disbursements often exceeded \$100,000 (approximately 180 individual payments in 2022);
- Managed care contract or rate adjustment settlements represented the largest system and manual payments. These transactions often totaled millions and resulted in the final capitation rate actually disbursed not being reflected in the MMIS, further complicating the final contract settlements which are performed manually by Medicaid staff and contract employees; and
- The MMIS's limited ability to process capitation adjustments and to process and report on encounter data makes it very difficult to estimate accruals relating to managed care. The State Medicaid agency currently relies on plan reporting from the MCOs to estimate final contract settlements requiring accrual at year-end. The accuracy of the data provided, the run-out period for providers to continue submitting claims, and the lack of complete encounter data reported in the MMIS remain challenges in accruing accurate managed care settlements at year-end.

While EOHHS's off-line analysis is making every attempt to accurately and completely settle and account for its managed care activities, systemic controls do not currently support those efforts and control deficiencies exist that continue to impact the State's financial reporting. With the State currently exploring procurement for a new MMIS, significant focus should be placed on ensuring that controls over managed care capitation and claiming activity are significantly improved. In the near term, the State should look to utilize federally required audit procedures to improve controls over segments of the managed care settlement process that are currently not being validated.

Cause: Ensuring all financial activity is properly and completely recorded in the State's financial statements is an increasingly complex task. The State does not currently have a system that can process retroactive capitation rate changes and/or changes in participant enrollment category. The current MMIS performs limited edits in encounter data submitted by the plans that are no longer adequate for the size and volume of medical claims covered under capitation. Insufficient system reporting for system payouts and recoupments increases the risk that material transactions are not identified that require reporting as prior period activity on federal reports and for financial reporting. The extent to which system payouts are not individually recorded in the State accounting system increases the risk that these transactions are not accounted for properly for financial reporting as they bypass the State's centralized review procedures designed to ensure that transactions are recorded in the correct accounts and reflected in the correct fiscal period.

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

- 2022-003a Develop specific objectives for managed care data processing (i.e., premium and encounter data processing functionality) that will be required of and included in the specifications for the next MMIS.
- 2022-003b Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.
- 2022-003c Develop comprehensive reporting for system payouts, manual disbursements, and system recoupments to improve the transparency of these transactions processed by the Medicaid fiscal agent.
- 2022-003d Improve controls over non-claims based financial transactions in the next MMIS to provide for individual reporting and proper financial accounting treatment.

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

Finding 2022-004

(significant deficiency – new finding)

**FISCAL CLOSING DEFICIENCIES – DEPARTMENT OF BEHAVIORAL HEALTHCARE,
DEVELOPMENTAL DISABILITIES, AND HOSPITALS**

The Department of Behavioral Healthcare, Developmental Disabilities and Hospitals (BHDDH) omitted certain accruals in conjunction with the State’s fiscal closing.

Criteria: Management is responsible for establishing and maintaining internal control over financial reporting to ensure accurate and complete reporting of transactions in accordance with generally accepted accounting principles. Generally accepted accounting principles require that expenditures are recorded in the correct financial period and, when necessary, estimates can be recorded by management to ensure the completeness of financial reporting.

Condition: Accruals for department expenditures were omitted because BHDDH did not have completed cost reports and cost allocation results at June 30, 2022.

Cause: Management made no attempt to estimate and record amounts for final settlements and cost allocation results relating to fiscal 2022 as part of the department’s fiscal close.

Effect: The potential omission in accrual recording could result in material misstatement of the financial statements.

RECOMMENDATION

- 2022-004 Estimate and record expenditures at year-end to ensure the completeness of financial reporting.

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

Finding 2022-005

(material weakness – repeat finding – 2021-005)

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. A complete consideration of internal control, in addition to documenting control policies and procedures, must also include how the policies are communicated, documentation of risks associated with financial reporting and operations, and monitoring of those documented controls to ensure their effectiveness. Federal regulations require the establishment and maintenance of effective internal controls when administering federal awards.

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

- 2022-005a 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.
- 2022-005b 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 2022-006

(significant deficiency – repeat finding – 2021-006)

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. Management should also ensure that their user entity controls are documented and reviewed to ensure that they are operating effectively. Ineffective user entity controls limit the usefulness of SOC reports when documenting an entity’s financial and operational controls as those reports assume that user entity controls are operating effectively.

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. Our audit has frequently noted instances where user entity controls have not been documented and reviewed by the State agency with direct responsibility for those identified controls.

When SOC reports identify exceptions, evaluation of such matters must be timely and thorough. Any highlighted deviations in control testing that may result in a qualified opinion regarding the design and effectiveness of certain control procedures at the service organization, as well as complementary user entity control considerations should be documented, reviewed, and thoroughly vetted. For fiscal year 2022, documentation support obtained by the State departments utilizing the service organization was incomplete or insufficient regarding the evaluations of the exceptions 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. In addition, insufficient documentation and review of user entity controls limits the related assurance that can be placed on control objectives reported within SOC reports.

Effect: Many functions performed by external parties are material to the State’s overall operations. Deficiencies in the design or operation of controls at service organizations could materially impact the State’s overall controls over financial reporting and compliance.

RECOMMENDATIONS

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| 2022-006a | Enhance training and monitoring to ensure compliance with newly implemented SOC report evaluation procedures. |
| 2022-006b | Ensure that relevant complementary user entity (State) controls identified by service organizations are also in place and operating effectively. |
| 2022-006c | 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. |

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

Finding 2022-007 (significant deficiency – repeat finding – 2021-037)

CONTROLS OVER PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity is accurately reported to the proper Assistance Listing number and amounts passed through to subrecipients are appropriately classified and reported.

Criteria: 2 CFR 200.510(b) states “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502. At a minimum, the schedule must:

- (1) List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. For example, the National Institutes of Health is a major subdivision in the Department of Health and Human Services.
- (2) For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.
- (3) Provide total Federal awards expended for each individual Federal program and the Assistance Listings Number or other identifying number when the Assistance Listings information is not available. For a cluster of programs also provide the total for the cluster.
- (4) Include the total amount provided to subrecipients from each Federal program.”

The preparation of an accurate SEFA is critical to ensuring the proper recording of federal revenue and expenditures in the financial statements and to ensure that the State can comply with federal Uniform Guidance when submitting the State’s Single Audit Report required by federal regulations.

Condition: We noted several instances in which adjustments to the SEFA were necessary to accurately report the federal expenditure activity for fiscal 2022:

- *Coronavirus State and Local Fiscal Recovery Fund (21.027)* - Amounts disbursed to municipalities from the State non-entitlement and county distribution amounts which federal regulations define as direct assistance to those entities. In accordance with federal guidance, these funds should be reported as direct assistance by the municipalities and not reported on the State’s SEFA. Accordingly, expenditures were reduced by \$132 million.
- *Disaster Grants – Public Assistance (administered by the Federal Emergency Management Agency) (97.036)* – Under generally accepted accounting principles, disaster grant federal revenue cannot be recognized until the underlying expenditures are approved by FEMA. The FEMA approval is deemed to be the underlying requirement for revenue recognition. Thus, recognition of the federal expenditures can lag the actual fiscal period in which the expenditures are incurred. Expenditures had to be increased by \$155 million for amounts awarded by FEMA in fiscal 2022 relating to expenditures incurred in prior periods.
- *Medical Assistance Program (93.778)* – In accordance with provisions in the State’s section 1115 waiver, the State receives federal match for certain Designated State Healthcare Program (DSHP) expenditures when incurred. Those proceeds must be utilized by the State to fund the State match for certain Healthcare Systems Transformation Programs (HSTP). HSTP expenditures from restricted DSHP funding totaled \$13 million in fiscal 2022 and required addition to reported federal expenditures in the SEFA.
- *Social Services Block Grant (SSBG) (93.667)* – In accordance with federal regulations, certain expenditures for the SSBG program can be funded through the State’s *Temporary Assistance to Needy Families (TANF) Program (93.558)*. For SEFA reporting purposes, this required reclassification of \$8 million between the programs in fiscal 2022.

Adjustments of reported pass-through amounts were also required. In addition to adjustments for the primary government’s federal expenditures, the State does not adequately review and monitor reported federal expenditures of the discretely presented component units. Such monitoring and oversight is necessary as Rhode Island submits a Single Audit Report for the entire financial reporting entity.

Cause: There is a disconnect between the agency personnel responsible for accurate recording of federal expenditures in the SEFA and the Office of Accounts and Control, the agency that prepares the SEFA from the accounting system. Both agency personnel and the agency responsible for preparation of the Statewide SEFA need more training regarding program regulations and federal requirements to ensure the accurate preparation of the SEFA.

Effect: Without correction, the SEFA would not accurately present federal expenditures in accordance with the Uniform Guidance.

RECOMMENDATION

2022-007 Ensure policies and procedures for presenting the SEFA are consistent with Uniform Guidance requirements.

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

Finding 2022-008

(material weakness – repeat finding – 2021-009)

CONTROLS OVER FEDERAL PROGRAM FINANCIAL ACTIVITY

The State must improve controls over recording federal revenue to ensure (1) amounts are consistent with the limitations of grant awards from the federal government and (2) claimed expenditures on federal reports are consistent with amounts recorded in the State’s accounting system.

Background: Federal programs represented 49% of fiscal 2022 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.

With the longer-term solution residing with a fully integrated ERP system with the functionalities outlined in Finding 2022-001, the State needs to implement the following near term solutions to improve controls over federal reporting:

- Interface RIFANS with the separate Grants Management System (GMS) to provide controls ensuring that federal expenditures are recognized only if the GMS reports sufficient federal grant authority at the time of the transaction,
- Ensure that agencies are completing quarterly cost allocations and that related adjustments of reported expenditures are completed in a timely manner,
- Revise the current Federal Grants Information Schedule (FGIS) process to require agencies to submit federal reports with their FGIS reconciliations. Also consider transferring the responsibility for reviewing the FGIS reconciliations to grants management staff within the Office of Accounts and Control who are more knowledgeable about federal grant reporting. Exploration of options to automate FGIS reporting and reconciliation should also be explored.

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 system 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

2022-008 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 2022-009

(material weakness – repeat finding – 2021-017)

MATERIAL AUDIT ADJUSTMENTS

Material audit adjustments were proposed and accepted during our audit of the State’s fiscal 2022 financial statements.

Background: Generally accepted auditing standards require the need for material audit adjustments to be considered a control deficiency.

Criteria: Material audit adjustments are likely indicative of weaknesses in controls over the preparation of financial statements.

Condition: We proposed multiple material audit adjustments deemed necessary to fairly present the State’s financial statements in accordance with generally accepted accounting principles. Common reasons for proposed audit adjustments were to correct the financial statements to ensure the:

- Alignment and consistency amongst funds and/or for proper financial reporting classification (i.e., ensuring that transactions were reported consistently in the financial statements),
- Completeness and accuracy of accrual transactions,
- Recording of accounting adjustments pending information not provided timely by State agencies,
- Alignment of transfers between the primary government and its discretely presented component units, and
- Proper reporting of custodial activity in the State’s financial statements.

Cause: The Office of Accounts and Control experienced significant turnover in accounting staff beginning in fiscal 2021 depleting the office of personnel with experience in preparing governmental financial statements. In addition, documentation of policies and procedures was lacking for new staff to follow when preparing the 2022 financial statements. Certain State agencies did not provide information in a timely manner to ensure accurate and complete financial reporting.

Effect: The State’s financial statements would have been misstated without the required audit adjustments.

RECOMMENDATIONS

- 2022-009a Increase resources needed for personnel and training within the Office of Accounts and Control to ensure accurate and timely financial reporting moving forward. Consider the need for separate resources dedicated to quality control over financial reporting.
- 2022-009b Improve documentation of the State’s policies and procedures relating to financial reporting.
- 2022-009c Financial reporting training should be considered for State agency finance personnel to increase awareness of governmental financial reporting.

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

Finding 2022-010

(material weakness – new finding)

INVESTMENT NEEDED FOR MODERNIZATION OF THE STATE’S TREASURY FUNCTIONS

The complexity of Treasury operations has increased substantially over the years without significant modifications to the State’s investment in technology and personnel to support those efforts and to ensure internal control best practices are maintained.

Background: The Office of the General Treasurer (Treasury) is responsible for the State’s cash management functionality which includes oversight of deposit balances with multiple financial institutions, investment of cash balances, maintaining liquidity to meet obligations, and ensuring the safety of deposits and short-term investment balances.

At June 30, 2022, the State’s short-term deposit and investment portfolio (exclusive of pension and OPEB related investments) totaled nearly \$4 billion. Organizations of similar size and complexity would typically have sophisticated and integrated information technology systems to facilitate daily cash management operations and ensure compliance with deposit and investment guidelines.

The Office of the General Treasurer has utilized various applications to facilitate its cash management functionalities, but none have been integrated with the State’s accounting system. The State is beginning to implement an Enterprise Resource Planning system and it is important that the State’s cash management functionalities and requirements be included and integrated within that implementation.

Criteria: Management is responsible for ensuring internal controls over Treasury operations are well designed and effective. Most important within Treasury operations is ensuring segregation of duties. Treasury is also responsible for ensuring the safety and liquidity of the State’s deposits and for ensuring compliance with the deposit and short-term investment guidelines of the State Investment Commission.

Condition: While Treasury meets its daily cash management responsibilities, mostly through the continuity of “key” personnel, these activities are not adequately supported by current technology that accesses and integrates data from multiple sources (e.g., accounting system, banks, custodians, investment counterparties). Accordingly, data is independently gathered from a variety of sources which is time consuming and inefficient. Additionally, given the current configuration of non-integrated applications, there is an insufficient number of staff assigned to these functions to allow adequate segregation of duties. The systems and processes used to manage the deposit and short-term portfolio present the following control deficiencies:

- Difficulties in ensuring segregation of duties relating to the transfer of funds and the recording and reconciling of investment activity.
- The State is currently utilizing Excel to record the purchase and sale of investments. The program is utilized to journalize summarized investment activity into the State’s accounting system. While functional, the lack of transaction level detail being recorded in the State’s accounting system, coupled with the lack of controls that a more substantial software application would include, is not ideal.
- Managing compliance with investment diversification policies (promulgated by the State Investment Commission) and statutory collateralization requirements mandated for the State’s cash deposits requires continual monitoring to ensure compliance. The Treasurer’s office currently lacks a modern cash management system that would facilitate compliance monitoring, requiring those functions to be performed by personnel already depended on for various other Treasury functions.

Cause: The current systems do not contribute to the segregation of duties, and staffing is insufficient to adequately segregate the functions with the required redundancy needed in various positions. Current use of Excel lacks required access, data integrity, and other systemic controls to safeguard the recording of the State’s short-term investment activity. There is a lack of sufficient technology and personnel resources needed to manage compliance with investment diversification policies and statutory collateralization requirements.

Effect: There is an inability to maintain proper segregation of duties in key treasury operations as well as potential noncompliance with diversification and collateralization policies for the State’s cash and investments.

RECOMMENDATIONS

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| 2022-010a | Contract for a study of Treasury operations to identify the appropriate levels of personnel required for the size of the Treasurer’s current operations and responsibilities. Include in that study, personnel that would be required to advance future technological solutions. |
| 2022-010b | Ensure the State’s Enterprise Resource Planning system implementation includes the State’s treasury function and the resources that will be needed to integrate the cash management functionality within the System. |
| 2022-010c | Consider the personnel resources necessary to enhance segregation of duties and reduce business continuity risks associated with current personnel levels. |

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

Finding 2022-011

(significant deficiency – repeat finding – 2021-015)

VOLUME OF ACCOUNTING SYSTEM JOURNAL ENTRIES

There is an excessive volume of journal entries recorded within the accounting system. This volume weakens controls over the appropriate authorization and classification of expenditures and limits transparency regarding the underlying transactions.

Background: More than 10,500 journal entries were processed during fiscal 2022 in the accounting system. An additional 36,000 journal entries were used to record receipts/revenues.

Criteria: Initiation and approval of journal entries is typically restricted to a small number of higher-level accounting staff to record specific financial reporting related entries or to make corrections.

Condition: The volume of journal entries continues to increase due to the inability of the current accounting system to allocate costs to multiple programs and activities. The significant increase in federal awards provided to address pandemic related costs has increased the volume of journal entries as costs were reallocated to the most appropriate funding source.

Additionally, RIFANS lacks any receipt/revenue functionality, consequently requiring receipts/revenues to be recorded through journal entries.

Journal entries typically are considered higher risk from an internal control perspective as approval level controls require understanding and appropriate review of complex transactions to be effective. As the volume increases, the time to adequately review and approve what are often material transactions also increases, threatening the effectiveness of control procedures.

Cause: Insufficient cost allocation functionality in the current accounting system necessitates a high volume of journal entries to allocate administrative costs. Since accounting personnel in all departments and agencies need to process receipts through journal entries, the ability to initiate and approve journal entries is more widespread than would be typically seen in most large accounting systems. In addition, while agency finance personnel are knowledgeable about program and agency activities, they are often less familiar with governmental accounting and financial reporting requirements.

Effect: Controls are weakened through the large volume of high-dollar transactions that are recorded through journal entries, which increase the possibility that a misstatement could occur and not be detected in the normal course of operations.

RECOMMENDATIONS

- 2022-011a Ensure the statewide ERP includes appropriate cost allocation functionality, including payroll distributions, and an integrated revenue/receipt functionality to significantly reduce the volume of journal entries needed to maintain the accounting system and support financial reporting.
- 2022-011b Enhance review and oversight of material journal entries to ensure appropriate recording of transactions and avoid misstatement of the financial statements.

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

Finding 2022-012

(material weakness – repeat finding – 2021-012)

PREPARATION OF THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The State needs to improve its documentation of processes relating to the preparation of the government-wide financial statements.

Background: The State accounting system maintains distinct accounting records to support the preparation of the government-wide (full accrual) financial statements. The full accrual set of books is populated through consolidation entries of the monthly activity from the modified accrual set of books, capital asset transactions throughout the fiscal year, and conversion entries to record noncurrent assets and liabilities and to reclassify fund-level activity as needed.

Criteria: Trial balances from the accounting system should not require significant modification to generate accurate financial statements. Controls should be operational to ensure that all transaction activity is recorded consistently in both sets of books and required updates to account mappings are made when needed. Preparation of the government-wide financial statements should include adequate review to ensure results are consistent with expectations.

Condition: The fiscal 2022 draft government-wide financial statements required substantial adjustment prior to finalization. Reconciliations, included as a required component of the basic financial statements, to identify and explain the differences between the government-wide and fund-level financial statements were incomplete. These reconciliations also required significant adjustment in conjunction with our audit.

Significant government-wide financial statement areas that require better documentation of procedures and additional training include:

- Determining the State’s Net Investment in Capital Assets,
- Classifying reported Net Position,
- Calculating the State’s liability for compensated absences,
- Ensuring the proper reporting of long-term liabilities (including reconciliation with the State’s debt management system) and consistent presentation with the information disclosed in the notes to the financial statements, and
- Ensuring alignment of the receivables and liabilities between the primary government and its discretely presented component units.

Cause: The Office of Accounts and Control experienced significant turnover in accounting staff beginning in fiscal 2021, depleting the office of personnel with experience in preparing governmental financial statements. In addition, documentation of policies and procedures were lacking for new staff to follow when preparing the 2022 financial statements. Manual procedures, rather than systemic controls, are currently required to ensure that all transaction activity is recorded consistently in both sets of books and required updates to account mappings are made as needed.

Effect: Without the required audit adjustments, the State’s financial statements would have been materially misstated.

RECOMMENDATIONS

- 2022-012a Enhance procedures for preparing the government-wide financial statements to ensure consistent and accurate recording of transaction activity. Improve documentation of government-wide financial reporting policies and procedures to ensure continuity of financial statement preparation during periods of staff turnover.
- 2022-012b Consider staff resources and training currently required by the Office of Accounts and Control to ensure accurate and timely financial reporting moving forward. Consider the need for separate resources dedicated to quality control over financial reporting.

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

Finding 2022-013

(significant deficiency – repeat finding – 2021-020)

PERIODIC INVENTORY OF CAPITAL ASSETS

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.

Background: The Office of Accounts and Control requires departments to perform agency-specific inventory verification for capital assets on a three-year cycle. Inventory results are reported to the Office of Accounts and Control which prompts any required accounting adjustments.

Criteria: Periodic physical capital asset inventories are a best-practice and important control procedure to ensure the accuracy of the State’s capital asset accounting records.

Condition: The State’s current capital asset inventory process involves the Office of Accounts and Control sending an inventory list of currently recorded capital assets to individual departments for them to conduct a self-inventory. Capital assets not found by the departments are reported to the Office of Accounts and Control with the results certified by the respective director. Fiscal 2022 capital asset inventories identified a significant number of unlocated capital assets. These capital asset inventories identified 141 buildings and 423 laptops as unlocated and thus were removed from the State’s capital asset records. No independent follow-up was conducted to evaluate why the assets were not located and whether the agency could explain and document their disposal.

It is unclear whether the agencies disposed of the assets and failed to report the disposal to the Office of Accounts and Control. In the instance of the buildings, most had no book value and were likely erroneously recorded in the capital asset record during the State’s initial recording of capital assets decades ago. Most of these disposals did not significantly impact financial reporting due to the fact that the assets were fully depreciated.

Cause: Cyclical departmental inventories are conducted without on-site participation by the Office of Accounts and Control or another group independent of the agency to ensure completeness and consistency. Inventory results are forwarded and accepted without sufficient review and inquiry before adjusting the State’s capital asset records. Over-reliance is placed on the certification provided by the departments when assets are not located without sufficient inquiry and investigation for material assets reported as not found.

Effect: Capital asset records and the State’s financial statements could be misstated. Physical control of capital assets is diminished when there is insufficient follow-up and consequence for lost, misplaced, or misclassified material assets.

RECOMMENDATIONS

- 2022-013a Include staff from Office of Accounts and Control on the team performing each cyclical, departmental capital asset inventory.
- 2022-013b Enhance review and inquiry for material capital assets reported as not found before assets are removed from the State’s capital asset inventory records.

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

Finding 2022-014

(significant deficiency – repeat finding – 2021-024)

DIVISION OF MOTOR VEHICLES – CONTROLS OVER REVENUE COLLECTIONS

Controls can be improved over the recording of license, registration and surcharge fees collected by the Division of Motor Vehicles (DMV) and deposited in the Intermodal Surface Transportation (IST) Fund.

Background: In fiscal 2022, the DMV collected \$105 million in revenues (excluding sales taxes) of which \$83 million was remitted to the IST Fund’s Highway Maintenance Account.

Criteria: DMV must have controls in place to ensure the completeness of revenue reflected within the IST Fund. RI General Law chapter 39-18.1 designates certain fees to be deposited in the IST Fund for transportation purposes.

Condition: DMV lacks effective controls to ensure that all revenues collected by the DMV for deposit within the IST Fund have been recorded. RI Department of Transportation (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 the RI General Laws, the surcharge amount being applied to each DMV transactions code, and how the DMV computer system, RIMS, 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 crosswalk of the fee structure identified by the RI General Laws for licenses, registrations, surcharges, etc. and how RIMS is programmed to identify such amounts.
- The current reconciliation performed between the State accounting system (RIFANS) and RIMS does not include all fees collected by the DMV.
- Manual write offs are not recorded in RIMS; they are maintained outside of the system. Manual write offs should be recorded within RIMS to maintain a log of the adjustments and to facilitate RIMS/RIFANS reconciliation.
- Identifying an estimated deposit date for DMV proceeds within RIMS reports will assist in fully reconciling RIMS reported activity with the State accounting system.

Cause: Controls to ensure the completeness of the DMV revenues earmarked for transportation purposes within the IST Fund require improvement. DMV should consider ways that the RIMS system can enhance monitoring of compliance with statutory revenue requirements and assist the agency in completely reconciling with RIFANS.

Effect: Potential for misstatements in the financial statements not being detected in a timely manner.

RECOMMENDATIONS

- 2022-014a Enhance the monthly and annual reconciliations between RIFANS and RIMS to ensure that recorded revenue is supported by data reported in RIMS.
- 2022-014b Create a crosswalk between the fees charged in RIMS and the section of the Rhode Island General Laws authorizing the fee.

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

Finding 2022-015 (significant deficiency – repeat finding – 2021-026)

INTERMODAL SURFACE TRANSPORTATION (IST) FUND – FINANCIAL REPORTING

Controls can be enhanced over the presentation of IST Fund financial statements to ensure consistent and accurate reporting of fund activity in accordance with generally accepted accounting principles.

Background: The IST Fund, a special revenue fund, accounts for transportation related activities of the State, including the federal highway construction program, transportation bond proceeds, designated revenues collected by the Division of Motor Vehicles and toll revenues. The IST Fund financial statements, although generated by the State accounting system, are the responsibility of the financial management of the RI Department of Transportation (RIDOT).

Criteria: Controls over the preparation of financial statements should ensure consistent and accurate financial reporting. RIDOT management is responsible for ensuring that controls over financial reporting are in place and operating effectively.

Condition: We identified certain misstatements in the 2022 IST financial statements that required adjustment. Those misstatements related to the reporting of fund balance, federal revenue and expenditures, and accounts payable in the financial statements.

Cause: Identified misstatements resulted from deficiencies in current financial reporting processes relating to manual procedures designed to compensate for insufficient automated accounting controls. Examples include the allocation of fund balance and the accumulation of accounts payable transactions from the RIDOT Financial Management System (FMS). These processes require manual intervention that can be prone to error and lack controls to ensure completeness. In addition, most of the accounting that involves manual intervention are often performed by the more experienced accounting staff at RIDOT, reducing the likelihood that independent reviews will be performed subsequently. Most of the exceptions noted may have been identified if RIDOT had been performing a more detailed review of account balances in conjunction with the fiscal close.

Effect: Account balances within the IST financial statements could be misstated.

RECOMMENDATIONS

- 2022-015a Ensure the transactions identified through the reconciliation of each activity and/or funding source within the IST Fund result in the appropriate categorization and reporting of fund balance components on the financial statements.
- 2022-015b Implement controls, including more detailed supervisory review of financial statement accounts, to ensure the accuracy of recorded amounts in the financial statements.

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

Finding 2022-016

(material weakness – repeat finding – 2021-027)

TRANSPORTATION INFRASTRUCTURE REPORTING

Controls over the identification of transportation infrastructure assets have been improved but can be further enhanced to ensure the accuracy of such amounts. Controls should be improved to record the disposal of infrastructure assets when retired or replaced.

Background: RIDOT enhanced its process to identify transportation infrastructure assets which use the RIDOT Financial Management System (FMS) to identify each project and ensure that total project costs (e.g., design and construction costs) are included in the capitalized amount. Since the source of the information used to identify capitalized infrastructure is FMS and the financial statements are based on RIFANS (as recorded by the Office of Accounts and Control), the data used must be reconciled between the two systems.

Projects classified as infrastructure are assigned to nine infrastructure codes established to identify the infrastructure type (road, bridge, etc.) and the estimated useful life which drives depreciation expense.

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.

Condition: The cost and related accumulated depreciation associated with infrastructure assets that have been replaced or are no longer in service have not been removed from reported infrastructure amounts. The State asserts that these assets are fully depreciated thus not resulting in a significant misstatement of reported net infrastructure, however, a process for removal to support that assertion by management needs to be implemented.

We proposed material adjustments to correct balances at June 30, 2022 – construction in progress was overstated by \$60.2 million and infrastructure was understated by \$6.2 million. Additionally, there needs to be better coordination between RIDOT and the Office of Accounts and Control to ensure that infrastructure is accurately reported each year.

In conjunction with its review of asset disposals, RIDOT should consider whether it has current transportation infrastructure assets recorded that may be impaired and require proper accounting recognition in accordance with government accounting standards.

Cause: Controls over RIDOT’s infrastructure asset identification process are not sufficient to ensure accurate accumulation of capitalized infrastructure amounts.

A process to evaluate and remove estimated costs relating to retired/replaced infrastructure has not been implemented. The consideration and documentation of impaired infrastructure assets should also be performed.

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

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

RECOMMENDATIONS

2022-016a Enhance controls over the recording of infrastructure assets by reconciling RIDOT departmental records of construction in progress and infrastructure assets to amounts reported in the State’s financial statements.

2022-016b Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service. Include in that process consideration of whether any of the State’s recorded transportation infrastructure has been impaired consistent with GAAP criteria.

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

Finding 2022-017

(significant deficiency – repeat finding – 2021-028)

TOLLING REVENUE – EVALUATION OF CONTROLS OVER FUNCTIONS PERFORMED BY EXTERNAL PARTIES

Obtain a service organization control report to provide assurance on key controls of the vendor that operates the highway toll billing and collection system.

Background: Service Organization Control (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. During fiscal 2022, there were 12 tolling locations which collected approximately \$38.5 million in revenue. Controls over toll revenue depend on the reliability of the reporting by the vendor that operates the toll billing and collection system.

Criteria: Management has responsibility for the adequacy of design and operation of an entity’s control structure including functions performed by external parties.

Condition: Management lacks assurance that information system related internal controls provided by the vendor responsible for identifying the proper vehicles to be tolled and reporting such information to RIDOT are adequate to ensure financial and other information is accurate, complete, available, and secure.

Cause: The State did not obtain an independent SOC report from the vendor responsible for running the Tolling System because RIDOT did not include a specific requirement to provide the results of independent SOC testing as part of their contractual agreement.

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.

RECOMMENDATION

2022-017 Modify the contract with the tolling vendor to require the vendor to provide the results and conclusions of the annual SOC testing.

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

Finding 2022-018

(significant deficiency – repeat finding – 2021-023)

DIVISION OF INFORMATION TECHNOLOGY – COMPREHENSIVE INFORMATION SYSTEMS SECURITY – ADDITIONAL RESOURCES NEEDED TO ADDRESS CURRENT RISK ASSESSMENT

See related Federal Award Finding 2022-040.

The State updated its current cybersecurity readiness and has begun to identify risk mitigation priorities and the resources needed to implement necessary corrective action.

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 appropriately controlled access.

Periodic comprehensive technology risk assessments are key to uncovering underlying vulnerabilities in the environment as well as providing guidance on where to best spend limited assets to reduce risk. The State recently contracted for an updated assessment of its cybersecurity readiness. The assessment noted improvements by the State in several areas and also identified and prioritized a significant number of critical improvements required to mitigate current security risks. Critical improvements will require substantial resources be devoted by the State.

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. We also reviewed the IT security over the State’s network environment which is critical to the State’s operations and negatively impacts application security if not maintained at an acceptable industry level standard. Our detailed findings, in most instances, mirrored the findings of the recent cybersecurity assessment.

DoIT has continued to implement a variety of IT security system and network improvements that will enhance management capabilities (e.g., policy enforcement) and improve overall security. Unfortunately, the State does not have sufficient resources dedicated for the size and complexity of State operations and risk mitigation is not progressing quickly enough.

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 or network 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 systems and data contained within the State’s IT environment.

Assessments of compliance to IT policies and procedures for all critical IT systems and data should be performed on a periodic basis as part of the risk assessment.

Condition: The State has continued to update and enhance its IT security policies and procedures for its IT environment; however, it has lagged in effectively communicating and implementing these policies due to a lack of IT resources and necessary training. The updated IT cybersecurity assessment provided validation of the State’s improvements when compared to previous assessments, however, it also validated that the pace of improvement is too slow and resources are insufficient to mitigate current risks.

The State needs a comprehensive plan to identify the amount of dedicated IT security resources appropriate to the State’s size and complexity. The plan should include a formalized risk assessment to identify the risks deemed most critical to operations and security. The plan should identify the resources necessary and the mechanism to ensure proper funding of those resources over time. The State should consider IT security to be an operational cost rather than something that requires only periodic investment.

The State has insufficient resources allocated to perform IT security functions on a timely basis to ensure continued security and operational integrity. As a result, updates and patches are not always implemented in a timely manner.

A large number of initiatives are either being planned or implemented to upgrade/enhance manageability and security but without a formal risk-based prioritization. A formalized plan should include risks by priority level, a corrective action or remediation plan, and anticipated costs and resources so that State management can adequately plan to address critical areas in a timely manner. The State should consider external resources to expedite the completion of this formalized assessment. Layering this effort on the State resources responsible for maintaining current operations and security is not practical.

Cause: Current resources are insufficient to maintain IT security over the State’s IT infrastructure, systems, and data for an enterprise the size of the State.

Without a formal risk-based prioritization approach, ensuring that resources (funding and personnel) required to support the number of system implementations, network improvements, and security monitoring and improvements in process concurrently will be difficult to manage. Further, insufficient resources will increase the chances of project delay and failure as well as impacting the State’s ability to manage the continuity and security of existing IT operations.

Effect: Critical systems and data may be exposed to security vulnerabilities and cyberattacks 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 and the security and integrity of the data within those systems.

RECOMMENDATIONS

- 2022-018a Using the recent cybersecurity assessment and existing audit recommendations, develop a comprehensive plan to address the current IT security risks to State operations. This plan should be risk-based and include the necessary resources, corrective actions, and prioritization needed to ensure timely mitigation by the State.
- 2022-018b Continue to update formalized risk assessments periodically (with annual updates to adjust security priorities) with the results documented and communicated to management. These assessments should include consideration of IT security issues resulting from audits, reviews of Service Organization Control reports, and internal assessments to include IT security concerns for all of the State’s critical systems.

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

Finding 2022-019

(material weakness – repeat finding – 2021-022)

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 system development life cycle. These controls ensure that only authorized changes are made to programs (along with user acceptance testing) before being promoted into the 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. Automated tools facilitate control over the change management process, reduce human error, and allow the process to be consistent, predictable, and repeatable.

DoIT should develop procedural guidance to detail the correct use of change management software and mandate 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 leads to inconsistent methods, as well as noncompliance and circumvention of DoIT’s change control policies and procedures. For many of the

State’s critical systems, automated change control 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.

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

2022-019a Develop and implement procedures detailing specific requirements for program change control and disseminate and train DoIT support staff in its proper execution.

2022-019b 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 2022-020

(significant deficiency – new finding)

PERIODIC SYSTEM ACCESS AND PRIVILEGE REVIEWS

The State’s current practices for periodic logical access and privilege reviews at both the application and network levels need improvement.

Criteria: While it is critical to set initial system access for an employee to the minimum necessary to perform the job function, it is also crucial to ensure that their access level remains current and appropriate over time since job functions may change.

Per NIST 800-53, “The need for certain assigned user privileges may change over time to reflect changes in organizational mission and business functions, environments of operation, technologies, or threats. A periodic review of assigned user privileges is necessary to determine if the rationale for assigning such privileges remains valid. If the need cannot be revalidated, organizations take appropriate corrective actions.”

Condition: Periodic review of granted system access (privileges) is not consistently or uniformly performed for the majority of applications utilized throughout State government. Special attention should be paid to review system access for individuals granted administrator or “super user” access to ensure that such access is required and terminated in a timely manner. State network access should also be reviewed to ensure timely termination when system users leave employment (State or Contractor), are transferred to a new position, or no longer require system access.

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

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

RECOMMENDATIONS

- 2022-020a Implement periodic, verifiable privilege reviews for all applications and networks. Prioritize critical financial applications and those that contain sensitive data.
- 2022-020b Communicate policies and procedures for privileged user access reviews to be performed by assigned agency IT staff periodically (no less than annually). Implement specific training in conjunction with the communication of policies and procedures to ensure conformity across the entity.

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

Finding 2022-021

(significant deficiency – new finding)

DATABASE LOGGING AND ACTIVITY MONITORING

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

Criteria: Just as it is essential to have logging and monitoring at the application level for key financial and sensitive data to guard against unauthorized transactions and errors, it is equally important to have database level logging and monitoring in place to help guard against unauthorized changes occurring at the database layer outside of the scope of application controls.

Proper database logging, monitoring, and alerting is identified as an important step in securing the database by both the Information Systems Audit and Control Association (ISACA) and other IT security professionals as an industry best practice.

Condition: Database logging and monitoring for most State applications is not adequate across the entity. While the State has implemented processes to improve in this area, consistent application of controls and additional resources are needed.

Cause: Lack of an implemented uniform practice for database logging and activity monitoring.

Effect: The lack of database logging and monitoring for improper activity makes it more likely that key databases will be vulnerable to malicious attacks without detection. Risk to data integrity may result from unauthorized database changes that go undetected.

RECOMMENDATIONS

- 2022-021a Complete implementation of a consistent and effective database logging and monitoring process across all major State applications. Prioritize applications/databases that contain critical financial and sensitive data.
- 2022-021b Communicate policies and procedures for database logging and monitoring to assigned agency IT staff. Implement specific training in conjunction with the communication of the policies and procedures to ensure consistent application across the entity.

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

Finding 2022-022

(significant deficiency – repeat finding – 2021-021)

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 policy and 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). During fiscal 2022, the State was in the process of modernizing its disaster recovery hardware and procedures. While this represents progress that will benefit the State going forward, it resulted in limited disaster recovery testing during the fiscal year.

Criteria: Industry best practices stipulate that disaster recovery testing be performed twice a year to accommodate the ever-changing IT systems environment. The State should perform a full disaster recovery test for critical applications at least annually. Also, off-site storage of backups should be geographically diverse enough to successfully recover from a regional disaster.

Condition: A list of major systems has been developed and the restoration priority has been established. In addition, further progress is needed to test all critical functionality of major systems and their applications. During the fiscal 2021 test, critical applications and databases were recovered, however, the State did not fully validate the system functionality.

Cause: The State’s current modernization of its disaster recover hardware and procedures in fiscal 2022 limited its disaster recovery testing. The State’s last disaster recovery test in fiscal 2021 did not fully validate the system functionality, a necessary requirement of a successful disaster recovery exercise.

Effect: Incomplete disaster recovery testing reduces the assurance that all mission critical systems can be restored, should a disaster disable or suspend operations.

RECOMMENDATION

2022-022 Establish a repeatable level of system restoration 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 2022-023

(significant deficiency – new finding)

INCIDENT RESPONSE TRAINING

The State needs to further enhance its coordination and training to improve its incident response capabilities in the event of a data breach.

Criteria: A strong and well-designed incident response program is required for the State to effectively respond to incidents such as a data breach initiated from outside the State network or an insider attack on agency infrastructure and systems. Per NIST 800-61, a key step in establishing an incident response capability includes “staffing and training the incident response team”. This includes designated agency staff as well as DoIT personnel.

DoIT has an Incident Response Plan and has trained their staff on their various responsibilities, but also requires the agencies to be involved depending on the nature of the incident. This coordination is required under the shared services IT security model (DoIT and individual agencies) employed by the State which requires both parties to be prepared. Depending on the nature of the incident, the agency response may need to include business continuity plan activation.

Condition: During the 2022 audit, we noted that agency level incident response training varied widely from implemented and verifiable, to not occurring. Formal incident response training is essential so that all staff are clear on their roles and responsibilities in the event of an IT security incident (e.g., data breach).

Cause: Additional focus is needed to ensure that all designated agency personnel are properly trained and prepared to respond in the event of an incident affecting agency systems.

Effect: The lack of statewide incident response training increases the risk that the State will not properly respond, in a coordinated manner, to an IT security incident. Proper response to detected IT security incidents is critical to safeguarding the State’s data and continuity of operations.

RECOMMENDATION

2022-023 Identify all agency personnel roles relating to incident response and implement verifiable training for all agency personnel based on their respective roles.

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

Finding 2022-024

(significant deficiency – repeat finding – 2021-029)

RHODE ISLAND STATE EMPLOYEES’ AND ELECTING TEACHERS OPEB SYSTEM - 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. 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.

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 to the System’s actuary to prepare required actuarial valuations of the plans. Each plan has unique benefit eligibility and healthcare coverage provisions.

Criteria: As the System grows and matures, the administrative infrastructure supporting the System should be assessed to ensure adequate resources and systems with appropriate controls are in place to manage the System effectively.

Maintaining membership data and determining the eligibility for benefits and required 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.

The State improved certain reporting on OPEB enrollment by ensuring that all pre-65 retirees were registered in the State’s Workterra software platform which the State also utilizes to administer active employee benefits. This improvement provides systemic reporting of pre-65 enrollees and assists in ensuring their timely transition to Medicare and post-65 OPEB benefits. State employees, once enrolled in Medicare, are enrolled in Via Benefits which establishes a health savings account (HSA) for the retiree. The State funds a predetermined amount for the retiree who can utilize the funds to pay health claims or purchase Medicare gap insurance coverage. The State, however, lacks a complete system that it considers to be the official record of System enrollment.

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. 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.

RECOMMENDATIONS

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|-----------|---|
| 2022-024a | Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functions are met and adequately controlled. |
| 2022-024b | 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. |
| 2022-024c | Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions. |
| 2022-024d | Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage. |

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

Finding 2022-025

(significant deficiency – new finding)

RHODE ISLAND LOTTERY – INFORMATION SECURITY CONTROLS OVER SPORTSBOOK

Controls over sportsbook system access must be enhanced by requiring the sportsbook system contractor to (1) review and improve documentation of the bookmaker’s access to the system and (2) obtain coverage of complementary subservice organization controls of the bookmaker.

Background: IGT Global Solutions Corporation (sportsbook system contractor), Bally’s Corporation (owner and operator of the State’s two casinos) and other third parties (e.g., bookmaker) are utilized by the Lottery to administer the overall sportsbook functionality. The Lottery only has a contractual relationship with the sportsbook system contractor; however, controls provided by certain subcontractors are integral to the overall control structure for sportsbook operations. For example, William Hill is the bookmaker contracted by IGT to provide odds and lines for the various sports markets being offered by the Rhode Island Sportsbook. The bookmaker’s role is a key part of the sportsbook operation which requires the contractor to access the sportsbook system.

Criteria: System user’s access should be limited to their business requirements (rule of least privilege). Design and granting of system access should support segregation of duties within the operation of the system and be consistent with overall internal control objectives.

Condition: Since the introduction of sports betting in Rhode Island, the Lottery has implemented a variety of processes and procedures designed to ensure proper financial and operational control over the sportsbook operations. These procedures, including enhanced monitoring of system access, continue to evolve to ensure that risks associated with sportsbook operations are effectively mitigated. During fiscal 2022, the Lottery contracted for an IT security audit to evaluate IGT and William Hill’s policies and procedures relating to the sportsbook system. For several of the control objectives including those specific to William Hill’s utilization of the sportsbook system, IGT could not provide documentation supporting the implementation and operation of those control objectives.

In addition, IGT is required to contract for the performance of a Service Organization Control (SOC) Report over the Rhode Island Sportsbook operations. The scope of that review did not extend to certain functions/processes of the subservice organization (i.e., William Hill). Specifically, the report details certain complementary subservice organization controls which are assumed to be implemented by the subservice organization and are integral to achieve the overall control objectives.

Controls should be enhanced by exploring options to ensure coverage of key controls within the overall sportsbook system functionalities performed by William Hill including both the evaluation and testing of relevant internal controls. This would provide the Lottery with assurances regarding the implementation and effectiveness of the bookmaker’s controls over data submission, system access, and data integrity given their significant role in sportsbook operations. The Lottery should also continue monitoring sportsbook system access to ensure that established roles restrict access and align with the underlying user’s sportsbook responsibilities.

Cause: IGT’s responses to both the IT security audit and the SOC Report indicated that the defined subservice organization controls assessment had not been performed and documented. Insufficient evidence that these complementary subservice organization controls are in place and operating effectively is a weakness in internal control over the RI Sportsbook operation.

Effect: Inappropriate system access could undermine segregation of duty controls intended within the sportsbook operation.

RECOMMENDATIONS

- 2022-025a Explore options to ensure coverage of key controls within the overall sportsbook system functionalities performed by the subservice organization (William Hill).
- 2022-025b Continue monitoring of sportsbook system access to ensure that established roles restrict access and align with the underlying user’s sportsbook responsibilities.

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

Finding 2022-026

(significant deficiency – new finding)

EMPLOYEES’ RETIREMENT SYSTEM OF RHODE ISLAND (ERSRI) – OVERSIGHT OF THE DEFINED CONTRIBUTION PLAN

Background: The System oversees a defined contribution (DC) plan for members which is part of the overall “hybrid” pension benefit approach adopted through pension reform efforts. The DC plan is administered totally by TIAA-CREF and ERSRI is reliant on information provided by TIAA-CREF for financial reporting purposes. No independent records are maintained by ERSRI for the DC plan activities.

As expected, total assets of the DC plan have grown considerably since plan inception and members are beginning to withdraw funds to meet their retirement objectives. Total assets in the DC plan at June 30, 2022 totaled \$1.5 billion.

Criteria: The System should have sufficient information to support effective compliance monitoring and financial reporting for the defined contribution plan.

Condition: ERSRI does not receive information on the employer remittance of employer and employee contributions to the DC plan and therefore has limited information to ensure employer compliance with the DC plan provisions. Contribution compliance monitoring should be included within the risk-assessment process to determine effective controls are in place.

One municipality participating in the plan failed to remit all contributions and the omission was not detected timely.

As the plan matures and investment assets continue to grow, ERSRI should assess and strengthen their oversight of the DC plan to ensure compliance by the plan administrator and to fully exercise its fiduciary responsibility for member balances within the DC plan. This should include consideration of relevant risks and the development and formalization of an oversight/monitoring plan to meet this objective. Additionally, consideration should be given to modifying the existing Ariel contribution and benefit system to receive the employer data for the DC plan before transmission to TIAA-CREF. This would facilitate monitoring of contribution data and provide independent corroboration of amounts reported by TIAA-CREF as employer and employee contributions to the plan.

We observed instances where oversight and internal controls could be strengthened. For example, controls over the DC plan should include periodic (at least monthly) analytical reviews of investment growth and performance, contributions to and distributions from the plan and fees paid. The analytical reviews should include documentation of follow-up and resolution when actual results differ from expectations.

Cause: At the inception of the defined contribution plan, the plan design, enacted by legislation, provided for employer and employee contribution data to flow directly from the employer to TIAA-CREF without any data capture by ERSRI.

Effect: The System lacks sufficient accounting and contribution data to monitor compliance with contribution requirements and to validate reporting by TIAA-CREF.

RECOMMENDATIONS

- 2022-026a Perform a risk assessment for the DC plan and identify areas where internal controls and oversight can be strengthened.
- 2022-026b Consider modifying the existing Ariel contribution and benefit system to capture employer (employee and employer contributions) data for the defined contribution plan.
- 2022-026c Formalize a DC monitoring plan to protect member plan balances, ensure compliance by the plan administrator, and enhance controls over financial reporting of the DC plan within the System’s overall financial reporting.

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

Finding 2022-027

(material weakness – repeat finding – 2021-031)

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

- 2022-027 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 2022-028

(significant deficiency – repeat finding – 2021-032)

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

2022-028 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 2022-029

(significant deficiency – repeat finding – 2021-035)

**THE METROPOLITAN REGIONAL CAREER AND TECHNICAL CENTER – GENERAL LEDGER
MAINTENANCE**

Criteria: Internal controls should be in place to provide reasonable assurance that general ledger accounts are properly reconciled.

Condition: During the performance of our audit of the Met's financial statements, we noted that the trial balance was not properly reviewed and reconciled before the audit. We noted a prior period adjustment was required to properly state district tuition and beginning net position, as well as an adjustment required to reconcile accrued payroll and payroll expense. Although, these adjustments were deemed to be material,

we believe these adjustments were isolated incidents and therefore, are reported as a significant deficiency rather than a material weakness.

Cause: Management failed to enforce policies and procedures to ensure internal controls are functioning properly in relation to the conditions listed above.

Effect: Failure to properly reconcile general ledger accounts resulted in material adjusting journal entries, including a prior period adjustment.

RECOMMENDATION

2022-029 Management should follow their established internal controls surrounding the review and reconciliation of payroll. Additionally, we recommend management follows their year-end closing policy and procedures to ensure prior period adjustment are not detected as part of audit procedures.

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

Finding 2022-030

(material noncompliance – repeat finding – 2021-030)

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 AMP.

Condition: During the year ended June 30, 2022, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the AMP pursuant to the indentures.

Context: The Authority is currently in violation of certain debt indentures with respect to the Operating Reserve requirement.

Cause: The Authority does not have sufficient cash flow to fund the Operating Reserve.

Effect: As a result of this fund not being funded, the Authority is in noncompliance with certain bond indentures.

RECOMMENDATION

2022-030 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 2022-031

(material weakness – new finding)

RHODE ISLAND DIVISION OF HIGHER EDUCATION ASSISTANCE– CAPITAL ASSETS

Criteria: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition: Rhode Island Division of Higher Education Assistance (RIDHEA) did not have controls in place to provide reasonable assurance that the financial statements include only assets that are owned by RIDHEA.

Cause: RIDHEA did not have formal internal controls to ensure assets transferred or sold were removed from the general ledger.

Effect: Prior year’s financial statements contained an overstatement of capital assets of approximately \$224,000. Current year beginning net position has been restated as a result of this error correction.

RECOMMENDATION

2022-031 RIDHEA should evaluate their processes and controls surrounding capital assets to determine if additional controls can be implemented to provide reasonable assurance that the financial statements contain complete and accurate amounts for capital assets.

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

Finding 2021-032

(significant deficiency – new finding)

RHODE ISLAND DIVISION OF HIGHER EDUCATION ASSISTANCE – CASH TRANSACTIONS

Criteria: Internal controls should be in place to provide reasonable assurance that cash transfers are properly made between bank accounts.

Condition: RIDHEA did not have controls in place to ensure cash from a closed bank account was properly transferred to another bank account of the agency.

Cause: RIDHEA did not have formal internal controls to ensure assets transferred or sold were removed from the general ledger.

Effect: RIDHEA closed a bank account and a check was issued by the financial institution. This check was misplaced and not cashed by RIDHEA. RIDHEA did not ensure that the funds from the closed bank account were properly deposited into another account.

RECOMMENDATION

2022-032 RIDHEA should evaluate their processes and controls surrounding cash to determine if additional controls can be implemented to provide reasonable assurance that cash transfers are appropriately tracked and accounted for.

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

Finding 2022-033

(material weakness – new finding)

RHODE ISLAND INFRASTRUCTURE BANK (RIIB) – INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: Internal controls should be in place to provide reasonable assurance that financial statements are prepared in accordance with U.S. GAAP.

Condition: The bank failed to properly record an intergovernmental receivable and related revenue of approximately \$22 million at June 30, 2022.

Cause: Consistent with prior year accounting for single year state match funds, management believed that the FY2022 three-year supplemental match should be recorded when the funds were requested and received which occurred subsequent to June 30, 2022.

Effect: The originally issued financial statements were materially misstated.

RECOMMENDATION

2022-033 RIIB should work closely with the State of Rhode Island Office of the Auditor General to ensure that intergovernmental transactions are properly recorded.

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

Finding 2022-034

(material weakness – new finding)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

Criteria: Management is responsible for the selection and application of accounting principles; for the preparation and fair presentation of the financial statements, schedule of expenditures of federal awards, and all accompanying information in conformity with U.S. generally accepted accounting principles; and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Condition: During the performance of our audit procedures on the Authority's leases, we reviewed the electric bus lease agreement and discussed with management the intention of owning the electric buses at the end of the lease with the buyout option. Based on management's intention to purchase the buses, this transaction should have been recorded at the execution of the lease in 2018. This was corrected as a restatement in the current year financials.

Cause: The Authority did not have adequate policies or procedures in place to ensure the reconciliation of records timely and identify the errors relating to prior fiscal years.

Effect: Inaccurate amounts were recorded in certain areas including liabilities and capital assets in the prior fiscal years, which then required additional time to investigate and to correct discrepancies. The restatement amounts included an increase in accounts payable in the amount of \$974,976 and an increase in fixed assets of \$3,002,346.

RECOMMENDATION

2022-034 We recommend that the Authority enhance internal control procedures internally to ensure all new lease agreements and purchases of assets are reviewed for proper recording in accordance with generally accepted accounting principles.

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

Finding 2022-035

(significant deficiency – new finding)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – CASH RECONCILIATIONS

Criteria: Management is responsible for (1) establishing and maintaining effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; (2) following laws and regulations; (3) ensuring that there is reasonable assurance that government programs are administered in compliance with compliance requirements; and (4) ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements.

Condition: During the performance of our audit procedures on the Authority’s cash reconciliations, we noted that the operating cash account had a continuing variance between the reconciliation and the general ledger for all of fiscal year 2022.

Cause: Cash reconciliations were not being done on a timely basis due to staffing shortages.

Effect: Monthly reconciliations with the operating cash account showed continuing variances for all of fiscal year 2022.

RECOMMENDATION

2022-035 We recommend that the Authority develop a set of controls to require the operating account be reconciled within a few days of the end of the month and all variances to be researched and resolved.

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

Finding 2022-036

(significant deficiency – new finding)

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – FARE REVENUE

Criteria: The Rhode Island Public Transit Authority should reconcile the daily farebox report and GFI Software daily summary report, as well as deposits to the related documentation.

Condition: During our current year testing of fare revenue policies and procedures, we noted all the days selected had variances (some immaterial and some more than 1% of revenue) between the daily farebox report and GFI daily summary report. We also noted immaterial variances between deposits and the related documentation and discrepancies in the coin deposits to the bank.

Cause: The Authority did not have adequate policies or procedures in place to ensure the reconciliation of records timely and reviewing reporting from GFI system in comparison to deposits to correct these variances going forward.

Effect: Daily reconciliations with the farebox reports and the GFI daily summary are consistently showing variances which, if not corrected going forward it could result in material variances.

RECOMMENDATION

2022-036 We recommend that the Authority develop adequate policies and procedures to correct this process going forward.

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

Table of Findings by Major Program		
<i>Program / Cluster Title</i>	<i>Assistance Listing No(s).</i>	<i>Applicable Findings</i>
Pandemic EBT Food Benefits	10.542	none
SNAP Cluster	10.551, 10.561	2022-040
Mortgage Insurance Homes	14.117	none
Section 8 Project-Based Cluster	14.195, 14.856	none
Unemployment Insurance	17.225	2022-041, 2022-042, 2022-043
Airport Improvement Program	20.106	none
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526	2022-044, 2022-045
Highway Safety Cluster	20.600, 20.616	2022-038, 2022-046, 2022-047, 2022-048, 2022-049, 2022-050
Coronavirus Relief Fund	21.019	2022-039, 2022-051, 2022-052
Emergency Rental Assistance Program	21.023	2022-037
Homeowner Assistance Fund	21.026	2022-037
Coronavirus State and Local Fiscal Relief Funds	21.027	2022-053
Clean Water State Revolving Fund (CWSRF) Cluster	66.458	none
Title I Grants to Local Education Agencies	84.010	2022-038, 2022-054, 2022-055, 2022-056
Education Stabilization Fund	84.425	2022-037, 2022-057, 2022-058
Immunization Cooperative Agreements	93.268	2022-037, 2022-038, 2022-059
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2022-037, 2022-038, 2022-039, 2022-052, 2022-059, 2022-060
Temporary Assistance for Needy Families	93.558	2022-037, 2022-038, 2022-039, 2022-040, 2022-061
CCDF Cluster	93.575, 93.596	2022-037, 2022-038, 2022-039, 2022-040, 2022-062, 2022-063
Children’s Health Insurance Program	93.767	2022-040, 2022-064, 2022-065, 2022-066, 2022-067, 2022-068, 2022-069, 2022-070
Medicaid Cluster	93.775, 93.777, 93.778	2022-040, 2022-065, 2022-066, 2022-067, 2022-068, 2022-069, 2022-070, 2022-071, 2022-072, 2022-073, 2022-074
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2022-038, 2022-039, 2022-052, 2022-075

<i>Non-Major Programs with Reportable Findings Required by Uniform Guidance</i>		
<i>Program / Cluster Title</i>	<i>Assistance Listing No(s).</i>	<i>Applicable Findings</i>
Economic Adjustment Assistance	11.307	2022-037
State Small Business Credit Initiative	21.031	2022-037
Aging Cluster	93.044, 93.045	2022-037
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	2022-037
Department Response to Public Health or Healthcare Crises	93.391	2022-037
Low-Income Home Energy Assistance	93.568	2022-037

Finding 2022-037

(other noncompliance – new finding)

EMERGENCY RENTAL ASSISTANCE – 21.023

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

Federal Award Fiscal Years: 2021

Federal Award Numbers: ERAE0006 and ERAE0816

Administered by: Rhode Island Pandemic Recovery Office (PRO)

HOMEOWNER ASSISTANCE FUND – 21.026

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

Federal Award Fiscal Years: 2021

Federal Award Numbers: HAF0142

Administered by: Rhode Island Pandemic Recovery Office (PRO)

EDUCATION STABILIZATION FUND – 84.425U, 84.425V

Federal Award Agency: U.S. Department of Education

Federal Award Fiscal Year: 2022

Federal Award Number: Various

Administered by: Rhode Island Department of Elementary and Secondary Education (RIDE)

IMMUNIZATION COOPERATIVE AGREEMENTS – 93.268

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NH23IP922618

Administered by: Rhode Island Department of Health (RIDOH)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: G2101RITANF and G2201RITANF

Administered by: Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: G2101RICCDF and G2201RICCDF

Administered by: Department of Human Services (DHS)

Compliance Requirement: Allowable Costs/Cost Principles

**ADMINISTRATIVE ASSESSMENT CHARGED TO PANDEMIC-RELATED FEDERAL PROGRAMS
WITHOUT FEDERAL APPROVAL**

Questioned costs were identified for an administrative assessment charged to pandemic-related federal awards without the methodology being approved by the federal government as required by the Uniform Guidance.

Criteria: Consistent with Uniform Guidance cost principles, allocated centralized costs to federal programs are required to be included in the State’s statewide cost allocation plan. This plan is submitted annually for approval by the State’s federal cognizant agency, the U.S. Department of Health and Human Services.

The Uniform Guidance further defines allocated central services as “central services that benefit operating agencies but are not billed to the agencies on a fee-for-service or similar basis. These costs are allocated to benefitted agencies on some reasonable basis”.

Condition: During fiscal 2022, the State employed an administrative assessment on certain pandemic-related federal programs without seeking and receiving federal approval for the allocation of the costs. The assessment was designed to eventually fund the State’s costs of administering new federal programs relating to the COVID-19 public health emergency.

The State implemented this process in response to the adoption of a newly established State law, Rhode Island General Law §35-1.1-5. The law authorized an assessment on all federal programs administered by the State (with an additional assessment on COVID-19 pandemic related assistance). The methodology implemented, however, still had to comply with the requirements of federal Uniform Guidance which the State had not sought at the time of our audit.

The lack of an approved federal methodology for the administrative assessment resulted in identified questioned costs of \$6.1 million in fiscal 2022. That included \$4.8 million relating to various major programs subject to Single Audit testing in fiscal 2022 and an additional \$1.3 million identified for other federal programs (with questioned costs greater than \$25,000 for those programs) which are also required to be reported under the Uniform Guidance.

Cause: The State did not seek federal approval for the charged administrative assessment (adding to the State’s federally approved Statewide Cost Allocation Plan (SWCAP) would have been the most efficient manner to obtain federal approval).

Effect: Centralized costs were allocated to several federal programs without an approved cost allocation methodology required by the Uniform Guidance.

Questioned Costs: \$6,114,755 (see table below for program detail):

Program Name:	ALN:	Questioned Costs
Emergency Rental Assistance Program	21.023	1,520,000
Homeowner Assistance Fund	21.026	500,000
Education Stabilization Fund	84.425	477,112
Immunization Cooperative Agreements	93.268	163,747
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	1,228,228
Temporary Assistance for Needy Families	93.558	27,032
Child Care and Development Block Grant	93.575	930,469
Total Questioned Costs for Major Programs over \$25,000		\$4,846,588
Economic Adjustment Assistance	11.307	68,360
State Small Business Credit Initiative	21.031	562,342
Aging Cluster	93.044, 93.045	60,500
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	71,958
Department Response to Public Health or Healthcare Crises	93.391	196,822
Low-Income Home Energy Assistance	93.568	308,185
Total Questioned Costs over \$25,000 – Other Programs		\$1,268,167

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-037a Reimburse administrative assessments charged to federal programs pending federal acceptance of an approved cost allocation methodology.
- 2022-037b Submit cost allocation methodology for pandemic-related federal funds to federal government for approval. Amend the 2022 SWCAP to seek retroactive approval for fiscal 2022 costs allocated.

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

Finding 2022-038 (other noncompliance / significant deficiency – repeat finding – 2021-038)

HIGHWAY SAFETY CLUSTER – 20.600, 20.616

Federal Award Agency: Federal Highway Administration
Federal Award Fiscal Year: 2022
Federal Award Number: Various

Administered by: Rhode Island Department of Transportation (RIDOT – GOHS)

TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – 84.010

Federal Award Agency: U.S. Department of Education
Federal Award Fiscal Year: 2022
Federal Award Number: S010A210039

Administered by: Rhode Island Department of Education (RIDE)

IMMUNIZATION COOPERATIVE AGREEMENTS – 93.268

Federal Award Agency: U.S. Department of Health and Human Services (HHS)
Federal Award Fiscal Year: 2019-2024
Federal Award Number: NH23IP922618

Administered by: Rhode Island Department of Health (RIDOH)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Year: 2019-2024
Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Year: 2021 and 2022
Federal Award Number: G2101RITANF and G2201RITANF

Administered by: Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Year: 2021 and 2022
Federal Award Number: G2101RICCDF and G2201RICCDF

Administered by: Department of Human Services (DHS)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Award Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Year: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Reporting

FEDERAL FUNDING ACCOUNTABILITY AND TRANSPARENCY ACT (FFATA)

Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

Criteria: The Federal Funding Accountability and Transparency Act (Public Law 109-282; as amended by Section 6202 of Public Law 110-252), as codified in 2 CFR Part 170, requires recipients of grants and cooperative agreements to report first-tier subawards of \$30,000 or more to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Condition: Subaward information entered into the FSRS, made publicly available via USASpending.gov, was not inclusive of all subawards made for several programs during fiscal 2022. For some grants where the reporting requirement was applicable, no sub-award information was reported.

State and Community Highway Safety (20.600)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
47	47	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$1,174,774	\$1,174,774	\$0	\$0	\$0

National Priority Safety Programs (20.616)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
45	45	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$1,652,263	\$1,652,263	\$0	\$0	\$0

Title I Grants to Local Educational Agencies (84.010)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
62	62	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$55,604,547	\$55,604,547	\$0	\$0	\$0

Immunization Cooperative Agreements (93.268)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
11	10	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$399,953	\$341,500	\$0	\$0	\$0

Epidemiology and Laboratory Capacity for Infectious Diseases (93.323)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
33	29	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$4,233,787	\$3,383,269	\$0	\$0	\$0

Temporary Assistance for Needy Families (93.558)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
7	3	3	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$6,568,589	\$704,000	\$5,664,589	\$0	\$0

CCDF Cluster (93.575, 93.596)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
10	3	4	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$3,793,603	\$629,000	\$1,909,589	\$0	\$0

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Transactions Tested	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
116	116	0	0	0
Dollar Amount of Tested Transactions	Subaward not reported	Report not timely	Subaward amount incorrect	Subaward missing key elements
\$59,658,826	\$59,658,826	\$0	\$0	\$0

The State has not established statewide control procedures or monitoring to ensure FFATA reporting requirements are met by the various departments and agencies administering federal grants. Training to enhance awareness and compliance by State departments and agencies is needed.

Cause: Centralized statewide controls and monitoring efforts have not been established to ensure compliance with FFATA reporting requirements.

Effect: The State did not sufficiently comply with the reporting requirements of FFATA.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

- 2022-038a Establish statewide policies and procedures to ensure accurate and timely reporting of subawards in accordance with FFATA.
- 2022-038b Implement FFATA training for departments and agencies administering federal programs to enhance awareness and compliance.

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

Finding 2022-039

(material noncompliance / material weakness – repeat finding – 2021-060, 2021-063, 2020-044)

CORONAVIRUS RELIEF FUND – 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)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Year: 2021 and 2022

Federal Award Number: G2101RITANF and G2201RITANF

Administered by: Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families

Federal Award Fiscal Year: 2021 and 2022

Federal Award Number: G2101RICCDF and G2201RICCDF

Administered by: Department of Human Services (DHS)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Award Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Year: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

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

Background: The State currently relies on the specific grantee agencies to ensure compliance with federal regulations for subrecipient monitoring, when applicable to the underlying federal programs. There is no statewide monitoring to ensure that activities are performed to ensure compliance with federal regulations.

Criteria: 2 CFR 200.332(d) “Requirements for pass-through entities”, requires that all pass-through entities must “monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved.” That monitoring must include (1) reviewing financial and performance reports, (2) following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and other means, (3) issuing a management decision for audit findings pertaining to the Federal award.”

Condition: For the federal programs cited above, State pass-through agencies did not perform subrecipient monitoring activities required by federal regulations. Our testing evaluated whether the grantee agency obtained and reviewed the subrecipient’s Single Audit, when applicable, or performed other required monitoring activities to comply with federal regulations. For these programs, the following results, specific to agency reviews of financial and performance reports, were deemed to be material noncompliance with subrecipient monitoring requirements:

Coronavirus Relief Fund (21.019)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
68	8	2	1	0

Epidemiology and Laboratory Capacity for Infectious Diseases (93.323)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
75	75	36	36	0

Temporary Assistance for Needy Families (93.558)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
13	7	5	2	1

CCDF Cluster (93.575, 93.596)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
17	9	8	5	1

Disaster Grants – Public Assistance (Presidentially Declared Disasters) (97.036)

Subrecipient Population	Subrecipients Tested	Subrecipients Tested – Requiring Single Audit	No Documentation of Agency Review – Subrecipient Single Audit	Lack of Timely Agency Review – Subrecipient Single Audit
44	44	36	36	0

For subrecipients that were not required to have Single Audits performed, agencies also did not perform required monitoring procedures, which could have included 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.

Cause: The State did not conduct subrecipient monitoring activities required to materially comply with federal regulations.

Effect: Noncompliance with federal compliance requirements by subrecipients could occur without the State identifying it in a timely manner.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATION

2022-039 Improve policies and procedures statewide to ensure compliance with federal regulations for subrecipient monitoring.

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

Finding 2022-040

(significant deficiency – repeat finding – 2021-040)

SNAP CLUSTER – 10.551, 10.561

Federal Award Agency: U.S. Department of Agriculture (USDA), Food and Nutrition Service
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: Not Applicable

Administered by: Department of Human Services (DHS)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: G2101RITANF and G2201RITANF

Administered by: Department of Human Services (DHS)

CCDF CLUSTER – 93.575, 93.596

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: G2101RICCDF and G2201RICCDF

Administered by: Department of Human Services (DHS)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: 2105RI5021 and 2205RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – ADP Risk Analysis and System Security Review

COMPREHENSIVE DEPARTMENTAL AUTOMATED DATA PROCESSING (ADP) RISK ANALYSIS AND SYSTEM SECURITY PROGRAM

See related Financial Statement Finding 2022-018.

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.

Criteria: Federal regulation 45 CFR section 95.621 requires State agencies to review the ADP system security of installations used in the administration of HHS programs on a biennial basis or when a significant change to the security or system(s) occurs. At a minimum, State agencies must establish and maintain an ADP security plan and implement a program for conducting periodic risk analyses to ensure that appropriate, cost-effective safeguards are incorporated into new and existing systems.

EOHHS and DHS are charged with managing and securing ADP systems, which administer various federal HHS and State programs (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: *MMIS* – EOHHS oversees the IT security requirements of the MMIS. EOHHS largely utilizes independent service organization control (SOC) reports to meet their security and risk monitoring activities for the MMIS. However, the ADP system security plan should be improved by ensuring that the coverage provided by the SOC reports is supplemented with other monitoring procedures as required. 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 MMIS SOC Report identified exceptions relating to password adequacy and configuration and program change controls. The review and consideration of the exceptions by EOHHS was not adequate.

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.

RIBridges - Clearly documented roles and responsibilities outlining the coordination among EOHHS, DHS, and DoIT in managing IT security over RIBridges can be enhanced and formalized. In addition, the RIBridges contractor has delegated certain IT security responsibilities to a subcontractor and an understanding of IT security functions performed by those entities needs formalization and monitoring by the State. A SOC engagement (or equivalent evaluation) of the RIBridges system for controls in effect, although contractually required of the contractor, has not yet been performed. This SOC engagement, once performed, will provide additional information regarding contractor controls and contractor monitoring procedures over subcontractor delegated functions. This information will be vital to the State’s overall ADP risk analysis and system security monitoring process.

DoIT currently relies significantly on ongoing Independent Verification & Validation (IV&V) monitoring services of RIBridges as well as MARS-E (Minimum Acceptable Risk Standards for Exchanges) evaluations applicable to Health Insurance Exchanges required by federal regulations. Our review of the MARS-E evaluation for fiscal 2022 identified certain risks that included, but were not limited to, incident response, systems and communications protection, and system and information integrity that have not received timely corrective action by the State and its contractor.

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).

The federally required ADP risk analysis and system security considerations are consistent with an overall enterprise-wide need (as described in Finding 2022-018), to complete risk assessments for all IT systems within the State. The interconnectivity between RIBridges and the MMIS necessitates a more coordinated approach to information security over the systems than what currently exists. A more formalized plan that meets the requirement of a comprehensive risk assessment and system security plan would also allow the State to ensure that the proper information system security resources are applied effectively over both systems. Since the State’s information system security resources are within DoIT, involving those resources in the overall consideration of IT security for the MMIS would be beneficial.

Cause: Deficiencies in the State’s current policies and procedures relating to ADP Risk Analysis and System Security Review result in identified IT security deficiencies not being considered and addressed in a timely manner.

Effect: Failure to address timely IT security deficiencies relating to ADP risk analysis and system security review requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-040a Enhance compliance with federal ADP Risk Analysis and System Security Review requirements by creating a comprehensive, integrated plan for RIBridges and the MMIS. Document the roles and responsibilities of EOHHS, DHS, DoIT, and contractors (and related subcontractors) in conjunction with the plan development.
- 2022-040b Ensure that the formalized plan includes a comprehensive risk assessment for both systems (RIBridges and MMIS), 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 2022-041

(material noncompliance / material weakness – repeat finding – 2021-047)

UNEMPLOYMENT INSURANCE – 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

See related Financial Statement Finding 2022-002.

Controls over the processing of unemployment insurance claims were ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. Controls were also ineffective to ensure compliance with the documentation of self-employment income for the Pandemic Unemployment Assistance (PUA) program.

Background: Since the start of the pandemic, the Department of Labor and Training (DLT) disbursed more than \$2.7 billion in unemployment insurance benefits. 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. Expanded pandemic unemployment benefits continued during fiscal 2022, through September 2021, exceeding \$300 million.

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.

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.

Collections on overpayments due to error or fraud must be reported and credited to the appropriate federal award that funded the unemployment insurance benefit.

The PUA program was created under the CARES Act to provide benefits to self-employed individuals who were previously ineligible for traditional unemployment insurance benefits. A “covered individual” is someone who meets each of the following three conditions:

1. The individual is not eligible for regular Unemployment Compensation, Extended Benefits, or Pandemic Emergency Unemployment Compensation. This also includes those who have exhausted all rights to such benefits, self-employed, those seeking part-time employment, individuals lacking sufficient work history. Self-employed individuals include independent contractors and “gig economy workers”.
2. Individuals must self-certify that they are unemployed, partially unemployed, or unable or unavailable to work due to one of the COVID19 related reasons identified in Section 2102(a)(3)(A)(ii)(I) of the CARES Act and in Departmental guidance (UIPL 16-20 and Attachment I, Section C.1. of UIPL 16-20, Change 4). Because this eligibility is based on self-

certification, states may only request supporting documentation if they have reasonable suspicions of fraud (question 23 of Attachment I to UIPL No. 16-20, Change 2).

3. Additionally, individuals who are paid on or after December 27, 2020, must submit proof of documentation substantiating employment, self-employment, or the planned commencement of employment or self-employment (see Attachment I, Section C.2. of UIPL No. 16-20, Change 4). This includes individuals requesting retroactive payments that are not received until after December 27, 2020.

Condition: DLT’s internal control procedures were not sufficiently effective to ensure that unemployment benefit payments were made only to eligible individuals. DLT estimated another \$10 million in fraudulent claims were paid in fiscal 2022 prior to the end of expanded benefits in September 2021. DLT implemented additional measures since the commencement of the enhanced federal benefits which aided fraud prevention but did not fully eliminate such activities. The decreased rate of fraudulent benefits in fiscal 2022 was a significant improvement over fiscal 2021 and a direct result of fraud prevention procedures implemented by the DLT.

The federal government required (effective in December 2020) stricter documentation requirements of income provisions for self-employed individuals; however, most claimants did not provide the required documentation and benefits continued. In a sample of 60 UI and PUA claimants, of which 41 (68%) were UI and 19 (32%) were PUA, our testing found that 19 of 19 (100%) claimants receiving PUA payments after December 27, 2020, provided no evidence of employment status or self-employment income as required by federal regulations. Sampled benefits missing the required documentation totaled \$90,669. DLT’s failure to obtain the required documentation for a significant percentage of unemployment benefits awarded under PUA is considered material noncompliance with eligibility requirements for fiscal 2022.

In some limited instances, claw back of amounts (approximating \$3.7 million) paid to fraudulent beneficiaries were made. About \$2 million of this was returned to the Treasury. DLT has lagged in determining the funding source of the remaining amounts (\$1.7 million) resulting in a delay in crediting applicable amounts to the appropriate federal award, when applicable.

Beyond the above control considerations, DLT’s current mainframe system has reached end-of-life and poses significant business continuity risks to unemployment insurance benefit operations.

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.

When fraudulent benefits are successfully clawed-back or collected, the funding source for that benefit must be investigated and determined. The investigation and accounting for these amounts has lagged and was still pending at June 30, 2022.

Claimant documentation requirements for the PUA program were not enforced during fiscal 2022.

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. The federal grantor has not yet been credited for their share of fraud recoveries. Failure to comply with documentation requirements for the PUA program resulted in material noncompliance with federal requirements for the disbursement and claiming of those unemployment benefits.

Questioned Costs: \$90,669

Valid Statistical Sampling: Yes

RECOMMENDATIONS

- 2022-041a Implement a strategic plan to address the required modernization of the unemployment benefit claims processing system. The modernization should include strengthening controls to prevent fraudulent benefit payments.
- 2022-041b Research recoveries of overpayments or fraudulent payments and credit the federal government (appropriate federal award) for amounts recovered.

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

Finding 2022-042 (material noncompliance / material weakness – repeat finding – 2021-048)

UNEMPLOYMENT INSURANCE – 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 previously found that the State was not 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. Overpayments must be established and communicated to the recipient to initiate collection.

Cause: Due to the increased fraudulent activity in UI claims, the department was unable to keep up with the establishment of overpayments due to claimant fraud. DLT management had previously advised us they were programming the existing benefit system to impose penalties for overpayments due to fraud. This programming change was not made in fiscal 2022.

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

2022-042 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 2022-043

(significant deficiency – new finding)

UNEMPLOYMENT INSURANCE – 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

UNEMPLOYMENT INSURANCE PROGRAM REPORTING

The Department of Labor and Training (DLT) did not submit all of its required reports on time. In several instances, the person preparing the report also submits the report, meaning there is no secondary review before submission.

Criteria: U.S. Department of Labor’s Employment and Training Administration (ETA) administers federal government job training and worker dislocation programs, federal grants to states for public employment service programs, and unemployment insurance benefits. Management is responsible for establishing and maintaining effective internal controls to produce and submit ETA reports in accordance with ETA’s Office requirements.

- For ETA 9130, the report is due 45 days after the end of the quarter.
- For ETA 2112, the report is due the 1st day of the second month following the month of reference and will be transmitted electronically.
- For ETA 9050, 9052, and 9055, the report is due to the ETA National Office on the 20th of the month following the month to which the data relates. This report will be transmitted electronically.
- ETA 2208A, the report is due 7 days after the end of the quarter.

Condition: DLT’s internal control procedures were not sufficiently effective to ensure that ETA reports were submitted timely and that a secondary review was performed to ensure accuracy. DLT is responsible for submitting ETA reports monthly (ETA reports 2112, 9050, 9052, 9055) and quarterly (ETA reports 9130, 191, and 2208A). We tested a total of 26 submissions of the ETA reports.

- 8 of 26 (31%) reports tested were submitted past the due date.
- 16 of 26 (62%) reports tested the were not signed by a manager. In the case of four of these ETA reports, the preparer and the reviewer appear to be the same person.

Cause: DLT has failed to segregate duties regarding preparation and review/submission of reports.

Effect: Noncompliance with reporting deadlines. Errors in reports could go undetected without proper review.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-043 Implement procedures for a secondary review of all reports submitted. Establish deadlines for preparation and review to ensure timely submission.

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

Finding 2022-044

(material weakness – repeat finding – 2021-052)

FEDERAL TRANSIT CLUSTER – 20.500, 20.507, 20.525, 20.526

Federal Award Agency: Department of Transportation (DOT)

Federal Award Fiscal Years: 2020-2022 and 2021-2026

Federal Award Numbers: RI-2020-009 and RI-2021-001

Administered by: Rhode Island Public Transit Authority (RIPTA)

Compliance Requirement: Allowable Costs/Cost Principles

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – ALLOWABLE COSTS – CARES ACT

Criteria: The grant awards include CARES Act emergency relief operating assistance, which is available for all operating activities (net of fare revenues and other operating reimbursements) incurred on or after January 20, 2020 for fixed route, demand response, ADA paratransit and shuttle services. The operating expense reimbursement should be determined and documented in accordance with Uniform Guidance (2 CFR 200) Subpart E – Cost Principles and FTA Circular 9030.1E including the requirement that costs be accounted for in accordance with generally accepted accounting principles and be adequately documented.

Condition: During our test of internal controls, we noted that costs related to three operating expense reimbursements were determined for a period using fixed route statistics which included average costs per mile and hour, less preventative maintenance and farebox recovery. We also noted that documentation for three operating expense reimbursements for a period included only the payroll reports for fixed route drivers plus benefits, calculated using a fringe benefit percentage rate, and there was no documentation that fare revenues and other operating reimbursements had been deducted from the operating expense reimbursement.

Cause: The Rhode Island Public Transit Authority did not account for CARES Act operating expense reimbursements in accordance with generally accepted accounting principles and did not adequately document CARES Act operating expense reimbursements.

Effect: The Rhode Island Public Transit Authority has not accounted for and documented CARES Act operating expense reimbursement in accordance with Uniform Guidance (2 CFR 200) Subpart E – Cost Principles and FTA Circular 9030.1E.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-044 We recommend that CARES Act operating expense reimbursements be prepared utilizing the Authority’s general ledger which is prepared in accordance with generally accepted accounting principles and documented using a worksheet prepared in accordance with FTA Circular 9030.1E, that excludes ineligible costs and deducts fares and other operating expense reimbursements.

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

Finding 2022-045

(material weakness – new finding)

FEDERAL TRANSIT CLUSTER – 20.500, 20.507, 20.525, 20.526

Federal Award Agency: Department of Transportation (DOT)

Federal Award Fiscal Years: 2021-2024

Federal Award Numbers: RI-2021-009

Administered by: Rhode Island Public Transit Authority (RIPTA)

Compliance Requirement: Allowable Costs/Cost Principles

RHODE ISLAND PUBLIC TRANSIT AUTHORITY – ALLOWABLE COSTS

Criteria: The Authority is responsible for establishing and maintaining effective internal controls over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal award programs. In addition, cost principles require that charges to federal award programs be supported by appropriate documentation including applying the proper reimbursement percentage based on the contract.

Condition: We noted that costs related to two operating expense reimbursements were processed using the incorrect reimbursement rate based on the grant agreement.

Cause: The Rhode Island Public Transit Authority applied the incorrect reimbursement rate on two invoices within our sample.

Effect: The Rhode Island Public Transit Authority has not properly applied the reimbursement rate noted in the grant agreement.

Questioned Costs: \$213,099

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-045 We recommend that the Authority develop a control to ensure that the proper reimbursement rates are being applied in relation to the specific grants that funding is being requested from.

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

Finding 2022-046

(significant deficiency – new finding)

HIGHWAY SAFETY CLUSTER – 20.600, 20.616

Federal Award Agency: U.S. Department of Transportation (DOT), National Highway Traffic Safety Administration (NHTSA)

Federal Award Fiscal Years: 2022

Federal Award Numbers: Various

Administered by: Department of Transportation (RIDOT)

Compliance Requirement: Matching, Level of Effort, Earmarking

LEVEL OF EFFORT – MAINTENANCE OF EFFORT (MOE)

RIDOT does not have documentation supporting compliance with the Level of Effort – Maintenance of Effort (MOE) requirement. The Department needs to establish an internal control structure to ensure compliance.

Criteria: The State and Community Highway Safety program (Assistance Listing 20.600) and the National Priority Safety program (Assistance Listing 20.616), as authorized by the FAST Act, require that a state must maintain its aggregate expenditures from all other sources at or above the average level of such expenditures in fiscal years 2014 and 2015 for activities for Occupant Protection, State Traffic Safety Information System Improvements, and Impaired Driving Countermeasures (23 USC 405(a)(1)(H); 23 CFR sections 1200.21(d)(5), 1200.22(f), and 1200.23(d)(2), 1300.21(d)(5), 1300.22(c), and 1300.23(d)(2)).

Condition: The Department was unable to provide documentation supporting the amounts identified as nonfederal expenditures for the base years of 2014 and 2015. The Department has identified a large pool of funds, State Police Highway Patrol salaries, to support compliance with the MOE requirements, however, there is no documentation supporting how or which salaries are being used to meet the specific requirements.

Cause: RIDOT did not have adequate policies and procedures in place to document compliance with MOE.

Effect: Potential noncompliance with federal rules and regulations regarding Maintenance of Effort.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2022-046 Establish policies and procedures to document compliance with Maintenance of Effort. Maintain adequate detailed supporting documentation to support compliance with related Level of Effort requirements.

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

Finding 2022-047 **(other noncompliance / significant deficiency – new finding)**

HIGHWAY SAFETY CLUSTER – 20.600, 20.616

Federal Award Agency: U.S. Department of Transportation (DOT), National Highway Traffic Safety Administration (NHTSA)

Federal Award Fiscal Years: 2021, 2022

Federal Award Numbers: Various

Administered by: Department of Transportation (RIDOT)

Compliance Requirement: Matching, Level of Effort, Earmarking

EARMARKING

Controls over earmarking can be enhanced to ensure compliance with Federal requirements.

Criteria: At least 40 percent of federal funds apportioned to a state under State and Community Highway Safety (20.600) for any fiscal year shall be expended by or for the political subdivisions of the state in carrying out local highway safety programs (23 USC 402(b)(1)(C); 23 CFR Part 1200, Appendix E and 1300 Appendix C).

Condition: State and Community Highway Safety funds passed through to political subdivisions (i.e., cities and towns) only accounted for 21% of the federal funds apportioned to the State.

Cause: The Department contends that the 40% requirement should be based on amounts expended by all subrecipients which includes organizations that do not meet the definition of political subdivision, for example non-profit organizations.

Effect: Noncompliance with federal rules and regulations regarding earmarking.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2022-047 Establish policies and procedures to ensure compliance with the earmarking requirement that no less than 40% of highway safety federal program funds are expended by or for political subdivisions of the State.

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

Finding 2022-048

(significant deficiency – new finding)

HIGHWAY SAFETY CLUSTER – 20.600, 20.616

Federal Award Agency: U.S. Department of Transportation (DOT), National Highway Traffic Safety Administration (NHTSA)

Federal Award Fiscal Years: 2019

Federal Award Numbers: Various

Administered by: Department of Transportation (RIDOT)

Compliance Requirement: Period of Performance

PERIOD OF PERFORMANCE

Controls over period of performance can be enhanced to ensure compliance with Federal requirements.

Criteria: The Highway Safety Cluster period of performance requirements are spelled out in 23 CFR 1300.41 as follows:

- Paragraph (b)(1) “except as provided in paragraph (b)(2) of this section, unexpended grant funds shall not be available for expenditure beyond the period of three years after the last day of the fiscal year of apportionment or allocation.”
- Paragraph (b)(2) “States may commit such unexpended grant funds to a specific project by the specified deadline, and shall provide documentary evidence of that commitment, including a copy of an executed project agreement, to the Regional Administrator.”
- Paragraph (b)(3) “Grant funds committed to a specific project in accordance with paragraph (b)(2) of this section shall remain committed to that project and must be expended by the end of the succeeding fiscal year. The final voucher for that project shall be submitted within 120 days after the end of that fiscal year.”

Condition: RIDOT was unable to provide documentation supporting its compliance with Period of Performance requirements. Federal awards lost their apportionment or allocation year identified within the Department when carried forward. We performed an analysis (in conjunction with reviewing the Obligation Limitation Report to ensure expired appropriations were not carried forward) that concluded the State materially complied with the period of performance requirement paragraph (b)(1) cited above, however, the lack of documentation prevented an assessment of the applicability of other period of performance compliance requirements (paragraphs (b)(2) and (3)).

Cause: The Department does not have policies and procedures to ensure compliance with period of performance. Expenditures are not tracked by federal fiscal award year.

Effect: Increased risk of noncompliance.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2022-048 Develop policies and procedures to document compliance with period of performance requirements.

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

Finding 2022-049

(material weakness – new finding)

HIGHWAY SAFETY CLUSTER – 20.600, 20.616

Federal Award Agency: U.S. Department of Transportation (DOT), National Highway Traffic Safety Administration (NHTSA)

Federal Award Fiscal Years: 2022

Federal Award Numbers: Various

Administered by: Department of Transportation (RIDOT)

Compliance Requirement: Reporting

REPORTING OF PROGRAM EXPENDITURES

The Department was unable to provide documentation supporting the amounts reported in the Highway Safety Plan Cost Summary and Federal Reimbursement Voucher reports. The Department’s current program accounting also results in program expenditures being duplicated in the State’s accounting system and Schedule of Expenditures of Federal Awards (SEFA).

Criteria: *HS Form 217* – 23 CFR section 1200.11(e) states “HS Form 217, meeting the requirements of Appendix B, be completed to reflect the State's proposed allocations of funds (including carry-forward funds) by program area. The funding level used shall be an estimate of available funding for the upcoming fiscal year based on amounts authorized for the fiscal year and projected carry-forward funds. Additionally, for each program area, an accompanying list of projects that the State proposes to conduct for that fiscal year and an estimated amount of Federal funds for each such project.”

Federal Reimbursement Voucher – 23 CFR 1200.33 states “Each State shall submit official vouchers for expenses incurred to the Approving Official. At a minimum, each voucher shall provide the following information for expenses claimed in each program area: (1) Program Area for which expenses were incurred and an itemization of project numbers and amount of Federal funds expended for each project for which reimbursement is being sought; (2) Federal funds obligated; (3) Amount of Federal funds allocated to local benefit (provided no less than mid-year (by March 31) and with the final voucher); (4) Cumulative Total Cost to Date; (5) Cumulative Federal Funds Expended; (6) Previous Amount Claimed; (7) Amount Claimed this Period; (8) Matching rate (or special matching writeoff used, i.e., sliding scale rate authorized under 23 U.S.C. 120).”

2 CFR 200.510(b) Schedule of expenditures of Federal awards. “The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502.”

Condition: *HS Form 217* – RIDOT was unable to provide documentation supporting information included in the Highway Safety Plan Cost Summary report for 18 of the 25 projects tested, as follows (it should be noted that 3 projects are included in more than one error category):

- 8 projects included on the report were not included in the Highway Safety Plan;
- 6 projects’ budget amounts included in the Highway Safety Plan Cost Summary report did not agree to supporting documentation;
- 7 projects State and/or Local share amounts did not agree to supporting documentation.

Federal Reimbursement Voucher – RIDOT was unable to provide documentation supporting amounts reported for; a.) HCS (Highway Cost Summary) Federal Funds Obligated, b.) Share to Local Benefit, and c.) State/Federal Cost to Date on the Federal Reimbursement Voucher for all 25 projects tested.

Highway safety grants are expended by multiple departments within the State, namely the Attorney General’s Office, Department of Public Safety, Department of Health and RIDOT. Those departments record expenditures to federal accounts linked to HSC within the State’s accounting system (RIFANS) and then provide backup documentation to RIDOT for reimbursement. RIDOT then records those same

expenditures within its Financial Management System (FMS) and RIFANS, as subrecipient payments, causing the expenditures to be duplicated in the State’s accounting system and Schedule of Expenditures of Federal Awards (SEFA) in an amount approximating \$581,665. HSC expenditures were not duplicated on federal reports because RIDOT uses its FMS to report and claim HSC expenditures.

Cause: RIDOT’s policies and procedures are not adequate to ensure the accurate completion of the Highway Safety Plan Cost Summary report. RIDOT’s use of multiple accounting systems to meet operational and financial reporting objectives results in unnecessary complexity and control weaknesses.

Effect: Information provided to the National Highway Traffic Safety Administration may not be accurate. Inaccurate reporting of program expenditures in the State’s SEFA.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATIONS

- 2022-049a Enhance reporting policies and procedures over the completion and submission of the Highway Safety Plan Cost Summary (HS Form 217). Verify the amounts submitted are accurate and if necessary, resubmit with accurate and supported amounts.
- 2022-049b Enhance reporting policies and procedures over the completion and submission of the Federal Reimbursement Voucher report.
- 2022-049c Enhance controls and address current deficiencies in accounting procedures to ensure program expenditure within the State’s reporting entity are reported accurately on the SEFA.

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

Finding 2022-050 (significant deficiency – new finding)

HIGHWAY SAFETY CLUSTER – 20.600, 20.616

Federal Award Agency: U.S. Department of Transportation (DOT), National Highway Traffic Safety Administration (NHTSA)
Federal Award Fiscal Years: 2022
Federal Award Numbers: Various
Administered by: Department of Transportation (RIDOT)

Compliance Requirement: Subrecipient Monitoring

SUBRECIPIENT MONITORING

The Department’s internal control structure does not ensure all subrecipients are monitored in accordance with federal requirements.

Criteria: All pass-through entities must monitor subrecipients 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 200.332(d) through (f)).

A pass-through entity (PTE) is responsible for: *During-the-Award Monitoring* – Monitoring the activities of the subrecipient (through reporting, site visits, regular contact or other means) as necessary to ensure that the subaward is used for authorized purposes, complies with the terms and conditions of the subaward, and achieves performance goals (2 CFR sections 200.332(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.

The PTE must verify that every subrecipient is audited as required by Subpart F of this part when it is expected that the subrecipient's federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR section 200.501 (2 CFR section 200.332(f)).

Federal award recipients must determine whether each agreement entered into for the disbursement of federal program funds casts the entity receiving the funds in the role of a subrecipient or a contractor based on the following definitions (2 CFR 200.331):

- A subrecipient receives federal funds from a non-federal entity *to carry out part of a federal program*. The legal agreement between the two parties creates a federal assistance relationship commonly known as a sub-award.
- A contractor is an entity (dealer, distributor, merchant or other seller) who has a legal agreement with a non-federal entity *to provide goods and services* needed to carry out the program under the federal award.

Condition: RIDOT passes federal awards through to many organization types, including municipalities, non-profits, and colleges/universities. The Department did not have documentation supporting the monitoring of three subrecipients, two of which are non-profits and one of which is a university. The Department did not review the audit reports for six subrecipients or have any documentation supporting its determination as to whether the subrecipients were required to have an audit as required by 2 CFR 200 subpart F. RIDOT identified three vendors providing goods or services to the department as subrecipients.

Cause: Policies, procedures and established controls do not encompass all federal requirements.

Effect: Monitoring controls and procedures may be insufficient to ensure that subrecipients are complying with applicable program regulations and requirements.

Questioned Costs: None

Valid Statistical Sample: Not Applicable

RECOMMENDATION

2022-050 Enhance policies, procedures, and controls over subrecipient monitoring to ensure compliance with 2 CFR sections 200.332(d) through (f).

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

Finding 2022-051

(significant deficiency – new finding)

CORONAVIRUS RELIEF FUND – 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: Allowable Costs/Cost Principles

CONTROLS OVER ALLOWABILITY OF EXPENDITURES TO THE CORONAVIRUS RELIEF FUND

Monitoring of certain project expenditures was not sufficient to ensure that awarded CRF funding complied with the State’s project approval.

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. Most CRF funding to external entities and providers included subsequent reporting procedures or other monitoring to ensure that funds were ultimately spent for the approved purposes.

Criteria: Management is responsible for designing and maintaining internal controls over compliance with federal requirements for allowable costs. Controls should be sufficient to ensure that all uses of federal funding meet the applicable allowability criteria.

Condition: Our review and inquiry of certain fiscal 2022 CRF expenditures found that subsequent monitoring procedures by the State were not performed to ensure that awarded CRF funding complied with the State’s project approval. Specifically, for certain CRF awards, the State did not provide any post award reporting by the recipient entity or subsequent monitoring to ensure that the approved funding was expended in accordance with the project authorization.

Cause: Lack of sufficient post award reporting requirements or monitoring procedures to document allowability of CRF expenditures in accordance with project authorization.

Effect: CRF funding could have been expended for unallowable costs.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-051 Ensure that future pandemic recovery project authorizations have subsequent reporting or other monitoring requirements to fully support the post award allowability of the funding awarded.

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

Finding 2022-052

(material weakness – repeat finding – 2021-061)

CORONAVIRUS RELIEF FUND – 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)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Award Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Year: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Activities Allowed or Unallowed, Allowable Costs/Cost Principles

CONTROLS OVER PANDEMIC-RELATED EXPENDITURES ALLOCABLE TO MULTIPLE FEDERAL AWARDS

The State had insufficient controls to ensure expenditures were not reimbursed from more than one award under federal programs with similar pandemic response related objectives.

Background: The State received an unprecedented amount of federal assistance to respond to the effects of the global pandemic including \$1.25 billion for the Coronavirus Relief Fund (CRF) pursuant to the CARES Act. Assistance was also received under the FEMA Stafford Act Disaster Grants program and the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) program. Certain costs were reimbursable under any of these programs and federal guidance was continually evolving which resulted in changing direction as to which costs were to be applied to a specific federal award. As guidelines and circumstances changed expenditures were often applied to one funding source and then subsequently adjusted to another funding source. Adjustments of program expenditures between federal programs often overlapped fiscal years due to the length of the pandemic.

Criteria: Expenditures may only be reimbursed from one federal award.

Condition: Due to changing federal guidelines and the evolving State response to the pandemic, costs were often charged to one funding source and then later moved to another funding source. When expenditures are reclassified or reallocated within the RIFANS accounting system, journal entries are used to move the aggregate dollar activity; however, the original transaction (expenditure/disbursement) remains in the account originally charged offset by a credit. This process complicates the identification of the underlying expenditures reimbursed by the federal award and increases the risk that expenditures could be reimbursed from more than one federal award.

During fiscal 2022, we noted the following adjustments to financial activity supporting the cited control deficiency:

- Approximately \$6.0 million in expenditures were adjusted from ELC to FEMA, and \$2.9 million in expenditures adjusted from FEMA to ELC, including \$2.3 million that is identified as ineligible for reimbursement to FEMA's Disaster Grants program.

- Approximately \$7.0 million was adjusted from CRF to FEMA’s Disaster Grants program and another \$1.9 million from FEMA’s Disaster Grants program to CRF. Of those, \$423,902 were identified as ineligible for reimbursement to FEMA’s Disaster Grants program, including some from the prior fiscal year.

Controls were insufficient to ensure that costs were not reimbursed from more than one federal award. The State’s process for recording accounting adjustments via aggregate dollar journal entries limits the effectiveness of controls to prevent duplicate reimbursement from federal funding sources.

Reconciliations to adequately identify any potential duplicate reimbursements were incomplete during fiscal 2022 but continued after the close of the fiscal year. Numerous journal entries were subsequently processed in fiscal 2022 to adjust COVID-related activity, for expenditures claimed in fiscal 2021 and fiscal 2020, between federal funding sources (principally CRF, FEMA, and ELC). While we acknowledge that the State has performed significant reconciliation procedures to identify instances where expenditures were charged to multiple federal programs, the manually intensive nature of those procedures does not fully mitigate the risk of the control deficiency.

Cause: Due to the rapid response required during the pandemic, the existence of multiple federal funding sources, and continually evolving federal guidance, costs were moved and adjusted in the accounting system to various funding sources, which increased the risk that a cost could be reimbursed from more than one federal award.

Effect: Potential duplicate reimbursement of expenditures from more than one federal award. Potential of charging costs for unallowable activities to federal programs as the expenditure detail is not maintained when expenditures are adjusted in the accounting system.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-052 Ensure reconciliations and any required adjustments are complete to demonstrate that eligible COVID program costs were not reimbursed from more than one federal funding source.

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

Finding 2022-053

(significant deficiency – new finding)

CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS – 21.027

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

Federal Award Fiscal Years: 2021

Federal Award Numbers: SLFRP0136

Administered by: Rhode Island Pandemic Recovery Office (PRO)

Compliance Requirement: Allowable Costs/Cost Principles

**LACK OF ADEQUATE DOCUMENTATION TO SUPPORT THE PROPORTION OF COSTS
ALLOCATED TO THE PROGRAM**

Costs associated with financial and reporting support services were not adequately documented to support the allocation to the program.

Criteria: Allowable cost principles prescribed by the Uniform Guidance requires costs charged to federal awards to be adequately documented. Documentation associated with federal grants should be sufficient to support the allocation of costs to the program. If costs are allocated to two or more activities, they must be allocated to those activities based on the proportional benefit, or allocated on a reasonable basis if the underlying benefit is to multiple programs.

Condition: Costs allocated to the program for consultant fees were not sufficiently documented to support the amount apportioned to the State Fiscal Recovery Fund (SFRF) program. The Pandemic Recovery Office employed the use of a consultant to provide additional financial and reporting support services in the administration of federal programs receiving COVID-related funding in fiscal 2022. These services were administered under a contract between the State and vendor that outlined general responsibilities related to various federal programs, including the SFRF, for a flat monthly fee.

Vendor invoices billing the State monthly in accordance with the contract fee were subsequently allocated to various accounts, including the SFRF. However, neither the contract and its addendums nor the vendor invoices were sufficiently detailed to support the proportionate allocation to the program.

Cause: The contract with the consultant did not include a requirement to document support services provided (and invoiced) to the State at the federal program level to properly support the direct allocation to the underlying federal programs.

Effect: Expenditures allocated to the program for the financial and reporting services were not fully supported in accordance with federal allowable cost principles under the Uniform Guidance.

Questioned Costs: Undetermined

Valid Statistical Sampling: Yes

RECOMMENDATION

2022-053 Enhance procedures for documenting administrative costs (specifically contractor support services) allocated to federal programs to ensure compliance with Uniform Guidance.

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

Finding 2022-054

(other noncompliance / material weakness – new finding)

TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – 84.010

Federal Award Agency: U.S. Department of Education

Federal Award Fiscal Years: 2021

Federal Award Numbers: S010A200039-20A

Administered by: Department of Education (RIDE)

Compliance Requirement: Matching, Level of Effort, Earmarking

LEVEL OF EFFORT – SUPPLEMENT NOT SUPPLANT

RIDE did not ensure the Local Education Agencies (LEAs) have the required written methodology to allocate state and local funds to each Title I school and to ensure that the school receives all of the state and local funds it would otherwise receive if it were not receiving Part A funds.

Criteria: The State Education Agency (SEA) must review the LEA compliance with the Title I Part A supplement not supplant provision (e.g., through subrecipient monitoring). Part A supplement not supplant provision states the “LEA must demonstrate that it has a methodology (e.g., through written procedures) and uses it to allocate state and local funds to each Title I school and ensures that the school receives all of the state and local funds it would otherwise receive if it were not receiving Part A funds (i.e., the LEA’s methodology may not take into account a school’s Title I status) (Section 1118(b)(2) (20 USC 6321(b)(2))). An LEA may use a combination of methodologies to allocate state and local funds to schools (e.g., use a different methodology for high schools than it uses for elementary schools). An LEA also may design its methodology to take into consideration grade span or school type, student enrollment size, or schools in need of additional funds to serve high concentrations of children with disabilities, English learners, or other such groups of students the LEA determines require additional support. RIDE can review the LEA compliance with the part A supplement not supplant provision through sub-recipient monitoring.”

2 CFR 200.332 states “Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the pass-through entity detected through audits, on-site reviews, and written confirmation from the subrecipient, highlighting the status of actions planned or taken to address Single Audit findings related to the particular subaward.”

Condition: RIDE’s risk assessment identified that 22 of the 36 applicable LEAs did not have a written methodology to allocate state and local funds to each Title I school and to ensure that the school receives all of the state and local funds it would otherwise receive if it were not receiving Part A funds. The Department did not perform any follow-up to ensure the LEAs took timely and appropriate action to correct the identified deficiency.

Cause: RIDE informed us that on-site subrecipient monitoring did not occur due to COVID-19 and lack of available resources. The majority of subrecipient monitoring took place virtually. Although RIDE monitored the subrecipients, they did not obtain corrective action from the LEAs regarding the lack of supplement not supplant policies and procedures.

Effect: Noncompliance with federal rules and regulations.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-054 Enhance internal controls over LEA supplement not supplant requirements by obtaining corrective actions from LEA subrecipients that are not complying with federal requirements for formalized methodologies.

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

Finding 2022-055

(other noncompliance / significant deficiency – new finding)

TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – 84.010

Federal Award Agency: U.S. Department of Education

Federal Award Fiscal Years: 2022

Federal Award Numbers: S010A210039

Administered by: Department of Education (RIDE)

Compliance Requirement: Special Tests and Provisions

**SPECIAL TESTS AND PROVISIONS – OVERSIGHT AND MONITORING RESPONSIBILITIES
WITH RESPECT TO CHARTER SCHOOLS WITH RELATIONSHIPS WITH CHARTER
MANAGEMENT ORGANIZATIONS**

RIDE does not have any specific procedures to assess the risk posed by conflicts of interest, related party transactions or insufficient segregation of duties between the Charter School and Charter Management Organization (CMO).

Criteria: As grantees, SEAs/LEAs are responsible for overseeing and monitoring subrecipients, including charter schools with relationships with Charter Management Organizations (CMOs). The SEA/LEA must: (1) evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining appropriate subrecipient monitoring (2 CFR section 200.332(b)); and (2) 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 section 200.332(d)).

Charter schools with relationships with CMOs that receive federal grant funds must comply with statutes authorizing the applicable grant program, regulations, the terms and conditions of their grant awards, and relevant department-issued guidance. Additionally, under Title 2 of the Code of Federal Regulations Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Grant Guidance), nonfederal entities that receive federal grants: (1) must establish and maintain effective internal controls over those funds and (2) should have internal controls that comply with the US Government Accountability Office (GAO) “Standards for Internal Control in the Federal Government” (Green Book), issued in November 1999 and updated in September 2014, or the “Internal Control – Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 1992 and updated in May 2013. The Green Book and the COSO Internal Control – Integrated Framework (COSO framework) provide specific requirements for assessing and reporting on controls in the federal government.

Additional requirements applicable to nonfederal entities receiving federal funds include: (1) the Code of Federal Regulations (CFR) requirements regarding conflicts of interest, (2) guidance regarding related-party transactions in generally accepted accounting principles, and (3) the GAO Green Book and COSO framework guidance regarding segregation of duties applicable to charter schools with relationships with CMOs.

Condition: RIDE’s policies, procedures, and internal control for reviewing charter schools with relationships with Charter Management Organizations (CMOs) is the same for all Local Education Agencies (LEA). Those policies and procedures do not include any specific procedures to assess the risk posed by conflicts of interest, related party transactions or insufficient segregation of duties between the Charter School and CMO.

Cause: RIDE currently has one Charter School with a relationship with a CMO and they did not modify their policies, procedures, and internal controls to address the Federal requirements related to the relationship.

Effect: RIDE is not in compliance with federal regulations.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

2022-055 Enhance the policies, procedures, and internal controls over monitoring LEAs, Charter Schools, and Charter Schools with relationships to CMOs to include assessing the risk posed by conflicts of interest, related-party transactions or insufficient segregation of duties between the Charter School and CMO.

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

Finding 2022-056

(significant deficiency – new finding)

TITLE I GRANTS TO LOCAL EDUCATION AGENCIES – 84.010

Federal Award Agency: U.S. Department of Education

Federal Award Fiscal Years: 2022

Federal Award Numbers: S010A210039

Administered by: Department of Education (RIDE)

Compliance Requirement: Activities Allowed or Unallowed

ACTIVITIES ALLOWED OR UNALLOWED

Information technology (IT) security controls over the Acelegrants system need improvement to protect reliability of the system data used to administer federal compliance for the Title 1 program.

Background: The Local Education Agencies (LEAs) generate and submit their Consolidated Resource Plan (CRP) to the Rhode Island Department of Education (RIDE) through the Acelegrants System – an application provided by a third-party vendor. Using this information, RIDE allocates Title I Grants to Local Education Agencies funds to the LEAs. Additionally, the LEAs submit their requests for distributions of such federal funds through Acelegrants. The State allocation of Title I funding is reliant on the data reported in Acelegrants.

Criteria: Management should ensure that systems critical to the administration of federal programs comply with IT security industry standards and best practices. The State has adopted such practices through its Division of Information Technology for agencies to comply with.

Condition: Our evaluation of RIDE’s information systems security management noted several areas in need of improvement. Efforts are needed to provide a comprehensive approach to address critical system security requirements that, most importantly, addresses the following:

- Access Management:
 - There was no formal, documented process to either request or track user account changes (including additions, deletions, and privilege changes).
 - Due to a lack of a formal user account request and tracking process, it could not be determined whether user access was appropriate or removed timely. We noted that access was still available for a high number of inactive users, many with inactive periods in excess of one year.
 - There was no formal documented periodic review of either User Access or Privileges to validate whether the granted access was still appropriate.
- IT Risk Assessment – there was no documented agency IT Risk Assessment process for the application and the vendor security practices.
- SOC 2 User Complementary Controls – There was no documented evidence of agency assessment or addressing of User Complementary Controls that were specified in the vendor provided SOC 2 report.
- Vendor Management – there is no agency evidence of IT Vendor Management oversight to ensure vendor conformance to industry standards and best practices. The agency has no method to document and review the SOC 2 report provided by the vendor.

Cause: Lack of dedicated resources and documentation.

Effect: Potential for IT security vulnerabilities from going unresolved and impacting application and data reliability.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|---|
| 2022-056a | Enhance controls and timeframes to ensure prompt termination of system access when employees leave or change functions. Document timely reviews of access privileges to determine if access is appropriate. |
| 2022-056b | Perform and document an IT Risk Assessment on a periodic basis. |
| 2022-056c | Review vendor identified user complementary controls specified in the vendor SOC 2 report and maintain the agency response as to relevance and how they are being addressed. |
| 2022-056d | Implement basic agency IT Vendor Management oversight to ensure conformance with industry standards and best practices. |

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

Finding 2022-057

(other matter / significant deficiency – new finding)

EDUCATION STABILIZATION FUND – 84.425E AND 84.425F

Federal Award Agency: U.S. Department of Education (ED)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: P425E200580-2020; P425F201216-2020

Administered by: Rhode Island College (RIC)

Compliance Requirement: Special Tests and Provisions – Reporting

RHODE ISLAND COLLEGE – HIGHER EDUCATION EMERGENCY RELIEF FUND (HEERF)

REPORTING

Criteria: The CARES Act 18004(e) and the CRRSAA 314(e) requires an institution receiving funds under HEERF I and HEERF II to submit a report to the secretary, at such time in a such a manner as the secretary may require. 1.) Quarterly public reporting for institutional requires a new, separate form to be posted covering aggregate amounts spent for HEERF I, HEERF II, and HEERF III funds each quarterly reporting period due no later than 10 days after the end of each calendar quarter. 2.) The 45-day and quarterly public reporting for the student aid portion requires certain information to be posted on the website no later than 10 days after the end of each period or calendar quarter. 3.) Annual calendar year reporting covering aggregate amounts spent for HEERF I, HEERF II, and HEERF III funds to be submitted to the Department of Education.

Condition: During our testing, we noted the College did not post 2 of the 4 quarterly postings within the 10-day timeframe. The College could also not provide or produce underlying support for line items 3 and 5 of the quarterly report. Also, during our testing of the annual report for the student aid and institutional aid portion, the College was unable to provide and produce support for certain line items in the report.

Context: During our testing, we noted the College did not post 2 of the 4 quarterly postings within the 10-day timeframe. For 1 of the 2 reports tested, we were not provided documentation for items 3 and 5 of the student public quarterly report. During our testing of the annual report for the calendar year 2021, the College could not provide support for line items 8(a) HEERF: (a)(1) Student Aid Portion Amount Disbursed: Amount of Emergency Financial Aid Grants applied to satisfy student’s outstanding account balance upon receiving affirmative written consent from students to do so; and 8(a) HEERF: (a)(1) Institutional Portion Amount Disbursed: Amount of Emergency Financial Aid Grants applied to satisfy student’s outstanding account balance.

Cause: The College did not have a process in place to ensure reports were timely uploaded to the College’s website and a process to keep documentation on file to support the reports.

Effect: Failure to support the amounts within the reports and to file the quarterly reports timely may result in loss of funding.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-057 We recommend that the College review their procedures to ensure that reports are submitted timely, and that documentation is kept for all reports.

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

Finding 2022-058

(other matter / significant deficiency – new finding)

EDUCATION STABILIZATION FUND – 84.425E

Federal Award Agency: U.S. Department of Education (ED)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: P425F:203721

Administered by: University of Rhode Island (URI)

Compliance Requirement: Reporting

UNIVERSITY OF RHODE ISLAND – REPORTING

Criteria: Institutions receiving funds under the Higher Education Emergency Relief Fund (HEERF) are required to submit a report to the secretary, at such time in such a manner as the secretary may require. Quarterly public reporting is required to report items noted in the Federal Register, Volume 85, No. 169 and Volume 86, No. 91 – Department of Education, Notice of Public Posting Requirements of Grant Information for HEERF. A required element is that the estimated total number of students at the institution that are eligible to receive Emergency Financial Aid Grants to Students under CARES (a)(1) subprogram and the CRRSAA and ARP (a)(1) subprograms. The University is required to establish and maintain effective internal control over the Federal award that provides reasonable assurance that the University is managing the Federal award in compliance with Federal statutes. (2 CFR subsection 200.303).

Condition: The University did not include information regarding the number of students at the institution that are eligible to receive Emergency Financial Aid Grants to Students.

Context: Two of the four required quarterly reports were tested, both reports omitted information regarding the number of students at the University that were eligible to receive Emergency Financial Aid Grants.

Cause: The University's system of internal control did not contain elements to ensure all information required to be reported was included in the quarterly sales reports.

Effect: The University's quarterly reports did not contain one of the required elements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-058 We recommend that the University review its internal control procedures and policies that ensure all federal grant reporting requirements are met and make changes as needed.

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

Finding 2022-059

(significant deficiency – repeat finding – 2021-062)

IMMUNIZATION COOPERATIVE AGREEMENTS – 93.268

Federal Award Agency: U.S. Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NH23IP922618

Administered by: Rhode Island Department of Health (RIDOH)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

TIME AND EFFORT REPORTING

RIDOH’s time and effort reporting for general COVID-related activities did not provide adequate detail to fully support personnel costs charged to federal programs.

Background: RIDOH has built robust, but complex, time reporting worksheets for employees to allocate their time spent on various activities during the week. Reconciliation of the hours worked versus the hours charged to the State’s payroll system and accounting system is performed on a quarterly basis and amounts recorded are adjusted accordingly to ensure charges in the accounting system are consistent with actual time spent on the various activities. Due to the challenges at the start of the pandemic and uncertainty regarding how costs would be funded, RIDOH adopted a general timesheet category for COVID-19 related personnel activities. Time and effort charged to this category ultimately gets allocated to federal programs in conjunction with RIDOH’s quarterly allocation of personnel costs.

Criteria: 45 CFR 75.430(i)(1) requires that “Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed.”

Condition: Our review of personnel costs identified the following deficiencies that weaken controls over the allowability of personnel expenditures:

- Amounts allocated to federal programs for personnel costs were not consistently supported by properly signed and reviewed timesheets. For the Immunization program, while RIDOH was able to provide timesheets for all selected pay periods, 7 of the 74 selected weekly timesheets lacked either an employee or supervisor signature. For the ELC program, 3 of the 74 selected weekly timesheets lacked supervisor signatures, and there was no provided support, including a timesheet, for one selected payroll transaction.
- Time and effort identified to the general COVID-19 category lacked sufficient detail (i.e., underlying activity performed in support of COVID-19 response) to support its specific federal program allocation. While we found that the allowability for personnel costs charged to the underlying programs was reasonable based on the employee’s position and responsibilities, improved timesheet documentation detailing the specific activities worked by the employee (in relation to COVID-19 response) would significantly improve supporting documentation of allowable costs for these programs.

Cause: The challenges in responding to the COVID-19 pandemic dramatically complicated RIDOH’s allocation of personnel expenditures amongst federal programs. The State’s lack of sufficient timesheet detail for designated COVID-19 time and effort activities (in conjunction with a lack of an integrated time and effort reporting system to easily allocate personnel costs over multiple funding sources) prevented direct verification of recorded timesheet activities to the underlying charge on federal programs.

Effect: Personnel costs reimbursed from Federal awards could be unallowable due to insufficient support and documentation.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATION

2022-059 Enhance weekly reporting of time and effort for COVID-19 activities to improve documentation and support for personnel costs charged to federal programs.

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

Finding 2022-060

(other noncompliance / significant deficiency - new finding)

EPIDEMIOLOGY AND LABORATORY CAPACITY FOR INFECTIOUS DISEASES (ELC) – 93.323

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Year: 2019-2024

Federal Award Number: NU50CK000519

Administered by: Rhode Island Department of Health (RIDOH)

Compliance Requirement: *Allowable Costs/Cost Principles*

INSUFFICIENT DOCUMENTATION OF SUBAWARD AGREEMENTS TO SUPPORT ALLOCATION OF SUBRECIPIENT PAYMENTS TO THE ELC PROGRAM

RIDOH lacked sufficient documentation of subawards (subrecipient agreements) to support the allocation of subrecipient payments to the ELC program.

Criteria: 45 CFR 75.352 (a) “Requirements for pass-through entities”, requires all pass-through entities to “ensure that every subaward is clearly identified to the subrecipient as a subaward” and to include certain prescribed information, including the CFDA [Assistance Listing] number and name. The pass-through entity must “identify the dollar amount made available under each Federal award and the CFDA number at the time of disbursement”.

Condition: We tested a sample of 59 payments to subrecipients and the underlying subaward contracts for the required federal award information. Of the related 45 subaward contracts reviewed, we noted three instances where the original contracts expired prior to the beginning of the fiscal year and the related extensions did not identify the ELC program as an applicable federal funding source.

RIDOH leveraged preexisting contracts to local entities identified as “health equity zones” (HEZs). The health equity zone contracts include numerous contract amendments extending those agreements. The extensions reviewed in fiscal 2021 appropriately indicated ELC as a federal funding source of the subaward. In fiscal 2022, subaward agreements were again extended, however, in the case of three subaward agreements reviewed, the ELC program was not indicated as an applicable federal funding source.

Proper identification of the relevant federal program information, including the relevant Assistance Listing number, is critical to ensuring that subrecipients are aware of the program restrictions to which they are required to adhere.

Cause: Insufficient documentation to support the allowability of certain subawards charged to the ELC program.

Effect: Potential noncompliance due to a lack of documentation to support allowability in accordance with federal regulations. Absence of the relevant identifying federal program information in subaward agreements increases the risk of noncompliance with federal regulations by the subrecipient.

Questioned Costs: None

Valid Statistical Sampling: Yes

RECOMMENDATION

2022-060 Ensure all subrecipient contracts and subsequent amendments contain the relevant identifying federal program information as required by Uniform Guidance.

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

Finding 2022-061

(material weakness – repeat finding – 2021-064)

TEMPORARY ASSISTANCE FOR NEEDY FAMILIES – 93.558

Federal Award Agency: Department of Health and Human Services (HHS), Administration for Children and Families
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: G2101RITANF and G2201RITANF
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 assistance and job preparation services. Federal regulation 45 CFR 205.60(a) requires (the state agency) “to maintain records to support eligibility, including facts to support the client’s need for assistance. The State’s policies and procedures require that documentation used to verify eligibility be maintained in the case file.” Federal regulations define appropriate sources of documentation to verify TANF applicant data when determining TANF eligibility.

Condition: Documentation in RIBridges was insufficient to support eligibility in certain cases tested. When evaluating exceptions relating to case documentation deficiencies, questioned costs and consideration of material noncompliance with eligibility requirements are based on documentation of critical household eligibility factors (income, residency, citizenship, valid social security number, birth certificates). If documentation omission was isolated in a case record and did not impact the substantial eligibility of the household, it was treated as an exception for control deficiency considerations only.

Sample 1 – Monthly household benefit payments reported by RIBridges during fiscal 2022.

Note: Case evaluation was performed on the most recent application or redetermination prior to the benefit period sampled. If a case is deemed ineligible due to a critical documentation deficiency, questioned costs are reflected for the entire period of eligibility.

Population – 31,519 cases, \$17,953,786 in benefits paid

Sample Size	Number of Exceptions	Exception type	Error Rate	Known Questioned Costs
68	3	Critical documentation deficiencies – failure to support household residency	4.4%	\$10,005
	17	Limited documentation deficiencies in case record indicative of control deficiencies but not deemed critical to household eligibility.	22.1%	N/A

While applicant-attested information in most cases supported applicant eligibility for TANF, the lack of required critical supporting documentation in 4.4% of the case files tested, in addition to the high number of other documentation deficiencies noted, was deemed to be a material weakness in internal control over TANF eligibility.

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 increase the potential for payment of benefits to ineligible families and/or payment of incorrect benefit amounts.

Questioned Costs: \$10,005

Valid Statistical Sampling: Yes

RECOMMENDATION

2022-061 Improve policies and procedures to ensure that all required eligibility compliance requirements are documented within RIBridges.

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

Finding 2022-062

(material noncompliance / material weakness – repeat finding – 2021-065)

CCDF CLUSTER – 93.575, 93.596

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: G2101RICCDF and G2201RICCDF

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. Controls to improve the documentation of eligibility specifically need improvement to support compliance with federal regulations.

Background: RIBridges is the State’s federally approved computer system used to manage multiple health care and human service programs. It was designed to allow for integrated eligibility across programs, enhanced client accessibility, and provide for periodic validation of client attested data through multiple electronic interfaces. RIBridges 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 and family size. Payments to licensed childcare providers are made through RIBridges. RIBridges is the official source of recipient eligibility documentation for the childcare program.

Criteria: Lead agencies must have 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 98.45(k)). Lead agencies may exempt families below the poverty line from making copayments and shall establish a payment rate schedule for childcare providers caring for subsidized children (45 CFR section 98.45(k)(4)).

Condition: RIBridges lacked effective income validation controls to determine program eligibility and potential family co-share amounts. Documentation supporting child care program eligibility was not found in 8 out of the 40 sample cases we reviewed, resulting in a 20% error rate. We considered a 20% error rate to represent material noncompliance with federal regulations over childcare eligibility requirements. The complete details of our testing are presented in the following table:

Sample 1 – Provider payments for enrolled children reported by RIBridges during fiscal 2022

Note: Case evaluation was performed on the most recent application or redetermination prior to the benefit period sampled. If a case is deemed ineligible due to a critical documentation deficiency, questioned costs are reflected for the entire period of eligibility.

Population – 286,994* payments to childcare providers, \$54,477,266 in benefits paid

Sample Size	Number of Exceptions	Exception type	Error Rate	Known Questioned Costs**
40	8	Exceptions related to nonconformance with established eligibility process and/or control procedures, including documentation deficiencies. Critical documentation deficiencies most commonly related to citizenship and residency.	20.0%	\$37,765
	9	Exceptions related to RIBridges calculation of Gross Countable Income in determining Income Level and Copay; 6 of which affected the determination of family co-share costs.	22.5%	n/a***
	1	Exceptions impacting eligibility – Non-temporary loss of employment. Benefits exceeded 3-month eligibility grace period without termination.	2.5%	\$1,220

*The population represents the number of payments made to childcare providers from all sources. The total benefits paid was funded 42% by Child Care, 42% by TANF and 16% from State funds.

**Questioned costs, when applicable and determined, represent the amounts of Child Care funds paid to providers in cases with a critical documentation deficiency or cases that should have been terminated. Since the State does not identify TANF funding at the Child Care payment level, questioned costs relating to TANF were not determinable.

***The 6 exceptions resulted in a net co-share overage paid by the related families.

Cause: Eligibility exceptions noted resulted from worker noncompliance with documentation requirements supporting eligibility determinations. Additional focus and training are required to ensure consistent documentation of eligibility components within RIBridges. Controls over the input of payroll information were also deficient, resulting in improper co-share amounts being determined.

Effect: Noncompliance with childcare eligibility requirements. Parental income/co-shares were incorrectly determined in some cases. Failure to end benefits timely when applicant employment ended.

Questioned Costs: \$38,985

Valid Statistical Sampling: Yes

RECOMMENDATION

2022-062 Improve controls over CCDF eligibility determinations by ensuring consistent inclusion of eligibility documentation in the electronic case record and appropriate consideration of parent earnings information for determination of parent co-shares.

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

Finding 2022-063

(other compliance matter – new finding)

CCDF CLUSTER – 93.575, 93.596

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2018, 2019, and 2020

Federal Award Numbers: G1801RICCDF, G1901RICCDF and G2001RICCDF

Administered by: Department of Human Services (DHS)

Compliance Requirement: Allowable Costs/Cost Principles

CCDF – ALLOWABLE COSTS – OTHER MATTERS

Likely questioned costs were identified in conjunction with a fraud investigation performed by the Office of Internal Audit (OIA).

Criteria: Uniform Guidance section 200.516(a)(6) states that the auditor must report known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for Federal awards.

Condition: During our audit inquiries during the fiscal 2022 audit of the CCDF Cluster, the State’s Office of Internal Audit (OIA) disclosed potential fraud relating to the Child Care Program that they discovered in relation to claiming that predated fiscal 2021 (prior to relaxation of program requirements during the public health emergency). OIA identified claiming for unreported absences, excess absences, and failure to report change in enrollment status. The OIA’s findings were communicated to law enforcement and charges were filed against the related Child Care provider. Potential claiming in relation to the OIA’s findings approximated \$820,000 in Child Care payments.

Cause: Potential fraud committed by a Child Care provider not detected by program controls.

Effect: Child Care payments were made to a provider for ineligible services billed.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-063 Evaluate the underlying allegations of program fraud and return funds to the federal government that did not meet federal requirements.

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

Finding 2022-064

(material noncompliance / material weakness – repeat finding – 2021-068)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5021 and 2205RI5021

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 2022. 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. During fiscal 2022, in response to the COVID-19 public health emergency (PHE), federal guidance and temporary changes to the State Plan continued to limit the State’s data verification procedures when evaluating eligibility of new program applicants and prohibited modifying recipient eligibility of existing recipients during the PHE. This finding focuses on the results from testing the more limited controls in place during fiscal 2022.

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.

Condition: Controls over CHIP eligibility determinations, except for the limitations described above, were largely unchanged during fiscal 2022. While most CHIP eligibility was identified through RIBridges, EOHHS identified additional CHIP claiming (approximately \$4.9 million) 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.

For fiscal 2022, we tested a sample of 40 capitation payments (total population of 1.6 million payments totaling \$107.7 million, federal share - \$65.8 million) claimed to CHIP for limited eligibility requirements deemed applicable during the PHE. Operational and control deficiencies during fiscal 2022 resulted in material noncompliance with eligibility requirements for CHIP. For all exceptions, the State did not consider the existence of third-party health coverage when determining eligibility for CHIP. We found that two individuals out of the 40 tested were covered by existing health coverage at the time of the claim for a 5% error rate. The citizenship of one of the individuals considered ineligible was also not documented in accordance with federal regulations. Capitation and claims paid in relation to these individuals totaled \$5,823 during fiscal 2022 (federal questioned costs - \$4,237). These costs would be eligible for claiming to Medicaid.

During fiscal 2022, RIBridges was 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 was not interfacing with RIBridges during fiscal 2022.

Cause: Noncompliance with CHIP eligibility requirements is caused by CHIP specific programming deficiencies within RIBridges, most notably, the lack of functionality to consider the availability of existing health coverage at the time of application.

Effect: Material noncompliance with federal requirements relating to recipient eligibility for CHIP.

Questioned Costs: \$4,237

Valid Statistical Sampling: Yes

RECOMMENDATIONS

- 2022-064a Address and correct the RIBridges system deficiencies which weaken controls and result in material noncompliance with federal regulations regarding CHIP eligibility.
- 2022-064b 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 2022-065 (material noncompliance / material weakness – repeat finding – 2021-069)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5021 and 2205RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Special Tests and Provisions – Managed Care Financial Audit

MANAGED CARE FINANCIAL AUDIT

The State is not currently in compliance with federal regulations requiring States to implement certain program integrity safeguards when administering Medicaid managed care programs.

Criteria: Federal regulations require States to comply with the following contract and program integrity safeguards when administering Medicaid managed care programs:

- 42 CFR 438.3(m) *Audited financial reports.* “The contract must require MCOs, PIHPs, and PAHPs to submit audited financial reports specific to the Medicaid contract on an annual basis. The audit must be conducted in accordance with generally accepted accounting principles and generally accepted auditing standards.”
- 42 CFR 438.602(e) *Periodic audits.* “The State must periodically, but no less frequently than once every 3 years, conduct, or contract for the conduct of, an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO, PIHP or PAHP.”

Condition: Federal program integrity requirements including required audits of MCO financial and encounter data have not been implemented by the State. These requirements are effective for MCO contract periods on or after July 1, 2017 (fiscal 2018). While the State has included language for audit requirements within recent MCO contracts, the requirements have not been complied with and policies and procedures specifically outlining the scope of the audits to be performed have not been documented.

Cause: Failure to implement federal requirements for stated effective date.

Effect: Material noncompliance with federal regulations relating to managed care financial audit requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-065a Improve required contract language for required MCO financial audits to ensure compliance with federal requirements.
- 2022-065b Implement policies and procedures to comply with federal regulations for MCO financial audits.

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

Finding 2022-066 (material noncompliance / material weakness – repeat finding – 2021-070)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: 2105RI5021 and 2205RI5021
Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: 2105RI5MAP and 2205RI5MAP
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 began procedures for the screening, enrollment, and revalidation of providers used in managed care organization (MCO) networks in fiscal 2022; however, a majority of MCO providers remained outstanding at year-end and thus the State did not materially comply with these federal requirements relating to provider eligibility.

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 had not yet materially complied with these new regulations through fiscal 2022.

Cause: Failure to implement federal requirements by the required effective date. EOHHS implemented new procedures and began enrollment in fiscal 2022 but the majority (approximately 90%) of MCO providers were not enrolled as of June 30, 2022.

Effect: Potential noncompliance with federal regulations relating to eligibility of providers in managed care networks.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-066 Expedite implementation of 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 2022-067

(material weakness – repeat finding – 2021-071)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: 2105RI5021 and 2205RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2021 and 2022
Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

CONTROLS OVER MANAGED CARE CAPITATION PAYMENTS AND CONTRACT SETTLEMENTS

See related Financial Statement Finding 2022-003.

Capitation payments to MCOs represent approximately 60% of Medicaid benefit expenditures. EOHHS needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

Background: Medicaid expenditures for individuals enrolled in managed care during fiscal 2022 approximated \$1.9 billion (monthly capitation payments paid to participating MCOs). This comprised managed care coverage for 303,301 Medicaid eligible individuals - approximately 91% of total Medicaid enrollees at June 30, 2022. These capitation payments related to the following managed care programs within the State’s Medicaid program:

Program Name	Enrollment (June 2022)	Expenditures (Capitation in millions)
Rite Care (Core, CSHCN, Foster Care)	170,469	\$610
Rhody Health Partners (certain adults with disabilities)	14,463	\$335
Integrated Care Initiatives (Medicare/ Medicaid Dual Eligibles)	12,988	\$126
Medicaid Expansion (low-income adults under 138% FPL)	105,381	\$794
Total	303,301	\$1,865

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 overhauled managed care regulations in fiscal 2020. The revised regulations are designed to strengthen fiscal transparency and integrity of managed care services provided in the Medicaid and CHIP programs.

Since managed care services provided within the RI Medicaid and CHIP programs involve complex rate setting and contract settlement provisions, the reliability and completeness of the mandated data provided by managed care organizations to the State is vital to fiscal integrity and accountability controls.

Criteria: As allowed under federal regulations, the State administers its managed care programs through contracts with MCOs which share the risk regarding financial gain or loss derived from the final contract settlements for the fiscal year. Contract settlements represent significant financial transactions within the Medicaid and CHIP programs and are impacted by the control deficiencies described in Finding 2022-003 relating to the State’s financial reporting and Finding 2022-065 relating to noncompliance with the federal requirements for MCO audit provisions. These deficiencies also impact controls over federal compliance with allowable cost principles in relation to managed care contract settlements.

Condition: The following findings document control deficiencies and noncompliance with federal requirements which contribute to weakened controls over the allowability of managed care expenditures within Medicaid and CHIP:

Finding 2022-003, *Medicaid Program Complexity Affects Financial Reporting and Overall Program Controls* – Highlights the need for system improvements to allow better financial accountability for managed care premiums and to enhance the processing of encounter data in support of the managed care contract settlement process.

Finding 2022-065, *Managed Care Financial Audit* – CMS inclusion of managed care financial audit requirements relating to managed care were designed to improve controls over financial activity and the underlying data reported by managed care organizations which become the basis for contract settlements with the Medicaid and CHIP programs. The State’s noncompliance with these federal requirements results in weakened controls over the administration of managed care activity.

Addressing the above findings will improve (1) final contract settlements with the MCOs and (2) the reliability of data utilized in developing prospective capitation rates.

In addition to the reliability of the data provided by managed care organizations to the State, ensuring that reported medical expenditures are supported by valid encounter data is an important control over the contract settlement process. In conjunction with our review of fiscal 2021 managed care contract settlements completed after the one-year claim runout period, we reviewed the percentage of reported managed care expenditures by plan versus submitted encounter data by plan. The following table provides context regarding the amount of medical expenditures that were not supported by submitted encounter data in fiscal 2021 contract settlements.

Plan	Managed Care Expenditures	Encounter Data Expenditures	Expenditures Supported (%)
MCO – 1	\$836 million	\$814 million	97.4%
MCO – 2	\$498 million	\$494 million	99.3%
MCO – 3	\$65 million	\$61 million	94.6%

We also assessed controls to ensure the timely termination of eligibility for deceased individuals to prevent continued payment of managed care capitation after death. We found that the State had not ended eligibility in the MMIS for 127 individuals within 90 days of the date of death. This control deficiency resulted in managed care capitation totaling \$467,740 (federal share - \$391,994) paid for individuals who had been deceased for more than 90 days. Of that group, 77 individuals remained Medicaid active with capitation paid to the managed care organization for more than 180 days after death. While the State can recoup the capitation once the individual’s death is recorded and eligibility is ended, the delay in termination for deceased individuals further weakens overall controls relating to managed care contract settlements. The State should improve controls to ensure that capitation payments are not continued for Medicaid recipients after death.

Cause: Control deficiencies exist relating to final contract settlements with managed care organizations (MCOs) and managed care capitation payments.

Effect: Potential for inaccurate reimbursements to MCOs for contract services provided to Medicaid enrollees.

Questioned Costs: \$391,994

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-067a Improve controls over compliance requirements for the allowability of federal expenditures by addressing related internal control deficiencies (including system limitations) over financial reporting and federal noncompliance that specifically impacts financial settlements with managed care organizations.
- 2022-067b Improve controls to ensure the timely termination of Medicaid eligibility for deceased individuals to prevent continued payment of managed care capitation after death.

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

Finding 2022-068

(significant deficiency – repeat finding – 2021-072)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5021 and 2205RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

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 2022 noted the following reporting deficiencies:

- Approximately \$3.3 million in CHIP expenditures were claimed to Medicaid initially and determined retroactively to be CHIP eligible and reclassified on federal reports between the two federal programs. The untimely adjustment of expenditures between the Medicaid and CHIP programs results in timing differences and reporting adjustments that complicate the reconciliation of federal reports to RIFANS for both programs.
- Reconciling administrative expenditures to the State Accounting System was not performed consistently by the State’s other health and human service (HHS) agencies charging administrative expenditures to Medicaid. Various HHS agencies utilize six separate and distinct cost allocation plans to allocate administrative expenditures to Medicaid.
- Amounts reported for benefit expenditures on the CMS-64 Report were in excess of amounts reported in the State Accounting System. While EOHHS believes this was caused by new reporting for reinvestments of the additional 10% federal reimbursement on home and community based services, EOHHS’s reconciliation between the CMS-64 Report and the State Accounting System did not provide documentation supporting the federal reporting difference.
- Nursing facility taxes and hospital licensing fees were reported quarterly in accordance with CMS-64 Report requirements. EOHHS, however, needs to consider whether other healthcare related taxes meet the requirements for reporting on the CMS-64 Report to ensure the completeness of reports filed. The OAG specifically inquired regarding premium taxes that are factored into Medicaid managed care rates to determine if that health insurer tax should also be reported on the CMS-64 Report.

Cause: Untimely adjustments of expenditures between the Medicaid and CHIP programs weaken controls over federal reporting for both programs. Lack of complete reconciliation of Medicaid administrative expenditures to the State Accounting System represents a weakness in internal control over federal reporting. Procedures to ensure the consistent and complete reporting of healthcare-related taxes and fees on the CMS-64 Report are lacking.

Effect: Increased risk of inaccurate federal reporting.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|--|
| 2022-068a | Eliminate untimely expenditure adjustments between Medicaid and CHIP by addressing RIBridges programming deficiencies which prevent CHIP eligibility from being completely determined and coded through the State’s integrated eligibility system. |
| 2022-068b | Require all HHS agencies to submit reconciliations of their quarterly administrative claiming (as determined through approved cost allocation methodologies) to reported expenditures in RIFANS on a quarterly basis. |
| 2022-068c | Conduct an analysis of healthcare related fees and taxes levied by the State to determine if other healthcare related taxes require reporting in the CMS-64 Report. |

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

Finding 2022-069

(material weakness – repeat finding – 2021-073)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5021 and 2205RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

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 relating to the identification of third-party insurance coverage to ensure that, when appropriate, Medicaid is the payor of last resort by (a) ensuring that TPL reported in the MMIS is accurate and up to date, and (b) ensuring that managed care organizations (MCOs) are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance.

Background: The State utilizes a vendor in conjunction with its MMIS operations to identify TPL coverage for Medicaid (and CHIP) eligible individuals. For individuals enrolled in managed care, the managed care organizations (MCOs) are responsible for identifying TPL coverage. By contract, MCOs must notify the State of identified TPL within 5 business days of discovery. 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 responsible for paying for services furnished under the State plan. Federal regulations indicate the minimum required measures that the State must include in their State Plan. Rhode Island’s State Plan TPL procedures are largely focused on TPL identification processes for fee-for-service claiming within the Medicaid Program.

With most Medicaid beneficiaries enrolled in managed care, ensuring the completeness and effectiveness of TPL identification by the MCOs is important to ensure compliance with federal regulations. Actual claims paid by the MCOs become the basis for final contract settlements; therefore, failure to identify other responsible insurance (TPL) prevents timely cost avoidance during claims processing and increases overall contract costs for the Medicaid program.

Condition: *Identification of TPL by managed care organizations* - During fiscal 2022, we performed certain analytical procedures on MCO encounter data to identify instances where Medicaid recipients (individuals with Medicaid eligibility for the entire year) had verified TPL coverage that was similar to their Medicaid managed care coverage to determine the extent to which MCOs were paying for claims that possibly could have been cost avoided. We selected a random sample of encounter claims where the State reported verified third party liability coverage (positive) and a random sample of encounter claims where the State did not report verified TPL coverage (negative). We confirmed a sample of positive and negative sample items with the MCOs to evaluate the percentage of State verified TPL that the MCOs had successfully identified. Of the twenty instances where the State had verified insurance coverage for Medicaid individuals with three MCOs, those MCOs only had record of TPL in four of the instances.

Validity of State Reported TPL Data - As a follow-up to the low number of TPL segments confirmed by the MCOs, we did an analysis of the State's verified third party insurance data to evaluate its accuracy. With a concern that the State's reported TPL verification was not completely reliable, we held discussions with EOHHS regarding the issue. EOHHS indicated that concerns had recently surfaced in regards to reported TPL in the MMIS. EOHHS had concerns that while the TPL data match was effectively identifying TPL segments, the interface with the MMIS was less effective in terminating active segments when coverage ended.

Based on that concern, we performed an age analysis on current validated TPL segments at June 30, 2022 to evaluate EOHHS's concerns. Our analysis was based on the likelihood that the older the TPL segment was, the more likely it was that the reported insurance coverage may no longer be effective. Our analysis identified that 62% of the reported 87,138 verified active TPL segments reported in the MMIS as of June 30, 2022 were older than 3 years old, and 36% were older than 5 years old. The high percentage of older TPL segments supports the concerns shared by EOHHS. Approximately 10% of reported verified TPL segments were older than 10 years. While possible, the likelihood that a verified TPL segment would not have any change required (i.e., policy number, coverage type, plan change) over those periods is questionable.

Our continued analysis of federal requirements for TPL identification and cost avoidance in fiscal 2022 continue to support the need for immediate action by EOHHS. Immediate corrective actions are needed to first validate TPL data currently residing in the MMIS system. EOHHS should immediately require its MMIS contractor to validate TPL segments for active Medicaid recipients. Once validated, the MMIS contractor should address system deficiencies preventing closure of validated TPL segments when the related insurance coverage lapses.

Additionally, once the validated TPL data segments are identified for current Medicaid recipients, that data should be shared with the managed care organizations to ensure that those entities have updated recipient TPL data. EOHHS should also implement enhanced monitoring procedures over MCO TPL identification and cost avoidance to ensure that the MCOs are complying with federal regulations and contractual agreements.

Cause: Control deficiencies resulting in inaccurate TPL data residing in the MMIS. Insufficient monitoring of TPL identification and cost avoidance by managed care organizations to ensure compliance with federal regulations.

Effect: Possible noncompliance with federal regulations requiring cost avoidance or recovery of costs when third-party liability coverage is available. Overpayment of capitation and MCO contract settlement costs.

Questioned Costs: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- | | |
|-----------|--|
| 2022-069a | Coordinate with the MMIS contractor to validate TPL segments for active Medicaid recipients and address system deficiencies preventing closure of validated TPL segments when the related insurance coverage lapses. |
| 2022-069b | 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. |

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

Finding 2022-070

(material weakness – new finding)

CHILDREN’S HEALTH INSURANCE PROGRAM – 93.767

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5021 and 2205RI5021

Administered by: Executive Office of Health and Human Services (EOHHS)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Eligibility

**CONTROLS OVER CRITICAL SYSTEM DATA INTERFACES WITHIN THE RIBRIDGES
ELIGIBILITY SYSTEM**

Controls need to be improved to ensure that critical external data interfaces are operating as designed within the RIBridges system.

Background: The State’s integrated eligibility system, RIBridges, was designed to utilize various external data sources interfaced with the system to validate applicant data. The objective was to eliminate the need for applicants to provide documentation supporting their eligibility for Medicaid or CHIP if the information was validated by independent external data sources. RIBridges utilizes the State Wage Information Collection Agency (SWICA) data, quarterly employer wage data, provided by the RI Department of Labor and Training (DLT) to validate reported applicant income. SWICA represents a critical external data source and interface within RIBridges.

Criteria: The State selected SWICA data as a primary source to validate reported income by Medicaid and CHIP applicants. Federal regulations require that States maintain effective internal controls to ensure compliance with federal eligibility requirements for both programs, including the verification of applicant income. Inclusive in that responsibility are monitoring procedures to ensure that controls are operating as designed.

Condition: Certain data mining procedures applied in conjunction with the testing of Medicaid eligibility for fiscal 2022, identified a significant number of State employees receiving Medical Assistance during the year. Analysis of the identified cases found that most were eligible for Medicaid or remained eligible due to federal restrictions on eligibility terminations during the public health emergency period. Our detailed case reviews, however, did identify some cases where known employee wages were not reporting through the SWICA interface as expected. Further follow-up with EOHHS staff identified that the SWICA interface was not operating as designed.

Cause: The SWICA interface was not operating in accordance with its design objectives. DLT was reporting no income for employers with late quarterly filings. DLT was also not updating the data file periodically to populate late employer quarterly filings. Significant additional monitoring is needed over critical external data interfaces to ensure operational effectiveness.

Effect: Eligibility for Medical Assistance for ineligible applicants.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-070a Correct operational deficiencies identified within RIBridges income validation interface.
- 2022-070b Implement monitoring procedures for critical external interfaces designed within RIBridges.

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

Finding 2022-071

(significant deficiency – repeat finding – 2021-074)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

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 LONG-TERM CARE FACILITY RATE SETTING

The State’s current practices for long-term care facility rate setting do not fully comply with its State plan provisions requiring an annual review of nursing facility rates and related provider cost report audit requirements.

Background: *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 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: *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 long-term care facility rate setting. The State has also not performed long-term care facility (nursing home) audits detailed in the State Plan.

Effect: Rate setting procedures for long-term care providers do not fully comply with approved State Plan requirements.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATION

2022-071 Document compliance with the Federal and State plan rate review and periodic audit requirements for 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 2022-072

(significant deficiency – repeat finding – 2021-075)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

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 MCOs 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. We noted that the NCCI edits were not applied in the MMIS in the order specified by the federal regulations; however, we do not believe this had a significant impact on compliance.
- d. For some of our individual case tests, the MMIS did not reject certain procedure to procedure edits that are included in the NCCI edits. The MMIS contractor could not provide a specific reason as to why these edits were not performing as expected in the test environment. Our analysis of actual claim edits during the year did include several procedure-to-procedure edits that were denied by the MMIS so it was unclear as to why certain specific procedure-to-procedure edits were not functioning as expected in the test environment.

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

- 2022-072a Include review of the application of NCCI edits into the scope of the Service Organization Control Review conducted annually of the State’s claims processing system and related fiscal agent controls to ensure continued operation of the NCCI federal requirements within the MMIS.
- 2022-072b Ensure that the State’s procurement of a new Medicaid Management Information System includes the requirements outlined in the NCCI Medicaid Technical Guidance issued by CMS.
- 2022-072c Consider in future MCO contract procurements, the benefits of mandating MCOs to implement NCCI edits within their claim processing systems to enhance program integrity over managed care claiming.

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

Finding 2022-073 ***(significant deficiency – repeat finding – 2021-076)***

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)
Federal Award Fiscal Years: 2020 and 2021
Federal Award Numbers: 2005RI5MAP and 2105RI5MAP
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 (PRTF) services provided to children in the State’s custody have been charged to Medicaid in fiscal 2022 in accordance with a methodology that is pending State Plan Approval. 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. Services authorized by the ISAs should be claimed in accordance with approved State Plan requirements. PRTF services (which began in fiscal 2020) claimed by DCYF to Medicaid are an identified service within the ISA. The approval to claim these services based on an all-inclusive rate determined through a cost-based methodology is still pending with the Centers for Medicare and Medicaid Services (CMS). In fiscal 2022, the reimbursement rate was established based on a budget submitted by the service provider.

Criteria: Federal approval to reimburse PRTF service providers based on a cost reimbursement methodology is currently pending with CMS. Reimbursing providers in accordance with an approved State Plan methodology is a requirement for considering the allowability of federal expenditures.

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 (set based on a cost reimbursement methodology) to Medicaid. Medicaid reimbursements have been made to DCYF since inception based on the new methodology, even though State Plan approval of that cost reimbursement methodology is still pending. DCYF was reimbursed approximately \$3.9 million for PRTF services provided to children in the State’s custody during fiscal 2022.

During our audit, we also noted that approximately \$19 million in other services to children in the State’s custody are being claimed to Medicaid through journal entries in the State Accounting System. Controls over these services would 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: Medicaid reimbursements of PRTF services to DCYF during fiscal 2022 were based on a reimbursement methodology which is pending State Plan Amendment approval by CMS. 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: Undetermined

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-073a Ensure that PRTF services are reimbursed to DCYF in accordance with the currently approved Medicaid State Plan.
- 2022-073b 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 2022-074

(significant deficiency – new finding)

MEDICAID CLUSTER – 93.775, 93.777, 93.778

Federal Award Agency: Department of Health and Human Services (HHS)

Federal Award Fiscal Years: 2021 and 2022

Federal Award Numbers: 2105RI5MAP and 2205RI5MAP

Administered by: Executive Office of Health and Human Services (EOHHS)

Compliance Requirement: Allowable Costs/Cost Principles

ALLOWABLE COSTS – MEDICAL ASSISTANCE

Controls need to be improved to ensure that certain program expenditures comply with federal allowable cost requirements.

Criteria: Section 200.403 of the Uniform Guidance requires that costs conform to limitations set forth in the Uniform Guidance as to types or amounts of cost items and that such costs should be adequately documented. Section 200.410 of the Uniform Guidance indicates that payments made for costs determined to be unallowable must be refunded to the Federal Government.

Condition: *Agreement and support of contractor costs to underlying contracts* – In reviewing certain sample contractor invoices charged to Medicaid, the supporting documentation provided did not agree with the underlying contract for detailed cost items or the support could not be readily agreed to the underlying contract (questioned costs - \$4,043, federal share - \$3,639).

Local Education Agency Claiming Reviews – EOHHS conducts periodic claiming reviews of Local Education Agency documentation for special education services reimbursed by Medicaid. In conjunction with those reviews, services that are not documented in accordance with the State’s policies and procedures for special education services are deemed unallowable. The OAG identified unallowable claiming totaling \$37 (federal share- \$23) that was not recouped from the provider and credited back to the federal grantor.

Documentation of support on hand at the time of invoice review and approval by EOHHS was difficult to determine. Our review of most high dollar contractor invoices required significant follow-up with the agency to agree amounts to the underlying contracts.

Cause: The documentation of invoice reviews (especially high dollar contractor invoices) by EOHHS was lacking in certain areas resulting in significant follow-up with the agency and identification of the questioned costs above. While EOHHS reviews of special education claiming were well documented, procedural improvements to ensure that recoupments are made for identified services deemed unallowable are needed.

Effect: Failure to comply with Uniform Guidance requirements for the allowability of program expenditures.

Questioned Costs: \$3,662

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-074a Implement enhanced invoice review documentation requirements for significant contractor invoices to ensure compliance with Uniform Guidance requirements over allowable costs in the Medicaid Program.
- 2022-074b Improve procedures to ensure that recoupments are made for identified special education services deemed unallowable for Medicaid reimbursement.

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

Finding 2022-075

(significant deficiency – repeat finding – 2021-077)

DISASTER GRANTS – PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS) – 97.036

Federal Award Agency: U.S. Department of Homeland Security (DHS), Federal Emergency Management Agency (FEMA)

Federal Award Fiscal Year: 2020 to 2023

Federal Award Number: FEMA-4505-DRRIP00000001

Administered by: Rhode Island Emergency Management Agency (RIEMA)

Compliance Requirement: Reporting

FEDERAL FINANCIAL REPORTS AND QUARTERLY PROGRESS REPORTS

RIEMA can improve its reporting function. Required federal financial reports for fiscal 2022 were not properly supported by the State’s accounting system. Quarterly progress reports contained comments that did not appear truly representative of the status of the specific projects at the end of the quarter.

Criteria: Consistent with Uniform Guidance requirements, the State is required to complete the SF-425, Federal Financial Report, quarterly for the grant. The FFR should be sufficiently supported by the State’s accounting records.

Additionally, 44 CFR §206.204(f) requires that progress reports be submitted by grant recipients quarterly. The reports are to describe “the status of those projects on which a final payment of the Federal share has not been made to the recipient and outline any problems or circumstances expected to result in noncompliance with the approved grant conditions.”

Condition: We were unable to match amounts reported on each of the four quarterly SF-425 reports for fiscal 2022 to amounts included in the RIFANS accounting system. We noted variances between the amounts reported and both transactions in the RIFANS accounting system and obligations reported in FEMA’s grants portal. In certain instances, cash receipts were reported in quarters prior to the authorization in the FEMA grants portal and subsequent drawdown by the State.

We separately performed testing of the quarterly progress reports for fiscal 2022. For the quarter ended June 30, 2022, we noted several projects with a status that costs were completed but not paid out to the recipient. Based on review of accounting records, these project costs were either allocated to the applicable State agency or paid to the recipient entity outside of the primary government (i.e., component unit, municipal government, non-profit organization) prior to the end of the quarter.

Cause: RIEMA did not have procedures in place to ensure that federal reports were consistent with underlying supporting documentation (i.e., accounting system, agency tracking sheets).

Effect: Expenditures reported on the SF-425 for this program were overstated. Quarterly progress reports did not accurately reflect the current status of open projects.

Questioned Costs: None

Valid Statistical Sampling: Not Applicable

RECOMMENDATIONS

- 2022-075a Strengthen procedures for preparing federal financial reports to ensure that information reported is adequately supported and consistent with amounts included in the RIFANS accounting system.
- 2022-075b Submit revised SF-425 and quarterly progress reports to reflect corrected expenditures and drawdowns for fiscal 2022, as necessary.

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 2022-001 – Corrective Action Plan

The State has engaged a system integrator, an independent validation and verification third party partner, and a data conversion specialist, in addition to our own subject matter experts to reduce the risks associated with control deficiencies and standardization of business processes across the stakeholder environment. Further, the State has augmented with external staffing to allow our subject matter experts to devote time to this project unobstructed.

Anticipated Completion Date: July 1, 2025

Contact Persons: Brian Tardiff, Chief Information Systems Officer
Department of Administration, Division of Information Technology
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Finding 2022-002 – Corrective Action Plan

2022-002a – The RI DLT and Division of Information Technology are in the final phase of completing the review process for a Request for Proposal (RFP) to identify a vendor who will create a strategic plan to address the modernization of DLT's systems, including the UI Benefit Claims processing system. The selected vendor will provide a strategy based on analysis of each system that will inform a larger project to complete the actual modernization and upgrading of the systems. It is anticipated that the cost review will take place in March 2023 and a vendor selected soon after.

The future modernization project will include requirements to build in fraud detection safeguards and system capacities that will protect the integrity of the system as it accommodates mass unemployment.

Anticipated Completion Date: December 31, 2023

2022-002b – The Department met with USDOL's regional office to seek technical assistance regarding repayment of funds recovered from banking institutions. We are currently awaiting a response with further direction. RI DLT will take appropriate action based on USDOL's recommendations and credit the federal and state benefit programs as appropriate for amounts recovered.

Anticipated Completion Date: March 31, 2024

Contact Person: Jessica Johnson, Assistant Director, Unemployment Insurance
Department of Labor and Training
jessica.johnson@dlt.ri.gov

Finding 2022-003 – Corrective Action Plan

EOHHS recognizes the increasing complexity of the Medicaid program and the material impact of the financial aspects of this program on the State's financial reporting objectives. The following outlines the agency's continued corrective action plans for the above recommendations.



State of Rhode Island

2022-003a – The MES Planning Vendor is evaluating the existing MMIS processing for premium payments, capitations, and encounters and conducting business needs assessments. These details will be incorporated into the RFPs for replacement systems that will perform in alignment with Rhode Island-specific needs and/or have the flexibility to achieve the Programs' objectives in these areas.

2022-003b – EOHHS is aware of many of the risks facing the program's financial reporting, including manual payments, and has taken steps to simplify Medicaid-related financial activities and improve oversight as outlined below. The steps taken to-date and future steps 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. In FY20, the state implemented a requirement that the MCOs report quarterly through a new "Financial Data Cost Report" (FDCR) their membership, benefit expenses, including general ledger adjustments, sub-capitated arrangements, reinsurance arrangements, reserves, benefit expense recoveries and administrative costs for each Premium Rating Group. These expenses are reported at either the rate cell and category of service level, or at the product level (Rite Care/Expansion, etc.). This allows for the risk share reporting to be validated against other financial reporting and in alignment with rate setting activities.
 - Annually, the MCOs must reconcile the information in its FDCR to their NAIC financial statements.
 - EOHHS utilizes this FDCR data in rate setting as well as to monitor MCO financial performance throughout the year.
 - EOHHS began utilizing the FDCR reporting for risk share settlement beginning with the final reconciliation for FY 2019.

2. Stop Loss Programs

- a. EOHHS recognizes that stop loss payments result in additional manual payments, creating risk of error. As a result, in FY22, EOHHS eliminated its Hepatitis C stop loss program and its organ transplant stop loss program, eliminating manual payments made by the state to the MCOs. However, stop loss programs will remain where necessary; for example, there is a COVID vaccine administration "non-risk" stop loss program where the state pays the full amount of vaccine administration reimbursement back to the MCO using 100% federal funds.
- b. The state plans to eliminate the COVID-19 vaccine administration "non-risk" payment, and subsequent manual payment, in FY24 by incorporating this payment into rates.

3. 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, new processes were 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 must still be processed manually unless additional system modifications are implemented.

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.



State of Rhode Island

However, in recent FYs, including for FYs 22 and 23, budget initiatives impacting rates in the enacted budgets passed at the end of June have led to a delay in the final rates. This process is out of EOHHS' control and has resulted in large manual payments. 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.

2022-003c – 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 is also reviewing the documentation required when FACNs are submitted for payment or recoupments, including how requests document Federal authorities in place. The agency intends to issue updated guidance to ensure consistency across all FACNs.

EOHHS has implemented "ServiceNow" with their fiscal agent for the purpose of more formally tracking system issues, incidents, password resets. The fiscal agent is in the process of testing functionality for non-financial FACNs with the goal for this to be implemented in April 2023. Financial FACN and system modification request will be implemented at a later date. This tool will eliminate the FACN process as it is defined presently. To the extent that additional codes are needed to clarify the nature of various transactions, EOHHS will work with the fiscal agent to establish and utilize these new codes on a go-forward basis within the new ServiceNow tool. Remaining ServiceNow functionality should be implemented by December 2023.

2022-003d – The MES Planning Vendor is evaluating the existing non-claims based MMIS financial transactions and reason codes and conducting business needs assessments. These details will be incorporated into the RFPs for replacement systems that will perform in alignment with Rhode Island-specific needs and/or have the flexibility to achieve the Programs' objectives in these areas.

Anticipated Completion Date: Ongoing (unless specified above)

Contact Person: Kim Pelland, Medicaid Chief Financial Officer
Executive Office of Health and Human Services
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Finding 2022-004 – Corrective Action Plan

BHDDH concurs with the Auditor General's finding. BHDDH is presently recruiting additional fiscal staff and cross training existing staff to ensure timely reporting. In collaboration with the 3rd party vendor providing allocation services, BHDDH is implementing changes in past practices to address this timing issue.

Anticipated Completion Date: Fiscal Close 2023

Contact Person: Mary Dupuis, Administrator II
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Finding 2022-005 – Corrective Action Plan

Management agrees the State lacks formalized documentation and a comprehensive internal control structure statewide that complies with an accepted framework. The Office of Accounts & Control (A&C) has committed resources to working with the agencies, as well as training and developing implementation (“best-practice”) materials. Further, the ERP system is underway which brings the opportunity to embed internal controls within the software application. A&C is exploring the use of an RFI to determine if assistance from an outside firm is a viable option to onboard for expertise with documenting the entity internal control structure. In addition to developing training materials and potentially implementation resources, A&C will be requesting management to commit time and resources to assist in designing, implementing, and maintaining an effective internal control system at each respective agency.

Anticipated Completion Date: Ongoing

Contact Person: Alex Herald, Administrator of Financial Management
Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov

Finding 2022-006 – Corrective Action Plan

2022-006a – A&C disagrees with this finding. A&C developed guidance and a detailed training which it provided to agencies during June 2022. The June 2022 training was comprehensive to the SOC reporting process. Further, it can be utilized in conjunction with the updated assessment tool and detailed instructions to improve the overall state agency evaluation and compliance of SOC reports. Further, A&C finalized a new assessment tool entitled “SOC Report Review” to replace the prior checklist. The SOC Report Review improved upon the prior checklist by expanding the key information areas to a more detailed documentation of the review of SOC reports by the agencies. The SOC Report Review is the responsibility of the applicable agency CFO and must be completed and returned to A&C along with the relevant SOC Report.

In addition to the above, A&C provides resources to the agencies throughout the year regarding SOC training, evaluation requirements, comments and questions.

2022-006b – Within the new SOC Report Review tool and its related training, there are detailed instructions and information to assist agencies in documenting their responses to complimentary user entity (State) controls listed in the SOC report. This tool includes a section titled Complimentary User Entity Controls that requires the CFO to list each complimentary user entity (State) control and respond with the agency’s relevant controls and/or processes. The respective agency CFOs should ensure the user entity’s complimentary controls are in place and operating effectively. A&C is available to assist with questions and review of the controls in place.

2022-006c – As in the prior year training, the new SOC Report Review training will include information to assist agencies with their review of exceptions and/or modifications noted in the SOC reports. The sections of the SOC Report Review dealing with auditor report modifications (titled ‘Qualifications on Control Objectives’) and/or exceptions (titled ‘Deviations noted’) will assist the CFO reviewer by providing guidance to ensure they review any exceptions or modifications and appropriately respond to each one. The completed SOC Report Review will provide A&C assurance the CFOs are reviewing the SOC report appropriately and timely. Agencies are encouraged to request and review SOC reports as soon as they are available and to reach out to A&C with any questions and comments as they prepare their SOC Report Review to further ensure the SOC reports are evaluated in a timely fashion and that proper documentation is provided regarding the impact on the State’s control process.

Anticipated Completion Date: June 30, 2022



State of Rhode Island

Contact Person: Alex Herald, Administrator of Financial Management
Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov

Finding 2022-007 – Corrective Action Plan

We agree with the recommendation. We believe we can approach this finding in two ways. As mentioned, we can improve communication with agency personnel responsible for accurate recording of federal expenditures in the SEFA. Also, we can better utilize the recently implemented Grant Management System. As it standardizes and enforces Uniform Guidance requirements, we should be able to apply that to our overall understanding of what should be included or excluded from the SEFA. This should also help us to review and monitor discretely presented component unit federal expenditures.

As it pertains to the specific adjustments to the SEFA this year, we will review those instances. If these will be a recurring adjustment year over year, then we will work to identify these transactions in the ledger and ensure they are allocated correctly as it relates to the SEFA.

Anticipated Completion Date: Ongoing with full adoption of Grant Management System expected late 2025

Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring and Evaluation
Department of Administration, Office of Management & Budget, Grants Management Office
steve.thompson@omb.ri.gov

Finding 2022-008 – Corrective Action Plan

We agree with the recommendations and have already addressed several of the core issues noted in this finding.

The Grant Management System (GMS) implementation completed during December 2022. The GMS integrates with RIFANS (will integrate with ERP system in the future) and passes data via a nightly transfer between the two systems. We are now in the adoption phase of the project and are actively working with state agencies to utilize the system. As part of the adoption phase of the project, the Office of Grants Management has promulgated a new regulation, 220-RICR-20-00-2, expected to be enacted March 15, 2023. The regulation establishes a framework for grant making activity by state agencies requiring agencies to issue new subawards through the system effective July 1, 2023

As a result of this regulation, payment requests from subrecipients for subawards issued after July 1, 2023 will be processed entirely through the GMS. Approved requests will be sent to RIFANS and generated as an invoice for payment following the established RIFANS approval process and rules. We believe RIFANS integration with the GMS is a significant step forward strengthening internal controls between federal award limitations (budget) and expenditures.

The lack of key grant identifying information in RIFANS remains a challenge for the State. As part of the GMS project, we established a process where the GMS generates a unique grant ID for all federal awards entered into the system called RIGID. The RIGID is part of the nightly data transfer to RIFANS and allows for the critical linkage between grant information and expenditures in RIFANS. Use of the RIGID between the GMS and RIFANS establishes a vital connection between data that will serve the State until the ERP system takes over as the financial system of record. The ability to link grant information with expenditures in RIFANS for many awards will help address items raised in this finding.



State of Rhode Island

We agree that the FGIS process should be reassessed. In addition to the issues cited in this finding, a key issue related to variances is the issue of timing, specifically state fiscal year vs. federal fiscal year. Data gathered from agencies is always as of a point in time and therefore doesn't always align with required federal financial reports.

Anticipated Completion Date: GMS RIFANS Integration completed. Further controls, ongoing and linked to ERP project timelines.

Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring and Evaluation
Department of Administration, Office of Management & Budget, Grants Management Office
steve.thompson@omb.ri.gov

Finding 2022-009 – Corrective Action Plan

2022-009a – The Office of Accounts and Control worked diligently during Fiscal Year 2022 to recruit and hire key positions within the Office. As of February 2023, the finance and accounting unit is fully staffed. A&C will work to retain staff and ensure accurate and timely financial reporting moving forward. A&C has identified valuable training opportunities provided by the Governmental Finance Office Association (GFOA) and assigned respective staff members to attend. Further, A&C is actively internally training and cross training new members of the team in advance of Fiscal Year 2023 close.

2022-009b – The Office of Accounts and Control is working to update and issue new policies to help improve financial reporting and provide additional guidance to state agencies. Further, A&C is working through its internal trainings to improve upon policy and procedure documentation.

2022-009c – A&C agrees with this recommendation and will urge state agency CFOs to leverage key resources such as the GFOA to provide their respective finance staff with training. A&C makes itself available to agencies to assist with governmental financial reporting or accounting questions as they arise.

Anticipated Completion Date: Ongoing

Contact Person: Tara Mello, Associate Controller – Finance
Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov

Finding 2022-010 – Corrective Action Plan

2022-010a – Management agrees with this finding. The Treasurer's Office is currently organizing a "cash" project targeted to define the topic scope, information requirements and potential entities that could provide a study of this nature.

Anticipated Completion Date: December 2023

2022-010b – Management agrees with this finding. The State's Enterprise Resource Planning system is in the beginning stages of design and implementation. This project has been split into two distinct phases – HR and Finance with the HR phase coming before Finance. The Cash Manager and other treasury personal have been included on the team implementing the Finance phase. The Cash Manager will work to ascertain the functionality of the new software and determine if it possesses the functionality required by the cash management team. If possible, we will build the necessary functionality into the new system.



State of Rhode Island

Anticipated Completion Date: The Finance phase of the ERP implementation is scheduled to begin in January of 2024 (significant planning is beginning now but the actual implementation begins next year.) and take approximately 2 years.

2022-010c – Management agrees with this finding. The State Treasurer's Office has requested an additional FTE believed minimally necessary to provide for adequate segregation of duties. This request has so far been denied by the state budget process.

Anticipated Completion Date: To Be Determined

Contact Persons: Jeffrey Thurston, Cash Manager
Office of the General Treasurer
jeffrey.thurston@treasury.ri.gov

Chris Civittolo, Director of 529 Savings Program
Office of the General Treasurer
chris.civittolo@treasury.ri.gov

Eric Baggesen, Chief Investment Officer
Office of the General Treasurer
eric.baggesen@treasury.ri.gov

Andy Manca, Chief Operating Officer
Office of the General Treasurer
andrew.manca@treasury.ri.gov

Finding 2022-011 – Corrective Action Plan

Management agrees with the recommendations. The recommendation regarding system capabilities to allocate costs will be addressed with the implementation of a new ERP system. The new system will be required to have functionality to allocate costs. A&C will continue to work on its review and oversight of material journal entries to ensure appropriate recording of transactions.

Anticipated Completion Date: June 30, 2025 for ERP system

Contact Persons: Tara Mello, Associate Controller – Finance
Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov

Martires Mullins, Administrator – Financial Management & Reporting
Department of Administration, Office of Accounts & Control
martires.hernandez@doa.ri.gov



Finding 2022-012 – Corrective Action Plan

A&C agrees with these recommendations. A&C is working on improving its documentation of government-wide financial reporting policies and procedures. As policies and procedures are formalized, they will be communicated and trained to the respective staff. A&C has also spent significant time staffing the finance and accounting unit over the past year to ensure more timely financial reporting moving forward.

Anticipated Completion Date: Ongoing

Contact Persons: Tara Mello, Associate Controller – Finance
Department of Administration, Office of Accounts & Control
tara.m.mello@doa.ri.gov
Martires Mullins, Administrator – Financial Management & Reporting
Department of Administration, Office of Accounts & Control
martires.hernandez@doa.ri.gov

Finding 2022-013 – Corrective Action Plan

As stated last year, the Office of Accounts and Control implemented a number of steps to increase the accuracy of physical inventory process. Included in its enhancements was the process for the review and inquiry for material capital assets reported as not found. A&C will evaluate the necessity to be physically present for each inventory if sufficient resources are available.

Anticipated Completion Date: Ongoing

Contact Person: Sandra Morgan, Assistant Director of Special Projects
Department of Administration, Office of Accounts & Control
sandra.morgan@doa.ri.gov

Finding 2022-014 – Corrective Action Plan

2022-014a – The DMV agrees that a reconciliation of the revenues collected is needed and will work to reconcile the revenues collected on an annual basis. The DMV expects to begin this annual reconciliation of all funds collected with the FY 2023 revenues.

2022-014b – The DMV agrees that a crosswalk is a beneficial document to have. The DMV expects to begin working on creating a crosswalk in June or July 2023 with completion by December 2023.

Anticipated Completion Date: December 2023



State of Rhode Island

Contact Persons: Paul Dombrowski, Administrator – Financial Management
Department of Revenue, Division of Motor Vehicles
paul.dombrowski@dmv.ri.gov
Roger Demers, Chief of Legal Services
Department of Revenue, Division of Motor Vehicles
roger.demers@dmv.ri.gov

Finding 2022-015 – Corrective Action Plan

2022-015a – During FY 2021 and 2022, RIDOT has worked to improve the fund balance procedure. 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 FY 2023, the focus will be to implement policies and procedures to improve the fund balance reconciliation and ensure the process is compliant with GASB 54 standards. DOT is also working with IT to develop reports to assist in reconciling fund balance. The lack of staffing resources has delayed the full implementation of this process.

Anticipated Completion Date: December 31, 2023

2022-015b – DOT will develop procedures for reviewing the financial statements during fiscal close. The procedures will include a hierarchy to ensure proper staff are reviewing them.

Anticipated Completion Date: June 30, 2023

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2022-016 – Corrective Action Plan

2022-016a – RIDOT will reconcile historical infrastructure information with FMS and the state's financial statements to ensure construction in progress and infrastructure assets are recorded consistently across all reports.

2022-016b – During FY 2022, DOT Finance worked with DOT Bridge Maintenance to develop a method to determine assets that have been impaired and assets that have been taken out of service. In this fiscal year we will continue to work with DOA Accounts and Control to determine how to make the adjustments to the assets in RIFANS.

Anticipated Completion Date: June 30, 2023

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov



Finding 2022-017 – Corrective Action Plan

Due to a court decision in September 2022, RIDOT no longer operates the tolling system. Therefore, currently it is not feasible to obtain a SOC report. The court decision is in the appeals process.

Anticipated Completion Date: Unknown

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2022-018 – Corrective Action Plan

This activity is ongoing and cyclical in nature. Requests for funding for a Governance, Risk, and Compliance tool will be submitted for implementation in FY2024 which will support the maturation of the risk assessment and formal planning process.

Anticipated Completion Date: Fiscal Year 2025

Contact Person: Brian Tardiff, Chief Information Systems Officer
Department of Administration, Division of Information Technology
brian.tardiff@doit.ri.gov

Finding 2022-019 – Corrective Action Plan

2022-019a – DOIT has utilized program change control using products such as BitBucket, DevOPS and GitHub. We are moving forward with further use of BitBucket and Jira. We have purchased licenses for several uses at one of our larger applications and have purchased licenses for DoIT staff to utilize. Some of legacy application, which migrated to a new platform, will utilize this technology.

2022-019b – As part of the Jira rollout, our PMO office will develop procedures to address those areas. We are currently in search of a PMO lead to lead this effort. The PMO lead position is currently posted for recruitment. This individual will develop those procedures once hired.

Anticipated Completion Date: June 2024

Contact Person: Alan Dias, Chief of Agencies and Enterprise Applications
Department of Administration, Division of Information Technology
alan.dias@doit.ri.gov



Finding 2022-020 – Corrective Action Plan

2022-020a – Procedures for conducting privilege reviews are being documented in the System Security Plan, which is a work in progress and being actively populated.

2022-020b – Procedures will be published with policies on the ETSS SharePoint site and accessible for all agency IT staff. The location will be communicated out and training will be performed to ensure the procedures are understood and properly followed.

Anticipated Completion Date: October 2023

Contact Person: Brian Tardiff, Chief Information Systems Officer
Department of Administration, Division of Information Technology
brian.tardiff@doit.ri.gov

Finding 2022-021 – Corrective Action Plan

2022-021a – The state has completed the first phase of database logging and monitoring for systems containing critical data as part of the Guardium project. Some systems were not able to utilize this technology due to the legacy technology in place. Many of those legacy systems are planned for replacement and moved to a SAS solution which will address the logging. This will be an ongoing process as the state has multiple RFPs in place to replace those technologies.

2022-021b – The State recognizes the need for better communications and for policies and procedures. And also, the need for better training. This will be an ongoing process as we utilize security training software and continuously revisiting those policies and procedures that are currently in place.

Anticipated Completion Date: Through 2026

Contact Person: Alan Dias, Chief of Agencies and Enterprise Applications
Department of Administration, Division of Information Technology
alan.dias@doit.ri.gov

Finding 2022-022 – Corrective Action Plan

Documentation for all DR procedures and exercises, along with related recovery artifacts are stored in a Secure SharePoint Online location which is accessible by authorized users from anywhere with an internet connection to provide location independence and maximum resiliency. Due to global supply chain issues and massive shipping delays the arrival of equipment, relevant configuration and production implementation of our new Virtual Platform was pushed out until January of 2023. We are working aggressively with our vendors to move the DR stack to the awarded COLO site and perform the annual DR test with the proper distance between sites. Once complete, this will provide us with much more efficient, resilient and quicker method of recovery for all systems on the platform, and provide us with a much more realistic and repeatable process to recovery all production systems. Full stack move and completed DR test are expected by Q3 2023.

Anticipated Completion Date: Quarter 3, Fiscal Year 2023



State of Rhode Island

Contact Person: Cesar Mendoza, Chief of Infrastructure and Operations
Department of Administration, Division of Information Technology
cesar.mendoza@doit.ri.gov

Finding 2022-023 – Corrective Action Plan

DoIT will create a plan with timelines to identify the agency personnel responsible for responding to incidents affecting agency systems. In addition, the DoIT teams will also research and evaluate verifiable training for the agency personnel.

Anticipated Completion Date: Quarter 4, Fiscal Year 2023

Contact Person: Cesar Mendoza, Chief of Infrastructure and Operations
Department of Administration, Division of Information Technology
cesar.mendoza@doit.ri.gov

Finding 2022-024 – Corrective Action Plan

Management has reviewed the recommendations and agrees that is appropriate to consider administrative review and operational enhancements such as those described in the recommendations presented by the Auditor General.

During FY 23, these recommendations will be presented to the OPEB Board for their consideration of next actions which can effectuate these recommendations.

Anticipated Completion Date: June 30, 2024

Contact Persons: Xiomara Soto, Financial Reporting Manager
Department of Administration, Office of Accounts & Control
xiomara.c.soto@doa.ri.gov
Dorothy Pascale, State Controller
Department of Administration, Office of Accounts & Control
dorothy.z.pascale@doa.ri.gov
Joseph Codega, State Budget Officer, OPEB Chair
Department of Administration, Office of Management & Budget
joseph.codega@omb.ri.gov

Finding 2022-025 – Corrective Action Plan

The Lottery provides oversight of IGT and requires IGT to perform reviews over the sportsbook to ensure that policy, procedures, and controls are in place to monitor sports betting system access and ensure that activity within the sports betting system is reviewed and approved. IGT has the agreement with William Hill and IGT also has the oversight responsibility over William Hill to ensure they (William Hill) perform the functions as defined in IGT's agreement with the Lottery. IGT has stated to the Lottery that they have reviewed William Hill's access and is satisfied with the level of access to perform their job function within the system. IGT has provided the Lottery with dates for enhancing and providing additional documentation to control areas within the sportsbook.



State of Rhode Island

The Lottery will continue to require IGT to provide sufficient evidence that IGT's subservice organizational controls are in place and operating effectively by William Hill. The Lottery will continue to require that the SOC report will extend to the financial reporting controls over IGT's subservice organization.

The Lottery (where contractually possible) will continue to ensure that IGT provides the necessary coverage oversight controls as it pertains to subservice organizations. The Lottery will continue to require IGT to effectively evaluate, test, and monitor its subservice organization's procedures and controls.

Anticipated Completion Date: June 30, 2023

Contact Person: Mark Furcolo, Executive Director
Rhode Island Lottery
mfurcolo@rilot.ri.gov

Finding 2022-026 – Corrective Action Plan

The State Investment Commission (SIC) contracts with a vendor that serves to monitor the investment activities of the DC plan. This vendor communicates with the Investments team regularly and reports to the SIC on a quarterly basis. ERSRI and Treasury feel confident the oversight functions performed with the vendor, the Investments team and the SIC serve as a strong monitoring process related to the investment activities of the DC plan.

ERSRI is currently analyzing control and oversight options with both the third-party DC administrator TIAA, and the Defined Benefit (DB) Line-of-Business (LOB) IT system (Ariel). Given the legally separate administrative expense structures of the DB Plan Trusts and the DC Trust, any IT system enhancements utilizing ERSRI's LOB system will require alternate funding considerations.

ERSRI will present control and oversight considerations and funding requirements to the SIC and the ERSRI Retirement Board during calendar year 2023.

Anticipated Completion Date: June 30, 2023

Contact Person: Stacey Whitton, Chief Financial Officer
Employees' Retirement System of Rhode Island
stacey.whitton@ersri.org

Finding 2022-027 – Corrective Action Plan

The District agrees with the finding. The District also agrees with the recommendation, please see below for action taken.

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@cfshools.net



Finding 2022-028 – Corrective Action Plan

The District agrees with the finding. The District also agrees with the recommendation, please see below for action taken.

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@cfshools.net

Finding 2022-029 – Corrective Action Plan

Management agrees with this finding as stated and although material, the adjustments in question were isolated as they were associated with either adjusting entries recommended by the predecessor audit firm, such as those related to accrued payroll, or adjustments that the Met identified as necessary however, sought the recommendation of the current audit firm during the year-end audit on how to properly account for the adjustment, such as those related to a prior year's district tuition adjustment. It is the Met's position that we retain a separate audit firm during the year to provide insight and recommendations on such accounting adjustments so that the trial balance is properly stated for the year-end independent audit.

Anticipated Completion Date: Ongoing

Contact Person: Lucas Lussier, Chief Financial Officer / Business Manager
The Metropolitan Regional Career and Technical School
llusier@metmail.org

Finding 2022-030 – 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 seek a legislative appropriation to remedy the default. Of course, annual appropriations in excess of debt service requirements would assist in building reserves and reaching the requirements.

Anticipated Completion Date: Undetermined

Contact Person: Daniel McConaghy, Executive Director
Rhode Island Convention Center Authority
daniel.mcconaghy@riccauth.com



State of Rhode Island

Finding 2022-031 – Corrective Action Plan

Management agrees with the finding and has restated net position to remove the capital assets.

Anticipated Completion Date: Undetermined

Contact Person: Zachary Saul, Chief Financial Officer
Rhode Island Office of the Postsecondary Commissioner
zachary.saul@riopc.edu

Finding 2022-032 – Corrective Action Plan

Management agrees with the finding and has instituted controls to close the reporting gap as of September 2022.

Anticipated Completion Date: Undetermined

Contact Person: Zachary Saul, Chief Financial Officer
Rhode Island Office of the Postsecondary Commissioner
zachary.saul@riopc.edu

Finding 2022-033 – Corrective Action Plan

Based upon citations provided during subsequent discussions with the Rhode Island Office of the Auditor General, management agrees that the transaction does satisfy the “non-exchange transaction” standard and that the restatement is required under GASB and GAAP. Timely discussions with the Rhode Island Office of the Auditor General will ensure that future intergovernmental transactions are properly recorded.

Anticipated Completion Date: Completed

Contact Person: Jeffrey Diehl, Executive Director and CEO
Rhode Island Infrastructure Bank
jdiehl@riib.org

Finding 2022-034 – Corrective Action Plan

All balances have been restated going forward and this finding will be cleared.

Anticipated Completion Date: Immediately

Contact Person: Christopher Durand, Chief Financial Officer
Rhode Island Public Transit Authority
cdurand@ripta.com



Finding 2022-035 – Corrective Action Plan

Operating cash is continually being reviewed to find the discrepancies and make any changes necessary. RIPTA is having INIT re-train individuals to make sure the wave transactions are properly being recorded.

Anticipated Completion Date: Immediately

Contact Person: Christopher Durand, Chief Financial Officer
Rhode Island Public Transit Authority
cdurand@ripta.com

Finding 2022-036 – Corrective Action Plan

All fare box revenue which has a difference of +/- 1 % percent is reviewed by Security.

Anticipated Completion Date: Immediately

Contact Person: Christopher Durand, Chief Financial Officer
Rhode Island Public Transit Authority
cdurand@ripta.com

Finding 2022-037 – Corrective Action Plan

2022-037a – The Department disagrees with the classification that these costs are questionable. Prior to the issuance of this single audit, the Department began conversations with our federal cognizant agency to amend the 2022 and 2023 SWCAP budget submissions to reflect these costs. Our federal partner agreed with this methodology and agreed that these costs are allowable and this was simply an administrative error.

Anticipated Completion Date: June 1, 2023 (subject to federal partner timeline)

2022-037b – The Department began conversations with our federal cognizant agency to amend the 2022 and 2023 SWCAP budget submissions to reflect these costs prior to the issuance of this audit report.

Anticipated Completion Date: May 15, 2023 (subject to federal partner timeline)

Contact Person: Alex Herald, Administrator of Financial Management
Department of Administration, Office of Accounts & Control
alexander.herald@doa.ri.gov



Finding 2022-038 – Corrective Action Plan

We agree with the recommendations and are actively taking steps to address the noncompliance. We expect these steps will result in more consistent FFATA reporting by state agencies with applicable subawards.

- The Grant Management System implemented in December 2022 includes a dedicated section for each subrecipient at the entity level for the collection of required information for FFATA reporting. If an agency has a subaward that meets the FFATA threshold, key information they need for FFATA reporting is easily accessible.
- Provided mandatory FFATA reporting training for all state agencies with active subawards. The training was conducted 2/8/23.
- Launched a dedicated FFATA reporting page on the Grants Management Office website which contains training resources and a helpful FFATA reporting worksheet.
- Forthcoming FFATA reporting policy. Expected in first half of 2023.

Anticipated Completion Date: September 30, 2023

Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring and Evaluation

Department of Administration, Office of Management & Budget, Grants Management Office
steve.thompson@omb.ri.gov

Finding 2022-039 – Corrective Action Plan

The implementation of the Grants Management System has increased controls, standardized business practices, and implemented policy and regulation subrecipients addressing this finding in full.

Anticipated Completion Date: System completed December 2022; Regulation completed April 2023

Contact Person: Steve Thompson, Chief of Strategic Planning, Monitoring and Evaluation
Department of Administration, Office of Management & Budget, Grants Management Office
steve.thompson@omb.ri.gov

Finding 2022-040 – Corrective Action Plan

2022-040a – The State will expand its formalized risk assessment procedures for the MMIS and RIBridges by enhancing its documentation of the responsibilities of the various State agencies that utilize and manage the systems.

2022-040b – The MARSE-2.2 Security Framework implemented for RIBridges, including a formal Risk Assessment performed on RIBridges at startup that determined the System Security and Privacy Control Plan (SSP) that has been implemented. All new system changes are assessed and the SSP controls are updated to remain compliant as needed. The SSP is assessed annual by a third party auditor and defects in the controls are tracked on the system POAM for these as well as other defects that are identified through continuous monitoring and other audits. A General Attestation (in lieu of SOC2 Type2) is in progress for next fiscal year and this will be one of the corrective actions.

Anticipated Completion Date: Ongoing



State of Rhode Island

Contact Person: Deb Merrill, Information Security Officer
Department of Administration, Division of Information Technology
deb.merrill@doit.ri.gov

Finding 2022-041 – Corrective Action Plan

2022-041a – In April 2022, the Department implemented a new, modernized front end application. This application utilizes advanced fraud technology by partnering with Lexis Nexis. Claimant identity information is scrubbed and claimants who have a high potential for fraud are required to contact the Call Center for additional identity verification. Those not at high risk are presented identity verification quizzes before being allowed to file a claim for unemployment insurance.

In April 2023, the Department is looking into additional enhancements to the existing Lexis Nexis tools as part of an ongoing effort to enhance fraud detection and prevention while also ensuring the system is accessible to claimants.

In addition, the Department is discussing other technology possibilities that can assist in the identity verification process. We are hopeful to partner with DOL through TIGER TEAMS funding to achieve this.

Anticipated Completion Date: December 31, 2023

2022-041b – Regarding claw backs of ID theft overpayments, the Department has been collaborating with USDOL, other Region 1 states and Business Affairs to identify the best process for recovering ID theft fraud claw backs.

Part of this work would involve enhancing the overpayment system to record these types of overpayments properly.

Anticipated Completion Date: March 31, 2024

Contact Person: Dyana Bogan, Labor & Training Administrator
Department of Labor & Training
dyana.bogan@dlt.ri.gov

Finding 2022-042 – Corrective Action Plan

A path is set to address movement on the 15% project with a phased approach. Discussions on non-relief of charges will begin when programming for the 15% project is complete. The programming to implement the 15% will require IT resources that are also utilized for other competing projects. Therefore, discussions with the Executive Office and UI management will be ongoing to prioritize this work and ensure that it does get implemented.

Anticipated Completion Date: January 31, 2024

Contact Person: Dyana Bogan, Labor & Training Administrator
Department of Labor & Training
dyana.bogan@dlt.ri.gov



Finding 2022-043 – Corrective Action Plan

The DLT will develop and implement procedures for a secondary review to be performed on all reports prior to submission. Deadlines will be prepared that allows sufficient time for preparation of all reports, a secondary review, a period for corrections to be made, and for timely submission in accordance with the federal requirements.

Anticipated Completion Date: June 30, 2023

Contact Persons: Denise Paquet, Assistant Director of Business Affairs
Department of Labor & Training
denise.paquet@dlt.ri.gov
Donna Murray, Assistant Director of Labor Market Information
Department of Labor & Training
donna.murray@dlt.ri.gov

Finding 2022-044 – Corrective Action Plan

This documentation will include expense reimbursements being prepared based on the Authority's general ledger going forward.

Anticipated Completion Date: Immediately

Contact Person: Caroline Muldoon, Grants Specialist
Rhode Island Public Transit Authority
cmuldoon@ripta.com

Finding 2022-045 – Corrective Action Plan

These reimbursements will be reviewed by an independent individual for accuracy.

Anticipated Completion Date: Immediately

Contact Person: Caroline Muldoon, Grants Specialist
Rhode Island Public Transit Authority
cmuldoon@ripta.com

Finding 2022-046 – Corrective Action Plan

Effective March 8, 2023, the Maintenance of Effort (MOE) is no longer required. This elimination of this requirement was part of a Federal Register published on February 6, 2023. 23 CFR part 1300 (Docket No. NHTSA-2022-0036) states:

The 5-State DOTs acknowledged that NHTSA removed the Maintenance of Effort (MOE) requirement in the NPRM and requested that NHTSA retain that change. The BIL removed this requirement, and therefore NHTSA retains that change.



State of Rhode Island

Anticipated Completion Date: Completed

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2022-047 – Corrective Action Plan

Finance and the Office of Highway Safety will work together to create policies and procedures to ensure compliance with earmarking.

Anticipated Completion Date: September 30, 2023

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2022-048– Corrective Action Plan

Finance and the Office of Highway Safety will work together to create policies and procedures to ensure compliance with Period of Performance.

Anticipated Completion Date: September 30, 2023

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2022-049 – Corrective Action Plan

2022-049a – Finance and the Office of Highway Safety will work together to create policies and procedures for the completion and submission of the Highway Safety Plan.

2022-049b – Finance and the Office of Highway Safety will work together to create policies and procedures for the completion and submission of the Federal reimbursement voucher.

2022-049c – DOT is working with DOA Accounts and Control to develop and implement policies to ensure Federal expenditures are not duplicated in the State system and on the SEFA.

Anticipated Completion Date: September 30, 2023

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov



Finding 2022-050 – Corrective Action Plan

Finance and the Office of Highway Safety will work together to create policies and procedures to ensure compliance with subrecipient monitoring.

Anticipated Completion Date: September 30, 2023

Contact Person: Loren Doyle, Acting Chief Operating Officer / Chief Financial Officer
Department of Transportation
loren.doyle@dot.ri.gov

Finding 2022-051 – Corrective Action Plan

The most recent federal pandemic recovery awards have been administered as an appropriation of funds. This tightens the controls over the use of the funds, ensures performance metrics were agreed to prior to release of funds to the subrecipient, and requires consistent reporting and monitoring of performance metrics.

Anticipated Completion Date: Completed prior to release of audit.

Contact Person: Paul Dion, Director
Department of Administration, Pandemic Recovery Office
paul.l.dion@doa.ri.gov

Finding 2022-052 – Corrective Action Plan

Due to the continuing changes to the guidance for these funds, the Department did not begin reconciliations of the funds until mid FY22. The Department has been reconciling the funds and expects to complete before FY23 close. We have not found instances where funds were reimbursed multiple times.

Anticipated Completion Date: June 30, 2023

Contact Person: Dorothy Pascale, State Controller
Department of Administration, Office of Accounts and Control
dorothy.z.pascale@doa.ri.gov

Finding 2022-053 – Corrective Action Plan

The Pandemic Recovery Office (PRO) has contacted the vendor and asked for the monthly percentage resource allocation among the various programs for which the vendor performed duties. The period covered is July 1, 2021 through June 30, 2022. The vendor has verbally agreed to provide this information and PRO has sent a formal request for the information via e-mail.

Anticipated Completion Date: The PRO requested that the vendor provide this information “as soon as it is feasible to do so.” The vendor has indicated in writing that the information will be provided no later than May 12, 2023.



State of Rhode Island

Contact Person: Paul Dion, Director
Department of Administration, Pandemic Recovery Office
paul.l.dion@doa.ri.gov

Finding 2022-054 – Corrective Action Plan

The Department will continue to monitor Title I supplement/supplant methodologies for subrecipients through its subrecipient monitoring/risk assessment survey. The Department will require Title I subrecipients to submit supplement/supplant policies, procedures, and methodologies as a requirement to complete the survey.

Anticipated Completion Date: December 31, 2023

Contact Person: Mark Dunham, Director, Finance Office
Department of Elementary and Secondary Education
mark.dunham@ride.ri.gov

Finding 2022-055 – Corrective Action Plan

The Department finance office will work with the charter office to update its policies, procedures, and internal controls for review of charter schools with charter management organizations (CMO) to ensure proper risk assessment for conflicts of interest, related party transactions, and segregation of duties between the CMO and the charter school.

Anticipated Completion Date: December 31, 2023

Contact Person: Mark Dunham, Director, Finance Office
Department of Elementary and Secondary Education
mark.dunham@ride.ri.gov

Finding 2022-056 – Corrective Action Plan

2022-056a – RIDE finance will establish procedures by 10/31/23.

2022-056b – RIDE finance and IT will develop and implement a schedule by 10/31/23.

2022-056c – RIDE finance and IT will determine relevancy of complementary controls in the SOC2 report by 9/30/23.

2022-056d – RIDE finance and IT will develop and implement an IT vendor management process by 12/31/23.

Anticipated Completion Date: December 31, 2023

Contact Person: Mark Dunham, Director, Finance Office
Department of Elementary and Secondary Education
mark.dunham@ride.ri.gov



Finding 2022-057 – Corrective Action Plan

Rhode Island College has provided additional training to the employee responsible for timely reporting and documentation of the reports. Additionally, the College has set up additional reviews and reminders to ensure that the data reported is timely and documented.

Anticipated Completion Date: Completed

Contact Person: Nelia Kruger, Controller
Rhode Island College
nkruger@ric.edu

Finding 2022-058 – Corrective Action Plan

Thoroughly review requirements of Higher Education Emergency Relief Funds, HEERF Student Aid Portion Public Reporting Requirements, 86 FR 26213. Adjust website to ensure that all reporting requirements are properly posted.

Identify and document roles and applicable procedures as it related to HEERF federal reporting to ensure continuity as employee responsibilities change.

As part of the procedures, institute a cross-departmental approval process to ensure new or existing HEERF federal reporting requirements are met.

Anticipated Completion Date: March 31, 2023

Contact Person: Victoria McNeil, Senior Associate Director, Enrollment Services
University of Rhode Island
victoria.mcneil@uri.edu

Finding 2022-059 – Corrective Action Plan

RIDOH agrees with the finding and recommendation.

RIDOH has established a dedicated SharePoint site (via Microsoft Teams) for centralized storage of timesheets, although due to staffing and training scheduling challenges, the central repository for all signed time sheets is not yet being used by all RIDOH Divisions and Centers to store signed weekly time sheets. This contributed to the difficulty in locating SFY2022 time sheets signed by both the staff member and supervisor instead of only by the staff member.

There has been considerable turnover of Master Time Sheet (MTS) Coordinators, the staff members responsible for receiving signed weekly time sheets, transferring information to the HR/payroll generated MTS, submitting the approved MTS to HR/Payroll, and saving/storing the signed time sheets electronically. Additional training will be provided to the MTS Coordinators during SFY23 Qtr4 to assure that all time sheets will be organized and accessible in the central repository. The MTS Coordinators will be required to save all SFY2023 weekly time sheets to the SharePoint site.

The list of Programs/Activities and associated account numbers in the RIDOH Time Sheet Workbooks is updated quarterly, and training has been provided to assure staff are recording their hours on the appropriate activities and accounts. As of SFY2023 Quarter 4, RIDOH staff may no longer select "ICS – C (COVID-19)" in their Time Sheet



State of Rhode Island

Workbooks as a Program/Activity and must select a more descriptive COVID Program/Activity that reflects the COVID Workstream they are supporting and includes the appropriate/allowable account numbers for that Workstream.

Finance staff will review time sheet workbooks for SFY2023 Quarters 1 through 3, to identify any staff that used “ICS – C (COVID-19)” instead of a specific COVID Workstream on their time sheets and will work with those staff to submit appropriately signed revised time sheets reflecting the COVID Workstream supported.

Anticipated Completion Date: September 30, 2023

Contact Persons: Alisha Collela, Chief Financial Officer
Department of Health
alisha.collela@health.ri.gov
Carla Lundquist, Deputy CFO/Federal Grants Manager
Department of Health
carla.lundquist@health.ri.gov

Finding 2022-060 – Corrective Action Plan

RIDOH agrees with the finding and recommendation. RIDOH agrees that redirection of accounting and budgets will require updated contract modifications and subaward forms to ensure proper identification of relevant federal program information, including CFDA number and federal grant name.

RIDOH believes that the deficiencies occurred due to use of placeholder accounts in contract approval forms for SFY22 when HEZ contract extensions were being prepared at the end of SFY21 for SFY22. Per COVID Governance, a placeholder account number (4875999.02) was created in RIFANS for anticipated additional federal funds (which were not awarded). This placeholder account was used in the COVID Mapping document early in SFY22 and all the contract approval forms had to match the current COVID Mapping document in order to be processed. In addition, the funding sources for SFY22 COVID activities changed frequently as the FEMA 100% reimbursement deadline was extended quarter by quarter through all of SFY22. However, all changes to approved funding for all HEZ contracts should have been appropriately documented in the contract files. RIDOH will take the following steps:

- Memoranda will be written to document the use of placeholder accounts in SFY22 subaward extension approval forms, and all appropriate account numbers and amounts that replaced the placeholder accounts will be documented as approved funding for the subaward purpose.
- Files for SFY23 subawards charged to ELC grants will be reviewed to verify that appropriate funding approval documentation is included. Memoranda will be written to document any funding changes not appropriately captured in subaward approval forms.
- Any placeholder accounts that may have been used for SFY24 subaward amendments will be identified and the list disseminated to all contract managers with instructions to check with COVID Finance leadership to verify the accounts that should be used if a placeholder account was included in any subaward approval paperwork. Assure that appropriate documentation is created and stored if the funding source(s) for any subawards change from the original signed authorization. In the event that funding sources are added, contract modifications shall be issued including applicable Sub-Award forms properly identifying applicable funding sources.



State of Rhode Island

Anticipated Completion Date: September 30, 2023

Contact Persons: Alisha Collela, Chief Financial Officer
Department of Health
alisha.collela@health.ri.gov

Dorinda Keene, Deputy CFO/Purchasing
Department of Health
dorinda.l.keene@health.ri.gov

Carla Lundquist, Deputy CFO/Federal Grants Manager
Department of Health
carla.lundquist@health.ri.gov

Finding 2022-061 – Corrective Action Plan

DHS will complete training and review with field staff on the required documentation for RIW. This will include training with CSDL, office hours with eligibility field staff, attending supervisors meeting to verify documentation during case reviews, and utilizing new reports from MMIS. MMIS team are developing a report for verification to be provided to RIW vendors to ensure accurate documentation is sent to DHS and is retained accurately.

Anticipated Completion Date: June 30, 2024

Contact Person: Kimberly Rauch, RI Works / TANF Administrator
Department of Human Services
kimberly.rauch@dhs.ri.gov

Finding 2022-062 – Corrective Action Plan

The Office of Child Care (OCC) has reviewed available training materials related to CCAP eligibility and case processing and has identified certain gaps where additional training/clarification, and more frequent communication to processing staff is needed – specifically in income calculation/input of paystubs, confirming asset declarations and confirming need hours. OCC has requested to work with CSDL to create a CCAP specific training to provide in-depth coverage of program requirements. OCC has presented at quarterly meetings to highlight error findings and the critical importance of accurate documentation – specifically citizenship of the child and residency. OCC works continuously with field staff and Deloitte through weekly theme meetings to identify areas where system changes can improve accuracy of eligibility determinations. OCC is currently reviewing the grace period/short-term approval policy, how it is applied to specific cases and how it is implemented in RIBridges.

Anticipated Completion Date: April 2024

Contact Person: Sharon Fitzgerald, CCAP Administrator
Department of Human Services
sharon.fitzgerald@dhs.ri.gov



Finding 2022-063 – Corrective Action Plan

DHS OCC is currently working with the Office of Internal Audits (OIA), DHS Collections, Claims and Recovery Unit (CCRU), Policy and Legal teams to review/update the existing DHS/OIA MOU and to operationalize recapture of overpayments resulting from fraudulent practices. CCAP regulations were updated in 2018 to state that unintentional/error based overpayments to families would be reclaimed by CCRU and unintentional/error based overpayments to providers would be reclaimed by OCC Financial Management. This would require manual processing pending RIBridges functionality updates. In cases where OIA issues a determination of IPV/fraud OIA will refer the case to CCRU for collection and recoupment.

Anticipated Completion Date: April 2024

Contact Person: Sharon Fitzgerald, CCAP Administrator
Department of Human Services
sharon.fitzgerald@dhs.ri.gov

Finding 2022-064 – Corrective Action Plan

2022-064a – Over the course of the last two FY audits, EOHHS continued to make system improvements for controls over CHIP eligibility determinations. In response to the OAG finding two individuals out of the 40 tested covered by existing health coverage at the time of the claim, EOHHS assessed that one case didn't have TPL data in Bridges due to HMO loopback file not being operational at time of OAG's audit. The other case had eligibility run prior to the deployment of the TPL system fix on 5/19/2022. With regard to the lack of documentation for citizenship of one individual considered ineligible, EOHHS determined that this was an older case converted from InRhodes and never had eligibility run by a worker/member in RI Bridges. All eligibility runs were from mass update, which doesn't hit the SSA composite to verify citizenship; therefore when OAG reviewed this case, auditor was not able to view that citizenship had been verified. The case has since had their eligibility run by a worker and citizenship has been verified.

2022-064b – EOHHS will return the federal funds to the feds in June 2023.

Anticipated Completion Date: EOHHS addressed issues with the TPL loopback file between MMIS and RI Bridges with a permanent system fix – deployed into RI Bridges production on 5/19/2022.

Contact Person: Brian Tichenor, RIBridges Medicaid Administrator
Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov

Finding 2022-065 – Corrective Action Plan

EOHHS has contracted with its External Quality Review Organization (EQRO) to conduct an audit of encounter data claims starting in May 2022. This will be conducted every three (3) years per requirements. EOHHS will modify its contract to ensure compliance with annual audited financial reports specific to the Medicaid contract on an annual basis.



State of Rhode Island

CMS concurs with the recommendation and the State's CAP and requests that within thirty days the state provide documentation to support any completed actions and procedures put in place to support the described CAPs. If the state contends it is still working on implementing the additional policies and procedures, please propose an expected date for full implementation.

EOHHS is currently under the review process with the contracted vendor. EOHHS is completing an encounter data audit related to EOHHS' oversight of claims related to claims incurred by MCOs to support data and financial oversight. EOHHS anticipates the review process to be complete by end of the SFY. EOHHS is amending contracts to reflect financial audit per the finding. EOHHS' contract EQRO has begun the encounter data audit and anticipated to complete audit of encounter data on 7/1/23.

Anticipated Completion Date: July 2023

Contact Persons: Mark Kraics, Deputy Medicaid Director, Managed Care Oversight & Behavioral Health
Executive Office of Health and Human Services
mark.kraics@ohhs.ri.gov

Charles Estabrook, Managed Care Administrator
Executive Office of Health and Human Services
charles.estabrook@ohhs.ri.gov

Lynn Doherty, Managed Care Compliance Officer
Executive Office of Health and Human Services
lynn.doherty@ohhs.ri.gov

Finding 2022-066 – Corrective Action Plan

EOHHS in partnership with its Fiscal Agent who manages our provider enrollment unit, have engaged in a project with our Managed Care Organizations to appropriately enroll and screen providers who are enrolled and credentialed in managed care networks. There have been four (4) mailing waves in which approximately ~24,000 letters were sent to providers by the MCOs requesting their providers to enroll. Currently, MCOs are reporting an in-network RI Medicaid screened compliance percentage of seventy-eight percent (78%). Additionally, EOHHS and the Fiscal agent have developed encounter edits to reject encounters if an MCO submits an encounter for an in-network provider, that has enrolled with an MCO but has not been screened by RI Medicaid after one-hundred twenty (120) days from enrollment with said MCO. Additional edits were put in place to reject encounters for out of network providers who provide more than one (1) instance of care to an individual and have not been screened by RI Medicaid.

EOHHS has updated MCO contracts to reflect compliance with this requirement and requested the MCOs be reviewing networks and network adequacy requirements to comply with Cures Act requirements.

Anticipated Completion Date: June 30, 2023



State of Rhode Island

Contact Persons: Matt Kiehnle, Administrator for Medical Services
Executive Office of Health and Human Services
matthew.kiehnle@ohhs.ri.gov

Chantele Rotolo, Managed Care Special Project Coordinator
Executive Office of Health and Human Services
chantele.rotolo@ohhs.ri.gov

Finding 2022-067 – Corrective Action Plan

2022-067a – In amendment 5 with the health plans, signed in the fall of 2021, EOHHS strengthened its contractual requirements with the health plans by requiring the plans to reconcile differences between claims submitted and accepted via the encounter submission process to encounterable claims as reported in the quarterly financial data cost reports within 0.1%. The contract at section 2.13.02.04 includes the following language:

“Contractor is responsible to reconcile Financial Data Cost Report (FDCR) cost allocations and the File Submission Report (FSR), 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 the point one percent (.1%) threshold. The FSR and FDCR 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 as outlined in “Rhode Island Medicaid Managed Care Encounter Data Methodology, Thresholds and Penalties for Non-Compliance.””

Achieving this level of compliance has proven more difficult than anticipated. To date, EOHHS has not imposed any financial penalties as a result of this new requirement. We have, however, worked proactively with the health plans to resolve outstanding issues and reconcile differences. EOHHS staff meet with managed care staff regularly throughout the month to resolve issues that arise during the claims submission process and to determine the root cause for claim rejections. This work is ongoing. EOHHS plans to further strengthen its oversight and improve plan compliance with the procurement of the managed care contracts. That revised encounter data quality plan, which is subject to further modification into the fall as we prepare the revised procurement documentation, is available on EOHHS’s website, here:

<https://eohhs.ri.gov/sites/g/files/xkqbur226/files/2021-10/4.1-rhode-island-medicaid-managed-care-encounter-data-quality-measurement-20210826.pdf>

Anticipated Completion Date: Ongoing

Contact Person: Bill McQuade, Chief of Program Analytics
Executive Office of Health and Human Services
bill.mcquade@ohhs.ri.gov



State of Rhode Island

2022-067b – Over the course of the last two FY audits, EOHHS continued to make improvements to automatically identify and terminate Medicaid eligibility for deceased individuals. EOHHS has completed root cause analysis and has submitted business requirements for SFY24 Annual Planning to resolve downstream issues in the MMIS when Date of Death (DoD) is not received from RI Bridges or associated interface. EOHHS has submitted both an interim business plan (IBP) and permanent system interface modification to align date of death data between RI Bridges and MMIS.

Anticipated Completion Date: Ongoing. IBP is scheduled for implementation in June 2023, while the permanent system modification will be scheduled later in CY2024 post SFY24 annual planning decisions.

Contact Person: Brian Tichenor, RIBridges Medicaid Administrator
Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov

Finding 2022-068 – Corrective Action Plan

2022-068a – EOHHS addressed issues with the TPL loopback file between MMIS and RI Bridges with a permanent system fix.

2022-068b – EOHHS will assess the current process of Medicaid Administration claiming and develop a revised process to require HHS agencies to submit the reconciliations of their quarterly reports to reported expenditures in RIFANS. In addition, the RIFANS documentation will be reviewed and approved prior to submission of the federal report.

2022-068c – EOHHS will conduct this analysis and create a process to report the MCO tax on the CMS 64.11A.

Anticipated Completion Date: December 2023; TPL loopback deployed into RI Bridges production on 5/19/2022.

Contact Persons: Brian Tichenor, RIBridges Medicaid Administrator
Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov
Allison Shartrand, Assistant Director Financial and Contract Management
Executive Office of Health and Human Services
allison.shartrand@ohhs.ri.gov
Chaz Plungis, Chief of Strategic Planning, Monitoring and Evaluation
Executive Office of Health and Human Services
charles.plungis@ohhs.ri.gov



Finding 2022-069 – Corrective Action Plan

2022-069a – There are ongoing projects efforts with the Gainwell Technologies (the MMIS Fiscal Agent) to clean up the gaps in the TPL process that leads to inaccurate TPL data within the MMIS, those projects include:

- Changing the logic in the MMIS to end date members active TPL segments when Medicaid eligibility is lost
- Cleaning up active TPL segments for members with dates of death in the MMIS
- Project request to clean up inaccurate Policy begin dates that are being changed by incoming “MMA file” (From CMS) data
- Project to update coverage type codes for Medicare Advantage plans to have their own distinct code
- Expanding logic on MMA file to include more Medicaid members so more Medicare information can be taken in by the MMIS

Additionally, there is work with Deloitte and Gainwell to ensure we have accurate TPL information within the RIBridges system.

2022-069b – EOHHS has worked with Gainwell Technologies (the MMIS Fiscal Agent) to supply the MCOs with monthly files that include their enrolled members who have active TPL information within MMIS. These files have been generated and QCd by the systems team. We are currently in process with the MCO team to determine how these files will be delivered to the MCOs and define the expectations of how the MCOs use these files.

Anticipated Completion Date: December 2024

Contact Person: Jeffrey Schmeltz, Chief of Family Health Systems
Executive Office of Health and Human Services
jeffrey.schmeltz@ohhs.ri.gov

Finding 2022-070 – Corrective Action Plan

In collaboration with DLT and its IES vendor, EOHHS has made plans to move the RI Bridges PEV data query to a later date in the month to ensure PEV occurs after the quarterly DLT SWICA refresh date. This will ensure EOHHS is capturing more delinquent wage records (reported late by employers) before the file is sent. EOHHS and DLT are also assessing an option to add a monthly SWICA update file in addition to the existing quarterly file. Furthermore, EOHHS is pursuing system enhancements to integrate state wage data provided by Equifax’s The Work Number (TWN) to RI Bridges. Adding TWN data, which is provided by pay period, to quarterly SWICA files would enable RI Bridges to process renewals and validate post-eligibility income with more frequently available wage data.

Anticipated Completion Date: To Be Determined. EOHHS and DLT continue to discuss technical aspects of a monthly update file exchange. System requirements to integrate Equifax TWN data is included in Medicaid’s SFY24 Annual Planning process and will be scheduled for deployment later in CY2024.

Contact Person: Brian Tichenor, RIBridges Medicaid Administrator
Executive Office of Health and Human Services
brian.tichenor@ohhs.ri.gov



Finding 2022-071 – Corrective Action Plan

EOHHS submitted a State Plan Amendment for CMS review January 30, 2023. The amendment would remove the triennial rate review and clarify in what situations EOHHS would review nursing facility financial records.

Anticipated Completion Date: EOHHS is awaiting a response from CMS on its State Plan Amendment submission. EOHHS expects a response before June 30, 2023.

Contact Person: Dezeree Hodish, Assistant Director, Financial and Contract Management
Executive Office of Health and Human Services
dezeree.hodish@ohhs.ri.gov

Finding 2022-072 – Corrective Action Plan

2022-072a – Gainwell Technologies (our MMIS Fiscal Intermediary) has contacted their internal audit team to determine next steps for the inclusion of NCCI testing in the 2024 SOC Audit (Audit period 7/2023-6/2024). A meeting has been scheduled for May 2, 2023 to discuss this. Upon review of the 2021 finding in February of 2022, Gainwell researched if this was implemented in any other Gainwell account's SOC1 audit and were advised that industry standards do not include NCCI edit reviews in SOC auditing. EOHHS/Medicaid will provide additional details as they become available.

Anticipated Completion Date: Ongoing

2022-072b – The requirements outlined in the NCCI Medicaid Technical Guidance issued by CMS will be incorporated throughout Rhode Island's procurement of a new Medicaid Management Information System which is scheduled to commence with development of requirements, scopes of work, and RFPs beginning in May 2023 and is projected to continue through mid-2029 with the completion of certification of all functional modules.

Anticipated Completion Date: Ongoing

2022-072c – MC Oversight put the provision for NCCI compliance edits in the MCO contracts to be effective 7/1/23. This contract amendment will be going out this week (week of 4/24/2023) to the MCOs. We would need to look on an implementation timeline (as with the TPL findings) with the MCOs later this summer/fall regarding any testing they need to do with these new compliance edits for encounter data.

Anticipated Completion Date: July 1, 2023

Contact Persons: Hector Rivera, Interdepartmental Project Manager
Executive Office of Health and Human Services
hector.l.rivera@ohhs.ri.gov
Charles Estabrook, Managed Care Administrator
Executive Office of Health and Human Services
charles.estabrook@ohhs.ri.gov



Finding 2022-073 – Corrective Action Plan

2022-073a – EOHHS submitted a State Plan Amendment to CMS to codify the PRTF reimbursement methodology on June 29, 2021. Since 2021, EOHHS and DCYF have been working to respond to CMS comments, including updating the cost report to be used by PRTF providers and amending the proposed State Plan language to address CMS questions on the reimbursement methodology.

Anticipated Completion Date: EOHHS anticipates CMS approval of the State Plan Amendment before June 30, 2023.

2022-073b – EOHHS will continue to work with DCYF to 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.

Anticipated Completion Date: Ongoing

Contact Person: Dezeree Hodish, Assistant Director, Financial and Contract Management
Executive Office of Health and Human Services
dezeree.hodish@ohhs.ri.gov

Finding 2022-074 – Corrective Action Plan

2022-074a – EOHHS will implement an enhanced invoice review documentation requirements for significant contractor invoices to ensure compliance with Uniform Guidance requirements over allowable costs in the Medicaid Program.

2022-074b – EOHHS will improve procedures to ensure that recoupments are made for identified special education services deemed unallowable for Medicaid reimbursement.

Anticipated Completion Date: December 2023

Contact Persons: Jason Lyon, Administrator for Medical Services
Executive Office of Health and Human Services
jason.lyon@ohhs.ri.gov
Christopher Smith, Director of Program Integrity
Executive Office of Health and Human Services
christopher.smith@ohhs.ri.gov



Finding 2022-075 – Corrective Action Plan

The Agency acknowledges the finding and recommendation. The Agency will review finding and recommendation with the Federal Disaster Grant award agency. The Agency will outline the Disaster Grant Process and adjust reporting requirements as required.

Anticipated Completion Date: September 1, 2023

Contact Person: Armand Randolph, Recovery Branch Chief
Rhode Island Emergency Management Agency
armand.randolph@ema.ri.gov

**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		
<u>Program Title</u>	<u>Assistance Listing No.</u>	<u>Findings included in Previous Single Audit Reports</u>
<i>Internal Control over Financial Reporting</i>	<i>n/a</i>	<i>2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, 2021-008, 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, 2021-014, 2021-015, 2021-016, 2021-017, 2021-018, 2021-019, 2021-020, 2021-021, 2021-022, 2021-023, 2021-024, 2021-025, 2021-026, 2021-027, 2021-028, 2021-029, 2021-030, 2021-031, 2021-032, 2021-033, 2021-034, 2021-035, 2021-036, 2021-037</i>
SNAP Cluster	10.551, 10.561	2021-039, 2021-040
Child Nutrition Cluster	10.553, 10.555, 10.556, 10.559, 10.579	2021-041
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	2019-041, 2019-042
Fish and Wildlife Cluster	15.605, 15.611	2021-042, 2021-043, 2021-044
Crime Victim Assistance	16.575	2021-038, 2021-045, 2021-046
Unemployment Insurance	17.225	2020-032, 2021-047, 2021-048
Highway Planning and Construction Cluster:	20.205, 20.219	2021-049, 2021-050
Federal Transit Cluster	20.500, 20.507, 20.525, 20.526	2021-051, 2021-052, 2021-053, 2021-054, 2021-055, 2021-056, 2021-057
Coronavirus Relief Fund	21.019	2021-047, 2021-058, 2021-059, 2021-060, 2021-061
Education Stabilization Fund	84.425	2021-038
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	2021-038, 2021-061, 2021-062, 2021-063
Temporary Assistance for Needy Families	93.558	2020-042, 2020-043, 2020-044, 2021-038, 2021-039, 2021-040, 2021-064
Low-Income Home Energy Assistance Program	93.568	2020-048,
CCDF Cluster	93.575, 93.596	2020-044, 2021-038, 2021-039, 2021-040, 2021-065, 2021-066, 2021-067
Adoption Assistance	93.659	2020-052
Children's Health Insurance Program	93.767	2020-061, 2021-039, 2021-040, 2021-068, 2021-069, 2021-070, 2021-071, 2021-072, 2021-073
Medicaid Cluster	93.775, 93.777, 93.778	2018-069, 2020-056, 2020-059, 2020-061, 2020-065, 2021-039, 2021-040, 2021-069, 2021-070, 2021-071, 2021-072, 2021-073, 2021-074, 2021-075, 2021-076
Opioid STR	93.788	2020-065, 2020-066, 2020-067, 2020-068
HIV Care Formula Grants	93.917	2020-070, 2020-072
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	2021-038, 2021-061, 2021-077
Presidentially Declared Disaster Assistance to Individuals and Households - Other Needs	97.050	2021-078

Finding 2018-069 – ALN 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. Reconciliation of provider claims and recoupment of home care providers still in process.*

Finding 2019-041 – ALN 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. The community development office has continued to improve its process for the collection and processing of required data for reporting purposes. The State is currently implementing a grants management system to further improve the collection of information going forward. The agency continues to work with its federal oversight agency to assure reporting requirements are met.*

Finding 2019-042 – ALN 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. The community development office has adopted procedures requiring communities to report program income periodically to the State. This information has been/will be tracked by the Department's fiscal staff and reviewed as part of the office's subrecipient oversight efforts.*

Finding 2020-032 – ALN 17.225

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.

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.

Status: *No Longer Valid.*

Finding 2020-042 – ALN 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.

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.

Status: *Implemented.*

Finding 2020-043 – ALN 93.558

(Reported Initially in Finding 2017-067)

The State began to meet the required Income Eligibility and Verification System requirements in fiscal 2020.

2020-043 Complete implementation of the federally required data interfaces within the RIBridges eligibility system to meet the IEVS TANF program requirement.

Status: *Implemented.*

Finding 2020-044 – ALN 93.558; 93.575, 93.596 (Reported Initially in Finding 2019-051)

DHS subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

- 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.

Status: *Partially implemented. See finding 2022-039 for current year update and recommendation.*

Finding 2020-048 – ALN 93.568 (Reported Initially in Finding 2019-055)

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.

- 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.

Status: *Implemented.*

Finding 2020-052 – ALN 93.659

DCYF can enhance its processes for retention of critical documentation that supports Adoption Assistance eligibility to ensure federal reimbursement of adoption subsidy payments in accordance with applicable laws and regulations.

- 2020-052a Adjust federal reports to reimburse the federal government for the unallowable adoption subsidy charges.

Status: *Implemented.*

- 2020-052b Create a central repository for all records that support the Adoption Assistance eligibility determination. Consider electronic imaging of these critical documents to facilitate storage and retrieval.

Status: *Partially Implemented. DCYF is having a consultant write the Request for Proposal for the RICHIST system, which should be completed in April 2023, with the anticipation of having an integrated document management system.*

Finding 2020-056 – ALN 93.775, 93.777, 93.778

BHDDH did not comply with Medicaid State Plan requirements for retainer payments made to certain providers.

- 2020-056 Credit the federal government for the questioned costs identified for ineligible retainer payments.

Status: *Not Implemented. Questioned cost finding related to fiscal 2020.*

Finding 2020-059 – ALN 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 control deficiencies relating to the processing and documentation of recipient eligibility.

- 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.

Status: *Partially implemented. Due to temporary changes in eligibility determination processes during fiscal 2022 approved by CMS in response to the on-going public health emergency (PHE), many of the previous federal requirements relating to eligibility for Medical Assistance (i.e., validation of income, periodic redeterminations) have been suspended during the PHE. EOHHS believes that RI Medicaid is compliant with the limited eligibility requirements applicable in fiscal 2022. See finding 2022-070 for status on data interfaces within RIBridges at large.*

Finding 2020-061 – ALN 93.767; 93.775, 93.777, 93.778 (Reported Initially in Finding 2016-063)

Data discrepancies exist between the systems used to determine Medicaid and CHIP eligibility (RIBridges) and the claims/capitation payment system (MMIS). This impacts controls to ensure payments are only made on behalf of eligible individuals and has resulted in duplicate capitation payments to managed care organizations.

- 2020-061a Identify and resolve the underlying causes of eligibility data discrepancies between the MMIS and RIBridges systems.
- 2020-061b Determine the necessary corrective action and resources needed to eliminate the current backlog of system exceptions and future mismatches between the two systems.

Status: *Partially Implemented. Federal requirements prevented States from changing the eligibility status of Medicaid recipients during the on-going public health emergency, except for in certain situations. This requirement was designed to ensure the continuity of medical coverage for recipients during the PHE. This requirement has resulted in a significant amount of eligibility discrepancies between the RIBridges eligibility system and the MMIS claims payment system as the State has prevented terminations and changes in eligibility status from communicating to the MMIS. This has allowed on-going Medicaid coverage and claims payments to continue as required by federal PHE requirements. Beginning in April 2023 with the end of the PHE designation by the federal government, the State will begin recertification of all applicants and ensure that eligibility data between these two critical Medicaid systems is consistent.*

Finding 2020-065 – ALN 93.775, 93.777, 93.778; 93.788 (Reported Initially in Finding 2019-065)

Department of Behavioral Healthcare, Developmental Disabilities and Hospitals administration costs were allocated to the Medicaid and Opioid STR programs through a departmental cost allocation plan that was not federally approved.

- 2020-065 Redetermine administrative costs for periods allocated through unapproved methodologies using the plan submitted to the DHHS Division of Cost Allocation (once formally approved). Credit the federal programs for excess administrative costs identified for those periods.

Status: *Not implemented. Questioned cost finding relating to fiscal 2020.*

Finding 2020-066 – ALN 93.788

BHDDH can enhance its monitoring of subrecipients as required by federal program requirements.

- 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.

Status: *Implemented.*

Finding 2020-067 – ALN 93.788

BHDDH did not have a procedure in place to ensure compliance with the five percent limit on administrative and infrastructure development expenditures.

- 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.

Status: *Implemented.*

Finding 2020-068 – ALN 93.788

Expenditures were overstated in the Opioid STR program.

- 2020-068 Correct the overstatement of Opioid STR grant expenditures – modify federal financial reports as needed.

Status: *Implemented.*

Finding 2020-070 – ALN 93.917

Claims for HIV drugs were paid through the AIDS Drug Assistance Program (ADAP) rather than Medicaid when the program participant had established Medicaid eligibility.

- 2020-070a Explore options with the Medicaid fiscal agent operating the MMIS to link ADAP and Medicaid profiles to ensure the intended payment hierarchy is observed when both ADAP and Medicaid eligibility profiles exist.
- 2020-070c Enhance controls to only establish ADAP eligibility profiles within the MMIS when indicated by consideration of all health insurance available to the program participant.

Status: *Partially Implemented. Adjustments made to the process in 2022 did not meet expectations. We found that the anticipated solution did not prevent solo Medicaid recipients from falling into the ADAP system. Staff now have access to MMIS to check if an applicant is on Medicaid, but the system does not always reveal true, real-time Medicaid status, and this process is manually intensive and requires staff to research each applicant. The internal team, consisting of Medicaid staff, HIV Provision Care & Special Populations staff, and Gainwell (the PBM) staff, continue to meet to find a suitable resolution within the system to automatically identify third-party liability and prevent Medicaid recipients from being charged to ADAP.*

Finding 2020-072 – ALN 93.917

EOHHS can improve its monitoring of subrecipient agencies which provide direct services to program participants.

- 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.

Status: *Implemented.*

Finding 2021-001 – Financial Statement Finding

(Reported Initially in Findings 2016-001 and 2016-021)

The State is implementing its strategic plan to replace and enhance key statewide financial and administrative systems and is in the process of selecting a software vendor and system integrator. The implementation should focus on ensuring a successful outcome through effective management of critical risks.

- 2021-001a Select software and a system integrator that are the best match for the State's needs.
- 2021-001b Manage the process re-engineering that must be done to align the State's processes to the software-as-a-service functionalities within the ERP system.
- 2021-001c Ensure sufficient subject matter experts are involved in the implementation process to ensure a high likelihood of success.

Status: *Partially Implemented. See finding 2022-001 for current year update and recommendations.*

Finding 2021-002 – Financial Statement Finding

(Reported Initially in Finding 2020-002)

Controls over the processing of unemployment insurance claims were insufficient to prevent fraudulent unemployment insurance benefit payments. While efforts continue to identify the amount of fraud, fraudulent payments increased over the prior year. Recoveries of fraudulent unemployment insurance benefits have not been recognized or credited to the federal grantor.

- 2021-002a 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.
- 2021-002b Implement a strategic plan to address the required modernization of the unemployment benefit claims processing system.
- 2021-002c Research recoveries of overpayments or fraudulent payments and record within the State's RIFANS accounting system.
- 2021-002d Credit the federal government (appropriate federal award) for amounts recovered.

Status: *Partially Implemented. See finding 2022-002 for current year update and recommendations.*

Finding 2021-003 – 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.

- 2021-003a Formalize a risk assessment process for significant Medicaid related activities to determine where controls and other data validation procedures are required. Delineate areas where audit procedures could be utilized to validate data currently not supported within contract settlement procedures.
- 2021-003b Develop specific objectives for managed care data processing (i.e., premium and encounter data processing functionality) that will be required of and included in the specifications for the next MMIS.
- 2021-003c Minimize instances where material financial activities are reliant on manual processes to ensure proper financial reporting.

Status: *Partially Implemented. See finding 2022-003 for current year update and recommendations.*

Finding 2021-004 – Financial Statement Finding

(Reported Initially in Finding 2017-008)

The Executive Office of Health and Human Services (EOHHS) authorized more than \$170 million in disbursements (system payouts and manual payments) and \$85 million in system recoupments during fiscal 2021. 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.

- 2021-004a Adopt policies that formalize the financial transaction type that best aligns with the nature of the transaction.
- 2021-004b Develop comprehensive reporting for system payouts, manual disbursements, and system recoupments to improve the transparency of these transactions processed by the Medicaid fiscal agent.
- 2021-004c Improve controls over non-claims based financial transactions in the next MMIS to provide for individual reporting and proper financial accounting treatment of non-claims based financial transactions.

Status: *Partially Implemented. See finding 2022-003 for current year update and recommendations.*

Finding 2021-005 – 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.

- 2021-005a 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.
- 2021-005b Implement an internal control assessment and documentation effort to coincide with the implementation of a fully integrated ERP system.

Status: *Partially Implemented. See finding 2022-005 for current year update and recommendations.*

Finding 2021-006 – Financial Statement Finding (Reported Initially in Findings 2018-033 and 2019-005)

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.

- 2021-006a Enhance training and monitoring to ensure compliance with newly implemented SOC report evaluation procedures.
- 2021-006b Ensure that relevant complimentary user entity (State) controls identified by service organizations are also in place and operating effectively.
- 2021-006c 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 2022-006 for current year update and recommendations.*

Finding 2021-007 – Financial Statement Finding (Reported Initially in Finding 2015-008)

The State can enhance certain system access controls within the RIFANS statewide accounting system.

- 2021-007a 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. Ensure that current documentation of system access and transaction workflows is current and that all access is granted or terminated with appropriate approval.
- 2021-007b Ensure the new ERP system being procured contains robust functionality to manage and document user access controls and authorization levels including the activities of super users.

Status: *Partially Implemented. Issue consolidated into statewide finding in fiscal 2022. See finding 2022-020 for current year update and recommendations.*

Finding 2021-008 – Financial Statement Finding (Reported Initially in Finding 2015-003)

Statewide accounting controls over receivables should be enhanced.

- 2021-008 Ensure the statewide ERP system in procurement includes appropriate and integrated revenue/receivable functionalities.

Status: *Partially Implemented. Issue consolidated into statewide finding in fiscal 2022. See finding 2022-001 for current year update and recommendations.*

Finding 2021-009 – 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.

- 2021-009 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.

Status: *Partially Implemented. See finding 2022-008 for current year update and recommendation.*

Finding 2021-010 – Financial Statement Finding

The State can improve controls over the use of the DBC Debt Manager system to support debt-related accounting entries.

- 2021-010a Run all DBC reports for year-end related balances with a June 30 effective date to ensure all transactions are accurately captured in the reports.
- 2021-010b Research additional report functionalities within DBC to summarize fiscal year beginning and ending balances of unamortized premiums.

Status: *Implemented.*

Finding 2021-011 – Financial Statement Finding

The Division of Purchases (Purchasing) should improve enforcement of procurement documentation requirements in accordance with State purchasing regulations. Our audit noted documentation deficiencies for certain procurements included in our sample.

- 2021-011 Reinforce policies, procedures, and controls to ensure that required procurement documentation is maintained in accordance with State policies and procedures.

Status: *Implemented.*

Finding 2021-012 – Financial Statement Finding

Procedures for recording transactions included in the government-wide financial statements can be improved.

- 2021-012 Enhance procedures for preparing the government-wide financial statements to ensure consistent and accurate recording of transaction activity. Consider adapting procedures to integrate the conversion method of preparation.

Status: *Partially Implemented. See finding 2022-012 for current year update and recommendations.*

Finding 2021-013 – Financial Statement Finding

A variance of \$2.5 million existed between the balance of the unexpended CRF and the total federal award less expenditures through June 30, 2021. Reconciliations should be completed to ensure eligible expenditures were not reimbursed from more than one funding source.

- 2021-013a Resolve unreconciled differences between CRF expenditures and activity in the CRF unearned revenue account.
- 2021-013b Complete reconciliations to demonstrate that eligible COVID program costs were not reimbursed from more than one federal funding source.

Status: *Implemented.*

Finding 2021-014 – Financial Statement Finding

The process to record the liability for compensated absences can be enhanced by using a combination of actual data when readily available and estimates where appropriate.

- 2021-014a Utilize actual data to calculate the compensated absence liability when readily available and use estimates for the remaining portion (sick leave payable upon retirement and the current and long-term portions of the overall liability).
- 2021-014b Segregate the vacation and sick leave portions of amounts paid at retirement to facilitate developing reliable estimates of the liability for sick time eligible for payment at retirement.

Status: *Partially Implemented. Issue consolidated into statewide finding in fiscal 2022. See finding 2022-012 for current year update and recommendations.*

Finding 2021-015 – Financial Statement Finding

There is an excessive volume of journal entries recorded within the centralized accounting system. This volume weakens controls over the appropriate authorization and classification of expenditures and limits transparency regarding the underlying primary expenditure transactions.

- 2021-015a Ensure the statewide ERP (in procurement) includes appropriate cost allocation, including payroll distributions and an integrated revenue/receipt functionality to significantly reduce the volume of journal entries needed to maintain the accounting system and support financial reporting.
- 2021-015b Enhance review and oversight of material journal entries to ensure appropriate recording of transactions and to avoid misstatement of the financial statements.

Status: *Partially Implemented. See finding 2022-011 for current year update and recommendations.*

Finding 2021-016 – Financial Statement Finding

Third-party insurance reimbursements for COVID testing totaling \$3.2 million on June 30, 2021 are pending (1) credit to the federal government for previously reimbursed costs or (2) recognition as general revenues. Other third-party insurance recoveries that are in process have not been recognized as receivables, revenue, or amounts due to the federal government.

- 2021-016a 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.
- 2021-016b Assess any amounts due to the State for third-party reimbursement for vaccine administration or from contracts with vendors who administered vaccines and obtained the right to bill insurers for vaccine administration.

Status: *Partially Implemented. Downgraded by auditors to a management comment in fiscal 2022.*

Finding 2021-017 – Financial Statement Finding

The OAG proposed multiple material audit adjustments during the audit of the State's fiscal 2021 financial statements.

- 2021-017 Enhance oversight of material and complex journal entries to decrease the risk of misstatement of the financial statements.

Status: *Partially Implemented. See finding 2022-009 for current year update and recommendations.*

Finding 2021-018 – Financial Statement Finding

Taxes receivable required adjustment at year end due to timing differences and the inclusion of some invalid amounts.

- 2021-018a Review large tax receivable balances at June 30 and remove any balances that are not valid receivables due to adjustment soon after year end.
- 2021-018b Adjust tax receivable balances due to the incorrect or non-filing of an apportionment schedule. Consider legislative remedy to mandate electronic filing which will enhance control over the completeness of filed returns.

Status: *Implemented.*

Finding 2021-019 – Financial Statement Finding

Failure to install timely updates to the application software results in increased security risk and uncorrected software functionality issues identified by the software developer.

- 2021-019a Install software updates timely and at required intervals to ensure continued system operating functionality and maintain system security.
- 2021-019b Implement a required notification process to alert key application users and information technology personnel to allow an appropriate evaluation of risk and any required risk mitigation efforts.

Status: *Partially Implemented. Issue consolidated into statewide finding in fiscal 2022. See finding 2022-018 relating to overall consideration of entity-wide IT security risks for current year update and recommendations.*

Finding 2021-020 – Financial Statement Finding

(Reported Initially in Finding 2019-006)

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.

- 2021-020a Include staff from Office of Accounts and Control on the team performing each cyclical, departmental capital asset inventory.
- 2021-020b 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. See finding 2022-013 for current year update and recommendations.*

Finding 2021-021 – Financial Statement Finding

(Reported Initially in Findings 2015-006 and 2015-012)

The State should formalize identification of major systems, standardize application testing, and incorporate business continuity planning within its overall disaster recovery testing.

- 2021-021a 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.
- 2021-021b Establish a repeatable level of application testing and incorporate business continuity planning within periodic disaster recovery testing.

Status: *Partially Implemented. See finding 2022-022 for current year update and recommendations.*

Finding 2021-022 – Financial Statement Finding

(Reported Initially in Finding 2015-007)

The State does not follow uniform enterprise-wide program change control procedures for the various IT applications operating within State government. This increases the risk that unauthorized or inappropriate changes could be made to IT applications without detection.

- 2021-022a Develop and implement procedures detailing specific requirements for program change control and disseminate and train DoIT support staff in its proper execution.
- 2021-022b Determine the appropriate combination of operational, procedural and/or technical adjustments required to use change management software to result in adequate program change control for the entire enterprise.

Status: *Partially Implemented. See finding 2022-019 for current year update and recommendations.*

Finding 2021-023 – 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. A formal comprehensive risk-based approach to identify, prioritize, and manage DoIT infrastructure hardware and software improvements will help to maximize the effect of security upgrades.

- 2021-023a 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.

2021-023b Perform formalized risk assessments at least once every three years (with annual updates to adjust security priorities) 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.

2021-023c Formalize 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. Assign each project a likelihood and impact risk rating and use as a factor to determine the prioritization of projects. Review project risk ratings at least once a year and update as needed. Use the plan to guide required funding and staffing to address significant priorities in a timely manner.

Status: *Partially Implemented. See finding 2022-018 for current year update and recommendations.*

Finding 2021-024 – 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.

2021-024a Enhance the monthly and annual reconciliations between RIFANS and RIMS, to include all RIFANS revenue accounts to ensure the data in RIMS supports the revenue recorded in RIFANS.

2021-024b Create a crosswalk between the fees charged in RIMS and the section of the Rhode Island General Laws authorizing the fee.

Status: *Not Implemented. See finding 2022-014 for current year update and recommendations.*

2021-024c Record the actual deposit date in the RIMS deposit date field.

Status: *Implemented.*

Finding 2021-025 – Financial Statement Finding *(Reported Initially in Finding 2018-028)*

The Division's system security approach can be further improved by including additional critical system security requirements.

2021-025a Develop a sensitive data inventory for the RIMS system to identify sensitive data elements needing greater protection.

2021-025b Implement RIMS database logging and monitoring for sensitive data.

2021-025c Conduct formal incident response training for DMV staff.

2021-025d Enhance controls and timeframes to ensure prompt termination of system access when employees leave or change functions. Document timely reviews of access privileges.

Status: *Partially Implemented. Issue split and recommunicated in separate statewide findings in fiscal 2022. See findings 2022-018 through 2022-023 for current year updates and recommendations to address these recommendations across the entity.*

Finding 2021-026 – 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.

2021-026a 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. Perform a complete reconciliation of activity by funding source to the fund balance components included on the financial statements.

2021-026b Reassess 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.

2021-026c Enhance controls to ensure that 5% of Highway Maintenance Account revenues are transferred to the General Fund and RIPTA as required by law.

Status: *Partially Implemented. See finding 2022-015 for current year update and recommendations.*

Finding 2021-027 – 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.

2021-027a Enhance controls over the assignment of project infrastructure codes.

2021-027b Improve controls over the calculation and identification of projects to be reclassified from Construction in Progress (CIP) to Infrastructure. Record any infrastructure related journal entry at the funding source level. Ensure information maintained in the Department's Schedule of Construction in Progress agree to FMS, RIFANS and the capital asset portrait. Any differences should be researched and resolved.

Status: *Implemented.*

2021-027c Document consideration of whether any of the State's transportation infrastructure has been impaired consistent with GAAP criteria.

2021-027d Implement a process to remove estimated infrastructure assets and related accumulated depreciation when assets have been replaced or taken out of service.

Status: *Partially Implemented. See finding 2022-016 for current year update and recommendations.*

Finding 2021-028 – Financial Statement Finding

Obtain a service organization control report to provide assurance on key controls of a vendor involved in highway tolling operations.

2021-028 Modify the contract with the tolling vendor to require the vendor to provide the results and conclusions of the annual SOC testing.

Status: *Not Implemented. See finding 2022-017 for current year update and recommendation.*

Finding 2021-029 – Financial Statement Finding

(Reported Initially in 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.

2021-029a Assess the resources necessary to effectively manage and administer the OPEB System to ensure all System functionalities are met and adequately controlled.

2021-029b 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.

2021-029c Evaluate assigned responsibilities for key functions and segregate certain responsibilities for incompatible functions to enhance controls over critical plan administrative functions.

2021-029d Establish consistent procedures to identify deceased plan members and prompt timely termination of coverage.

Status: *Partially Implemented. See finding 2022-024 for current year update and recommendations.*

Finding 2021-030 – Financial Statement Finding

(Reported Initially in Finding 2015-026)

Rhode Island Convention Center Authority – During the year ended June 30, 2021, the Authority was unable to fund the Operating Reserve requirement of the restrictive covenants for the RICC and the DDC pursuant to the indentures.

2021-030 We recommend that the Authority fund the Operating Reserve.

Status: *Not Implemented. See finding 2022-030 for current year update and recommendation.*

Finding 2021-031 – 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.

2021-031 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: *Not Implemented. See finding 2022-027 for current year update and recommendation.*

Finding 2021-032 – 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.

2021-032 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: *Not Implemented. See finding 2022-028 for current year update and recommendation.*

Finding 2021-033 – Financial Statement Finding

I-195 Redevelopment District – As part of an internal review and reconciliation process with the State, management discovered amounts incorrectly reported in the 2020 financial statements.

2021-033 We recommend that management ensure that appropriate controls are in place over its financial reporting to prevent, or detect and correct, errors on a timely basis.

Status: *Implemented.*

Finding 2021-034 – Financial Statement Finding

I-195 Redevelopment District – During the year, the District was the target of a phishing attack where the perpetrator portrayed an employee, successfully instructed management to amend payroll direct deposit information, and fraudulently obtained an employee's net pay for two payroll cycles.

2021-034 We recommend that management implement cybersecurity training and appropriate control policies and procedures to ensure that such instances do not recur in the future.

Status: *Implemented.*

Finding 2021-035 – Financial Statement Finding

The Metropolitan Regional Career and Technical Center – During the performance of our audit of the MET's financial statements, we noted that the trial balance was not properly reviewed before given to the auditors. We noted significant entries needed to be made related to state aid, accrued payroll, accounts payable, and fixed assets upon review of the accounts.

2021-035 Policies and procedures should be developed and implemented by the Met's management to ensure that appropriate internal controls are enforced.

Status: *Partially Implemented. See finding 2022-029 for current year update and recommendation.*

Finding 2021-036 – Financial Statement Finding

Rhode Island Commerce Corporation – In regards to the Small Business Loan Fund, there was \$1,000,000 of CARES Act Revolving Loan Fund revenue recognized on June 29, 2021, during the fiscal year ended June 30, 2021, when the funds were received. The Rhode Island Commerce Corporation should have (1) delayed revenue recognition until when the funds were disbursed on July 1, 2021, during the year ending June 30, 2022, or (2) been recorded as unearned revenue to be recognized as of July 1, 2021. This appears to be an isolate incidence and is not systemic.

- 2021-036 We recommend that the Rhode Island Commerce Corporation review its revenue recognition policy to ensure proper recognition or deferral of amounts.

Status: *Implemented.*

Finding 2021-037 – Financial Statement Finding

Controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) can be enhanced to ensure all program activity is accurately reported to the proper Assistance Listing number and amounts passed through to subrecipients are appropriately classified and reported.

- 2021-037 Ensure policies and procedures for presenting the SEFA are consistent with Uniform Guidance requirements.

Status: *Partially Implemented. See finding 2022-007 for current year update and recommendation.*

Finding 2021-038 – ALNs 16.575; 84.425D; 93.323; 93.558; 93.575, 93.596; 97.036

Controls over reporting of subawards to a federal transparency website can be enhanced to ensure accurate reporting in compliance with the requirements of FFATA.

- 2021-038a Establish statewide policies and procedures to ensure accurate and timely reporting of subawards in accordance with FFATA.
- 2021-038b Implement FFATA training for departments and agencies administering federal program to enhance awareness and compliance.

Status: *Partially Implemented. See finding 2022-038 for current year update and recommendations.*

Finding 2021-039 – ALNs 10.551, 10.561; 93.558; 93.575, 93.596; 93.767; 93.775, 93.777, 93.778

(Reported Initially in Finding 2019-037)

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.

- 2021-039a Ensure the overall monitoring of RIBridges access is continually performed to ensure access is granted appropriately, terminated timely, and consistent with each individual's scope of duties.
- 2021-039b Evaluate the access control management process and the report elements so that privilege changes and attempted changes are captured and evaluated for appropriateness. Periodically check that the Deloitte Security Administrator and Deloitte employee privilege changes and actions are appropriate.

Status: *Implemented.*

Finding 2021-040 – ALNs 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.

- 2021-040a 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.

2021-040b Ensure that the formalized plan includes a comprehensive risk assessment for both systems (RIBridges and MMIS), 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 2022-040 for current year update and recommendation.*

Finding 2021-041 – ALNs 10.553; 10.555; 10.556; 10.559, 10.579 (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.

2021-041 Improve the functionality of the software used to account for USDA-Donated Foods to ensure compliance with federal regulations.

Status: *Partially Implemented. It is anticipated that with program upgrades, staff training and warehouse reorganization that the inventory program will be fully operational by the end of fiscal year 2023.*

Finding 2021-042 – ALNs 15.605, 15.611

DEM's subrecipient monitoring procedures need to be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

2021-042a Enhance subrecipient monitoring procedures to ensure that DEM is correctly identifying and classifying subrecipients and complying with applicable program regulations and requirements.

Status: *Implemented.*

2021-042b Perform on-site fiscal monitoring and obtain and review all relevant audit reports to verify if any subrecipients had reported deficiencies pertaining to any applicable program laws or regulations.

Status: *Partially Implemented. DEM has identified a staff member and is developing criteria to determine when site visits are required. Anticipated completion date has been updated to commence review on or after September 30, 2023 for all subrecipient audits filed for fiscal year ending June 30, 2023.*

Finding 2021-043 – ALNs 15.605, 15.611

DEM's controls to ensure compliance with state matching requirements for the Fish and Wildlife Cluster need to be enhanced.

2021-043a Improve agency procedures to ensure that grant matching requirements are met in compliance with applicable program regulations and requirements.

2021-043b Streamline the RIFANS accounts established for Fish and Wildlife Cluster grants to facilitate reporting and to demonstrate that applicable matching requirements have been met.

Status: *Implemented.*

Finding 2021-044 – ALNs 15.605, 15.611

DEM's Real Property Management procedures need to be enhanced to ensure that property acquired or constructed with Wildlife Restoration program funds shall continue to serve the purpose for which it was acquired or constructed in compliance with applicable program laws and regulations.

2021-044 Modify real property management procedures to ensure properties acquired with federal funds are adequately maintained, consistent with all applicable federal program requirements.

Status: *Partially Implemented. A plan has been developed specific to Round Top that is pending hazardous materials study and a decision from Historic Preservation and Heritage Commission. DEM anticipates final decisions on the property to be completed September 30, 2023.*

Finding 2021-045 – ALN 16.575

Controls over federal reporting can be enhanced to ensure SF-425 Federal Financial Reports are accurate and adequately supported.

- 2021-045a Ensure the data in the quarterly SF-425 Federal Financial Reports is complete and accurate.
- 2021-045b Enhance the review process over quarterly SF-425 Federal Financial Reports to prevent or detect misstatements prior to submission.

Status: *Implemented.*

Finding 2021-046 – ALN 16.575

Subrecipient monitoring procedures should be enhanced to ensure that funds are expended by subrecipients in compliance with applicable program laws and regulations.

- 2021-046a Obtain and review all Single Audit Reports for subrecipients. Issue management decisions on audit findings within six months as required by federal regulations.
- 2021-046b Restore on-site monitoring for subrecipients to ensure compliance with program requirements.
- 2021-046c Modify subrecipient risk assessment procedures to include consideration of whether Crime Victim Assistance was tested as a major program and other information available in subrecipient Single Audit Reports.

Status: *Implemented.*

Finding 2021-047 – ALNs 17.225; 21.019

(Reported Initially in Finding 2020-030)

Controls over the processing of unemployment insurance claims were ineffective to sufficiently prevent fraudulent unemployment insurance benefit payments. Controls were also ineffective to ensure compliance with the documentation of self-employment income for the Pandemic Unemployment Assistance (PUA) program.

- 2021-047a Enhance procedures to timely identify fraudulent claims by strengthening controls within the legacy claims processing system as well as using data analytics tools/process outside of the legacy system.
- 2021-047b Implement a strategic plan to address the required modernization of the unemployment benefit claims processing system.

Status: *Partially Implemented. See finding 2022-041 for current year update and recommendation.*

Finding 2021-048 – ALN 17.225

(Reported Initially in Finding 2015-032)

The Department of Labor and Training (DLT) did not make the necessary changes to its system to allow for the imposition of penalties on overpayments due to fraud, and to prohibit relief from charges to an employer's Unemployment Compensation (UC) account when the overpayment was the result of the employer's failure to respond timely or adequately to a request for information.

- 2021-048 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 2022-042 for current year update and recommendation.*

Finding 2021-049 – ALNs 20.205, 20.219

RIDOT's Quality Assurance Program should be updated to reflect current testing procedures.

- 2021-049a Obtain formal approval of the Department's Quality Assurance Program.
- 2021-049b Enhance coordination among the three sections of RIDOT that have shared responsibility for the overall operation of the Department's Quality Assurance Program. Enhance training for all project-related staff on the requirements of the Quality Assurance Program (23 CFR 637.205) and the Department's related policies, procedures and controls.

Status: *Implemented.*

Finding 2021-050 – ALNs 20.205, 20.219

Department policies and procedures for the administration of engineering and design-related service contracts require written approval from FHWA.

- 2021-050a Obtain FHWA approval of RIDOT's written policies and procedures for procurement of engineering and design services. Incorporate the approval letter into the policy and procedures manual.

Status: *Implemented.*

- 2021-050b Ensure the indirect cost rate reviews are performed for utility and railroad vendors.

Status: *Partially Implemented. RIDOT continues to work on this effort with DOA Bureau of Audits and/or outside vendors.*

Finding 2021-051 – ALNs 20.500, 20.507, 20.525, 20.526

RIDOT's controls are insufficient to ensure Federal Transit Cluster funds are expended or obligated within the applicable period of performance.

- 2021-051a Enhance the understanding of FTA period of performance compliance objectives and requirements for key personnel to support the design of controls to ensure compliance.

- 2021-051b Implement procedures to track the period of performance for each open FTA award and include relevant information from the FTA milestone reporting process which impacts period of performance timelines.

Status: *Implemented.*

Finding 2021-052 – ALNs 20.500, 20.507, 20.525, 20.526

Rhode Island Public Transit Authority – During our test of internal controls, we noted that costs related to four operating expense reimbursements were determined for a period using fixed route statistics which included average costs per mile and hour, less preventative maintenance and farebox recovery. We also noted that documentation for three operating expense reimbursements for a period included only the payroll reports for fixed route drivers plus benefits, calculated using a fringe benefit percentage rate, and there was no documentation that fare revenues and other operating reimbursements had been deducted from the operating expense reimbursement.

- 2021-052 We recommend that CARES Act operating expense reimbursements be prepared utilizing the Rhode Island Public Transit Authority's general ledger which is prepared in accordance with generally accepted accounting principles and documented using a worksheet prepared in accordance with FTA Circular 9030.1E, that excludes ineligible costs and deducts fares and other operating expense reimbursements.

Status: *Partially Implemented. See finding 2022-044 for current year update and recommendation.*

Finding 2021-053 – ALNs 20.500, 20.507, 20.525, 20.526

Rhode Island Public Transit Authority – The Rhode Island Public Transit Authority has internal control policies and procedures in place to ensure compliance with activities allowed or unallowed, allowable costs/cost principles, and period of performance requirements. The Rhode Island Public Transit Authority's internal control procedure to ensure compliance with these requirements is the approving initials of the Chief of Strategic Advancement or his designee and the approving initials of the Executive Director of Budget and Finance or his designee on the capital supply or operating requisition. During our testing of internal controls, we noted that an approved requisition could not be located for one of the forty transactions selected.

- 2021-053 We recommend that the Rhode Island Public Transit Authority ensure a properly approved requisition form is prepared for all federal award program expenses to ensure proper documentation of the internal control policies and procedures related to activities allowed or unallowed, allowable costs/cost principles, and period of performance compliance requirements.

Status: *Implemented.*

Finding 2021-054 – ALNs 20.500, 20.507, 20.525, 20.526

(Reported Initially in Finding 2020-036)

Rhode Island Public Transit Authority – During the process of obtaining an understanding of the 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 2021 fiscal year. The grant award notice and subrecipient agreement were not executed in a timely manner and quarterly and final reports were not submitted during fiscal year 2021 as required by the subrecipient agreement.

2021-054 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.

Status: *Implemented.*

Finding 2021-055 – ALNs 20.500, 20.507, 20.525, 20.526

Rhode Island Public Transit Authority – During our testing of internal controls, we noted that documentation for one of the forty transactions selected was incomplete. The transaction was a preventative maintenance reimbursement and the accounting system reports to support parts and towing expenses could not be located.

2021-055 We recommend that the Rhode Island Public Transit Authority ensure proper documentation is prepared and maintained for all federal award program expenses in accordance with the cost principles.

Status: *Implemented.*

Finding 2021-056 – ALNs 20.500, 20.507, 20.525, 20.526

Rhode Island Public Transit Authority – During our testing of internal controls, we noted that the documentation for one service reimbursement to the Rhode Island Public Transit Authority’s operating fund contained errors resulting in the incorrect calculation of the reimbursement amount. We also noted that the documentation maintained in the grant file for the reimbursement was not in sufficient detail to support the reimbursement calculation.

2021-056 We recommend that Rhode Island Public Transit Authority ensure an individual independent of the preparation process perform a detailed review of all service reimbursements and related cost factor calculations and approve the reimbursement request prior to it being submitted to the FTA. We also recommend that Rhode Island Public Transit Authority ensure proper documentation is prepared and maintained for all federal award program expenses in accordance with the cost principles.

Status: *Implemented.*

Finding 2021-057 – ALNs 20.500, 20.507, 20.525, 20.526

Rhode Island Public Transit Authority – The Rhode Island Public Transit Authority has internal control policies and procedures in place to ensure compliance with activities allowed or unallowed and allowable costs/cost principles. The Rhode Island Public Transit Authority’s internal control procedure to ensure compliance with these requirements is the approving initials of the Chief of Strategic Advancement or his designee and the approving initials of the Executive Director of Budget and Finance or his designee on the capital supply or operating requisition. During our testing of internal controls, we noted that although a requisition was properly approved for three charges to federal award programs, the specific items were not included in the grant budget. The charges were for three 29-foot buses, but the grant budgets only included an expense line for 40 foot buses.

2021-057 We recommend that more care be taken when reviewing and approving requisitions to ensure only charges included in the grant budget are approved or that approval from FTA be obtained to amend the grant agreement to include any changes in planned spending.

Status: *Implemented.*

Finding 2021-058 – ALN 21.019

(Reported Initially in Finding 2020-033)

Controls over final centralized approval of expenditures funded by the Coronavirus Relief Fund (CRF) should be improved.

2021-058 Ensure that all CRF expenditures and activities charged by the departments and agencies are consistent with the PRO centralized project and program approval process.

Status: *Not Implemented. Incorporated into new finding 2022-051 for current year update and recommendation.*

Finding 2021-059 – ALN 21.019

Questioned costs were identified for certain expenditures reimbursed from the Coronavirus Relief Fund program.

- 2021-059 Restore the questioned costs to the balance of CRF fund pending disbursement or reimburse the federal government.

Status: *Not Implemented. Management disagreed with the finding.*

Finding 2021-060 – ALN 21.019

The State has not implemented sufficient overall subrecipient monitoring activities for Coronavirus Relief Fund amounts passed through to subrecipients.

- 2021-060 Obtain and review single audit reports for subrecipients receiving subawards of CRF funds. Issue timely management decisions when required.

Status: *Not Implemented. See finding 2022-039 for current year update and recommendations.*

Finding 2021-061 – ALNs 21.019; 93.323; 97.036

The State had insufficient controls to ensure expenditures were not reimbursed from more than one award under federal programs with similar pandemic response related objectives.

- 2021-061 Ensure reconciliations and any required adjustments are complete to demonstrate that eligible COVID program costs were not reimbursed from more than one federal funding source.

Status: *Not Implemented. See finding 2022-052 for current year update and recommendations.*

Finding 2021-062 – ALN 93.323

RIDOH can enhance monitoring controls over time and effort reporting to ensure payroll cost allocations are adequately supported by employee timesheets.

- 2021-062a Establish a central location within RIDOH to maintain official signed timesheets to support payroll charges against Federal awards.
- 2021-062b Enhance monitoring controls over the weekly reporting of time and effort to ensure that hours allocated on the timesheet were representative of the work performed.

Status: *Partially Implemented. See finding 2022-059 for current year update and recommendations.*

Finding 2021-063 – ALN 93.323

RIDOH can enhance its monitoring of subrecipients to ensure compliance with federal program requirements.

- 2021-063 Ensure all subrecipients are identified to allow for timely collection and review of subrecipient single audit reports.

Status: *Not Implemented. See finding 2022-039 for current year update and recommendations.*

Finding 2021-064 – ALN 93.558

(Reported Initially in Finding 2017-064)

The State can improve compliance with TANF eligibility requirements specifically by ensuring consistent documentation of eligibility components within RIBridges.

- 2021-064 Continue efforts to ensure that all required eligibility compliance requirements are documented within RIBridges.

Status: *Partially Implemented. See finding 2022-061 for current year update and recommendation.*

Finding 2021-065 – ALNs 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.

- 2021-065 Improve controls over CCDF eligibility determinations by ensuring appropriate consideration of parent earnings information for determination of parent co-shares and consistent inclusion of eligibility documentation in the electronic case record.

Status: *Partially Implemented. See finding 2022-062 for current year update and recommendation.*

Finding 2021-066 – ALNs 93.575, 93.596

Matching expenditures reported on the CCDF ACF-696 report for the 2021 grant period were inconsistent with data included in the RIFANS accounting system.

- 2021-066 Improve controls over federal reporting by completing a reconciliation between reports and the state accounting system to detect reporting errors.

Status: *Implemented.*

Finding 2021-067 – ALNs 93.575, 93.596

Controls over the monitoring of background check requirements for licensed childcare centers requires strengthening.

- 2021-067a Modify policies to create uniform procedures for both family home providers and childcare centers. Implement a system that allows DHS to facilitate an active and continuous monitoring process of childcare provider compliance with relevant background check requirements.
- 2021-067b Increase the number of current employees reviewed during onsite inspections at all childcare centers to ensure childcare provider compliance with criminal background checks.

Status: *Implemented.*

Finding 2021-068 – ALN 93.767

(Reported Initially in Finding 2014-067)

The State did not materially comply with CHIP eligibility requirements during fiscal 2021. RIBridges is not fully evaluating all eligibility criteria to ensure compliance with federal regulations.

- 2021-068a Address and correct the RIBridges system deficiencies which weaken controls and result in material noncompliance with federal regulations regarding CHIP eligibility.
- 2021-068b Identify ineligible CHIP costs and return to the federal grantor.

Status: *Partially Implemented. See finding 2022-064 for current year update and recommendation.*

Finding 2021-069 – ALNs 93.767; 93.775, 93.777, 93.778

The State is not currently in compliance with federal regulations requiring States to implement certain program integrity safeguards when administering Medicaid managed care programs.

- 2021-069a Improve required contract language for required MCO financial audits to ensure compliance with federal requirements.
- 2021-069b Implement procedures to comply with federal regulations for MCO financial audits.

Status: *Partially Implemented. See finding 2022-065 for current year update and recommendation.*

Finding 2021-070 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2019-064)*

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.

- 2021-070 Expedite implementation of procedures to comply with federal regulations for the screening, enrollment and revalidation of providers used in managed care organization networks.

Status: *Partially Implemented. See finding 2022-066 for current year update and recommendation.*

Finding 2021-071 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2009-086)*

Capitation payments to MCOs represent approximately 64% of Medicaid benefit expenditures. EOHHS needs to improve controls over managed care financial activity to ensure compliance with allowable cost principles for related program expenditures.

- 2021-071a Improve controls over compliance requirements for the allowability of federal expenditures by addressing related internal control deficiencies over financial reporting and federal noncompliance that specifically impacts financial settlements with managed care organizations.
- 2021-071b Improve controls to ensure the timely termination of Medicaid eligibility for deceased individuals to prevent continued payment of managed care capitation after death.

Status: *Partially Implemented. See finding 2022-067 for current year update and recommendation.*

Finding 2021-072 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2019-068)*

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

- 2021-072a Eliminate untimely adjustment of expenditures between Medicaid and CHIP by addressing RIBridges programming deficiencies which prevent CHIP eligibility from being completely determined and coded through the State's integrated eligibility system.
- 2021-072b Require all HHS agencies to submit reconciliations of their quarterly administrative claiming (as determined through approved cost allocation methodologies) to reported expenditures in RIFANS on a quarterly basis.
- 2021-072c Conduct an analysis of healthcare related fees and taxes levied by the State to determine if other healthcare related taxes require reporting in the CMS-64 Report.

Status: *Partially Implemented. See finding 2022-068 for current year update and recommendation.*

Finding 2021-073 – ALNs 93.767; 93.775, 93.777, 93.778 *(Reported Initially in Finding 2020-055)*

The State should improve controls to ensure that its managed care organizations (MCOs) are effectively identifying TPL insurance coverage for Medicaid recipients and cost avoiding for claims covered by other insurance. Medicaid should be the payor of last resort when processing medical claims for individual covered by other insurance.

- 2021-073a 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.
- 2021-073b Explore the other TPL process recommendations above to further improve controls over TPL identification and cost avoidance.

Status: *Partially Implemented. See finding 2022-069 for current year update and recommendation.*

Finding 2021-074 – ALNs 93.775, 93.777, 93.778 *(Reported Initially in Finding 2020-054)*

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.

- 2021-074 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.

Status: *Partially Implemented. See finding 2022-071 for current year update and recommendation.*

Finding 2021-075 – ALNs 93.775, 93.777, 93.778

(Reported Initially in Finding 2020-058)

Controls to ensure NCCI claims processing edits are functioning over Medicaid activity require improvement to ensure compliance with federal regulations.

- 2021-075a 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.
- 2021-075b Ensure that the State's procurement of a new Medicaid Management Information System includes the requirements outlined in the NCCI Medicaid Technical Guidance issued by CMS.
- 2021-075c Consider in future MCO contract procurements, the benefits of mandating MCOs to implement NCCI edits within their claim processing systems to enhance program integrity over managed care claiming.

Status: *Partially Implemented. See finding 2022-072 for current year update and recommendation.*

Finding 2021-076 – ALNs 93.775, 93.777, 93.778

(Reported Initially in Finding 2020-057)

Certain psychiatric residential treatment facility (PRTF) services provided to children in the State's custody have been charged to Medicaid in fiscal 2021 in accordance with a methodology that is pending State Plan Approval. Controls over other services provided to children in the State's custody would be improved if processed through the Medicaid Management Information System (MMIS).

- 2021-076a Ensure that PRTF services are reimbursed to DCYF in accordance with the currently approved Medicaid State Plan.
- 2021-076b Ensure that allowable medical services provided by DCYF providers are billed directly to the MMIS and subject to all designed claims processing, recipient eligibility, and provider eligibility controls.

Status: *Partially Implemented. See finding 2022-073 for current year update and recommendation.*

Finding 2021-077 – ALN 97.036

RIEMA can improve its reporting function. Required federal financial reports for fiscal 2021 were not properly supported by the State accounting system.

- 2021-077a Strengthen procedures for preparing federal financial reports to ensure that information reported is adequately supported and consistent with amounts included in the RIFANS accounting system.
- 2021-077b Submit revised SF-425 and quarterly progress reports to reflect corrected expenditures and drawdowns for fiscal 2021, as necessary.

Status: *Partially Implemented. Revised reports were submitted in fiscal 2022. See finding 2022-075 for current year update and recommendations.*

Finding 2021-078 – ALN 97.050

Supplemental unemployment benefits were paid to claimants that did not meet the minimum benefit threshold required for eligibility.

- 2021-078 Resolve the noncompliance with the minimum benefit provision by retroactive implementation of the Rhode Island Executive Order or return federal funds drawn for the ineligible benefits.

Status: *Partially Implemented. In March 2023, Rhode Island made the programming changes necessary to implement the Governor's executive orders that required increasing the RI minimum weekly benefit amount to \$100. Claimants whose original benefit rate was less than \$100 were made whole and there became eligible for the LWA supplemental benefits.*